GOVERNMENT OF BERMUDA
Ministry of Finance

Budget Statement

2008/09

Presented by
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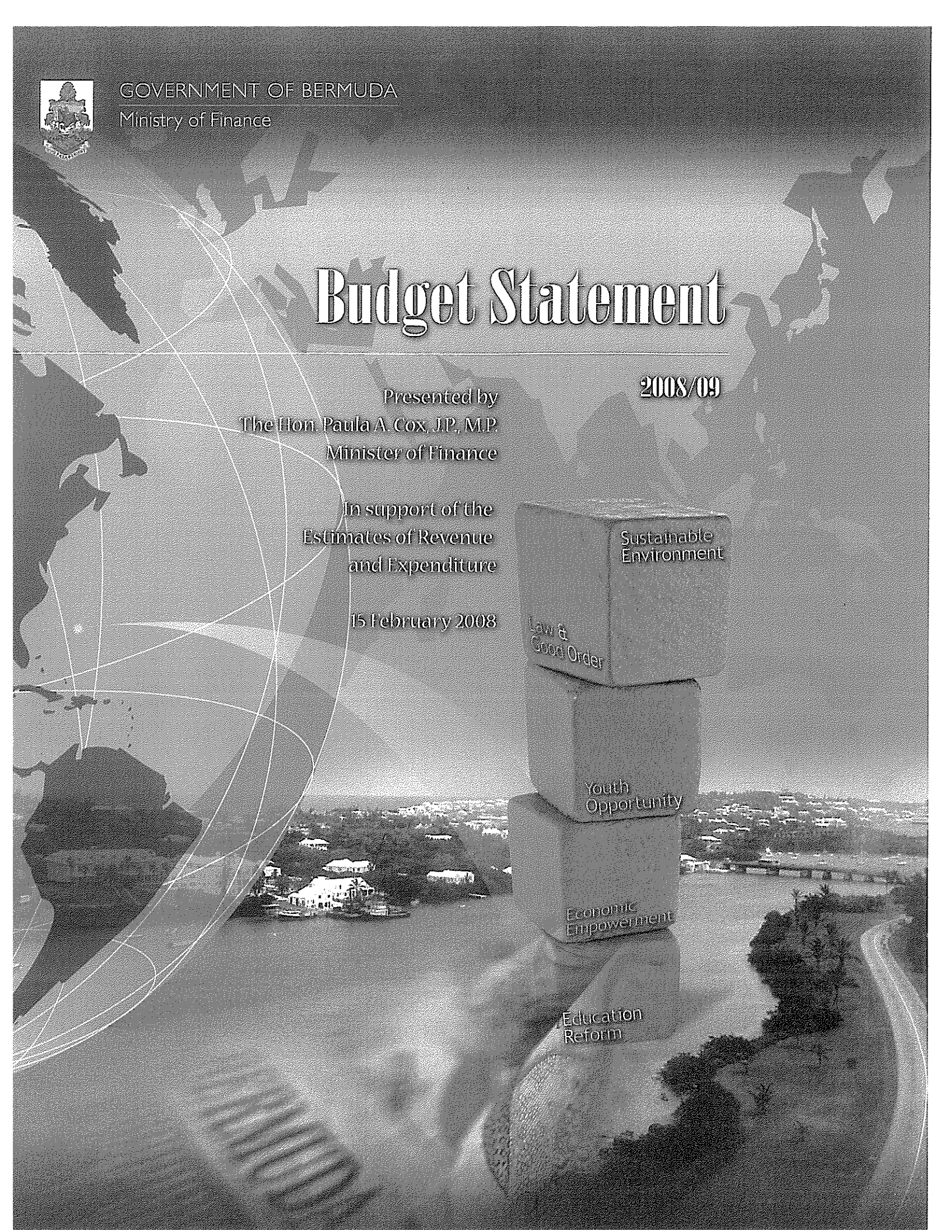
Minister of Finance

In support of the
Estimates of Revenue
and Expenditure

15 February 2008



To His Honour the Speaker and Members of the Honourable House of Assembly

Nelson Mandela: *"Sometimes it falls upon a nation to be great."*

Mr. Speaker

This is my fifth Budget and this Government's tenth fiscal report to the country. The National Budget Statement 2008/09:

- affirms the continuing strength of the economy;
- provides for significantly increased economic empowerment to Bermudians;
- builds on the firm foundation in tourism;
- acknowledges and appreciates the continued buoyancy of our international business sector;
- commits to the continued investment in our infrastructure; and
- pledges to restore the pride in our public education system.

The maintenance of economic stability and sustained growth even through periods of difficult times has been a central feature of Government's successful management since we first became the Government in 1998.

Bermuda is a successful global player. Our success and our prosperity are no accident. Our leadership position as a premier international financial centre is due in large measure to our commitment to build an adaptive and flexible economy that welcomes and encourages innovation and that is responsive.

To keep our competitive edge, we intend to continue to craft focused policies that are the basis for continued innovation.

To achieve this we need the best minds. To get the best minds education is of paramount importance. If we get the education model right, we get the country right. We intend to have a public education system that delivers education to fresh new generations in a way that inspires and sustains their interest.

The foundation for Bermuda's competitiveness is its human capital – a well-educated and skilled labour force. Education is paramount in the equation and its importance should not be underestimated.

That was the impetus for the Report entitled: *Review of Public Education in Bermuda*, that was commissioned in February 2007.

The aims of the *Review* were:

- to evaluate the effectiveness of public education in Bermuda and identify strengths and areas for improvement; and

- to provide evidence for a thorough reform of the public education system using a transparent methodology with very clear recommendations for action that will result in rapid improvement of this sector of government within short time scales.

Accountability and high standards produce good results in the classroom. Good results in the classroom enrich the community and brighten its future.

Mr. Speaker

Government has indicated in successive National Budget Statements that it will provide resources for programmes and initiatives that seek the following key objectives:

1. Strengthening social cohesion in our community;
2. Developing and training Bermuda's youth;
3. Improving the quality of life of our seniors;
4. Putting good quality homes within the economic reach of more Bermudian families; and
5. Stabilising, rejuvenating and encouraging business activity in all economic sectors.

Government's economic objective is to continue to build on the strong foundation and to work towards greater people empowerment and inclusion so that we have a fairer society with expanded opportunity.

The National Budget Statement 2008/09 sets out how Government intends to achieve this goal by its funding priorities. Government will build on a platform of stability and sustained growth so that Bermuda can continue its success in an increasingly competitive global environment.

While Bermuda continues to be a domicile of choice and is known as an international financial centre with a stellar reputation, it is important to note that Government prides itself on placing economic empowerment and opportunity as a key centrepiece. However in tandem with economic empowerment is the notion of financial empowerment. This means that the people gain not just in terms of business opportunities but also that we place a greater focus on money management and helping people to become adept and comfortable with their own financial management.

Specifically, Government intends to encourage and to promote the importance of personal savings. An understanding of the value of savings promotes a greater sense of confidence and independence that you can run your own affairs. Thus, education about financial empowerment can be a real help in highlighting the importance of managing one's money on a daily basis, the importance of planning for the future and of how to cope when one encounters hardship.

Government will not itself set up private savings accounts for individuals. The local financial institutions in tandem with the Bermuda Monetary Authority can reinforce the importance and need for personal savings and Government will do its part to encourage savings.

As before, this Budget also will have a focus on value for money and while there are the benefits by way of a continuing social dividend to the people of Bermuda in honouring our commitments made pre-election, you will note we are rolling out these benefits in a measured and circumspect manner so as to stave off any significant increases to the people's pocketbook in a dramatic fashion.

Government is keen to do more to effect greater efficiency within the civil service. The public sector makes a significant contribution to the economy. When the public sector is working at optimal efficiency it benefits the public in a myriad of ways. The public have enhanced public service; the taxpayers receive better value for money. All of this contributes to an economy that is performing to fund improved education, health and transport infrastructure. We intend to promote a simpler, more streamlined joined-up delivery of public services.

Mr. Speaker

Tax concessions excite the community as they make the people happy. Government will introduce a number of tax concessions that have been under development during the course of the last year.

The Customs Tariff Act 1970 will be amended to provide returning students with relief from duty on accompanied belongings.

The Old State House in the Towne of St. George will be exempted from land tax by way of an exemption order under the Land Tax Act 1967. The Old State House has immense historical and cultural significance and represents a national treasure. On these grounds alone, it ought not to be subject to taxation of any form.

Retail establishments have lobbied for many years to have concessions similar to hotels and restaurants for imported materials and equipment used in renovation and refurbishment projects. Government will introduce a Bill to provide such concessions to retail establishments.

In addition to tax concessions, there are certain increases that convey an equivalent measure of joy to the community. Pension increases fall in this category. Government is pleased to announce that pensions and allowances governed by the Contributory Pensions Act 1970 will be increased by 5 per cent with effect from August 2008 which is the beginning of the financial year for the Contributory Pension Fund.

Recent National Economic Developments and the Outlook for 2008

Mr. Speaker

I will summarise now the highlights of recent economic developments in Bermuda as well as Government's outlook for 2008.

The most recent official data on Gross Domestic Product (GDP) confirmed that 2006 was an

exceptionally good year. Bermuda's economy expanded by 5.4 per cent in 2006, and recorded its strongest performance in ten years. Economic indicators such as employment levels, visitor arrivals, visitor spending, international company growth and a balance of payments surplus position suggest that 2007 was another year of strong growth.

The forecasts indicate that – notwithstanding the increased oil prices and the weaker dollar and inflation – Government's revenue targets for 2007/08 were just about on-target. Inflation has not varied wildly or too widely from the projection of 3 per cent.

Preliminary results from the Annual Employment Survey point to a possible peak in employment levels in 2007. The year-over-year increase was less than one half of one per cent in 2007 following an increase of 1.9 per cent in 2006. The total number of jobs was recorded at 39,832 in 2007.

Financial services continued to be the leading contributor to the growth of the Nation's economy. This was especially true of international business. This sector expanded by 4 per cent while generating an additional 198 jobs.

The real estate sector rebounded from the decline in jobs in 2006. It posted the second largest increase in the number of jobs in 2007. An additional 96 jobs boosted that sector's output in 2007.

Other sectors that showed growth in 2007 were finance and business services.

The public sector maintained relative stability in 2007 with an employment level of just over 4,050 jobs.

In contrast to other sectors, construction, retail, transport and communications, and manufacturing all showed a reduction in jobs in 2007.

Bermuda's balance of payments is on track to achieve a very strong current account surplus in 2007. It had accumulated $829 million over the first three quarters of the year. The Ministry of Finance estimates that the 2007 current account surplus will exceed $1 billion. That level would represent a year-over-year increase in the range of 5 – 6 per cent.

The good performance in the external sector again was fuelled by the sustained growth of the international business sector. The Bermuda market continued to attract new capital. Consequently, it was positioned sufficiently well to withstand the adverse impact of write-downs associated with the sub-prime lending crisis.

The improved results in Bermuda's hospitality sector in 2007 also contributed to the increase in net foreign exchange earnings on Bermuda's account with the rest of the world. Tourist arrivals grew by about 4 per cent in 2007 giving rise to an increase in visitor spending on the Island.

Based on the indicators of performance for 2007 summarised above, the Ministry of Finance has raised its estimate of inflation-adjusted GDP growth in 2007 to the range of 3.5 to 3.75 per cent. The rate of consumer price inflation averaged 3.8 per cent in 2007 compared to 3.1 per cent in

2006. The sustained increase in oil prices and the continued weakness of the United States dollar were the main factors underlying the rise in the inflation rate.

The global economic outlook for 2008 has been clouded by the continuing fall-out from the sub-prime lending crisis. There is continued turbulence in capital markets. As a result, the G-7 outlook now is more uncertain than it was before the release of third quarter GDP data for many countries in the group.

In the case of the United States, the outlook for the national economy is pessimistic as there is a convergence of views that the U.S. economy is likely to experience a recession in 2008. While opinions and expectations vary widely, a large majority of respected forecasters now expect at least two quarters of declining real GDP. If so, real GDP growth in the U.S. in 2008 may be roughly flat or up by 0.5 per cent. This outcome would be in contrast to an estimated 2.2 per cent in 2007 and 2.9 per cent in 2006.

In the United Kingdom, Canada, Japan, Italy and Germany the growth rates for 2008 are projected in the range of 1.3 per cent to 2.2 per cent. In Bermuda's case, the outlook for 2008 is cautiously optimistic. Given the prevailing uncertainty in the global outlook, the Ministry of Finance anticipates that Bermuda's GDP growth in 2008 will likely settle in the range of 2.5 per cent to 3.0 per cent.

The National Expenditure Budget 2008/09

Mr. Speaker

Rising healthcare costs, an ageing population, education reform, the training and development of our labour force, investment in infrastructure as well as the need to maintain a proper security environment will continue to demand high levels of public spending. The National Budget 2008/09 is $1.1 billion.

The Ministry of Finance works to ensure that Government continues to strive for improvements in efficiency and effective delivery of results and outcomes.

These outcomes should be reflected by improvements in student performance, enhancements in the quality of care for seniors, a reduction in the level of serious crime, greater social cohesion in our community and a stronger sense of national pride.

Therefore the undistracted focus of Government expenditure is on delivering essential public goods and services, promoting balanced economic growth and preparing Bermudians for the challenges and opportunities of the future.

Accordingly, the National Budget 2008/09 has directed resources to the top policy priorities including new programme initiatives highlighted in the *Speech From The Throne 2008*.

- The continued growth of a diversified economy and increased economic opportunities for our people.
- The re-professionalisation of the public education system.
- Youth development.
- An expanded offering of seniors' facilities and enhanced health insurance products for our seniors.
- A range of affordable housing options.
- Investment in infrastructure.

Mr. Speaker
The planned budget for the provision of the essential raft of public services such as education, health, housing, law enforcement, transport, waste management and other services is $932 million.

The planned Capital Expenditure Programme has a proposed budget of $155 million.

An amount of $30 million is earmarked for debt service and a contribution to the Sinking Fund that is available to pay down long term public debt.

Mr. Speaker
The Ministry of Education is provided with a budget of $143 million in 2008/09.

Education reform is a keystone for the future success of our country. Government emphasises this and that is why there has been the commitment to a comprehensive and systemic review of our public education system. The role of education is pivotal in the development of our human capital and key to a knowledge-driven and sophisticated economy.

Spending to educate our people therefore garners a significant portion of our public expenditure. The workers, employers and owners in this twenty-first century need to be well-educated, well trained, highly skilled and motivated. Government is therefore doing its part, through the Ministry of Education to develop leaders of tomorrow by our commitment to a thorough reform of the public education system, in tandem with good policies that are sustainable.

Government has developed a reform plan that sets out an accountability framework for principals, teachers, and students. Further, rigorous academic performance standards for students at primary, middle and senior levels will be established and enforced.

The national curriculum at all school levels will be reviewed to ensure relevance and alignment throughout the public education system. Government also will review internal communication procedures to ensure that there is a reliable mechanism for notifying updates and changes to the national curriculum to all stakeholders in a timely manner.

Our objective is to improve significantly the graduation rate of our public school students and to sustain that performance going forward.

There is provision in the education budget for students who graduate from our senior schools to enroll in an established programme at the Bermuda College on a tuition-free basis. However, in keeping with the value-for-money principle in public expenditure, qualifying students will be held to a passing standard in order to keep their tuition-free benefit. The Bermuda College will launch this programme in August 2008 and an amount of $1 million has been earmarked for it.

Mr. Speaker

The Ministry of Labour Home Affairs and Housing is provided with a budget of $155.1 million in 2008/09.

Bermuda has recently experienced a period of lawlessness never witnessed before. The Government has strongly supported measures to stem this tide of violence on our streets through a higher police presence and proactive policing. Police manning levels will be increased through a number of initiatives including recruitment both locally and overseas. In order to maintain current operational levels of policing – short term outside assistance is also being contemplated in consultation with Government House.

The Police Service has a major project underway in connection with the Police and Criminal Evidence Act ('PACE'). The PACE project began in early 2006 and some significant progress has been made in our identification systems and custody processes. In 2008, phases 1, 2 and 3 will continue to be rolled out.

In addition, the following areas have been identified as crucial to the continued success of the Bermuda Police Service:

- Engaging the community and improving its confidence in the police.
- Strengthening the intelligence services to improve analytical ability.
- Enhancing systems to improve recruiting, standards, and working conditions.
- Upgrading our IT infrastructure so that it supports all aspects of our operations.
- Pursuing professional accreditation with the Commission for Accreditation for Law Enforcement Agencies (CALEA).

The Police budget in 2008/09 has increased by 10 per cent to $62.8 million to fund these programmes and initiatives.

One of the greatest challenges in Bermuda is affordable housing and making the dream of home ownership a reality for persons wishing to own a home.

Home ownership is a dream of many Bermudians and the Bermuda Housing Corporation will assist in making their dreams come true by offering 500 interest free down payments to first time Bermudian home owners.

The Bermuda Housing Corporation has introduced the rent geared-to-income programme, which has seen BHC tenants rents switched to 25 per cent of their income, with an additional 10 per cent compulsory savings programme. Tenants in good financial standing will be converted to rent geared to income on their lease renewal date. This initiative will see persons having more of their income designated for savings, thus allowing them to save up for their own homes. Amendments to current legislation will be introduced during this Parliamentary Session.

The building of more affordable rental units will also be spurred by offering customs duty relief to private sector developers for constructing affordable housing units.

The Department of Immigration in 2004 began research into the development of new IT systems and in 2006 introduced a phased development of those systems to mitigate risk, increase efficiency and, most importantly, speed up the processing of applications in the Personal and Corporate Services sections and for incoming passengers at the L.F. Wade International Airport.

This extensive undertaking is most comprehensive and will last a full cycle of approximately five years. The ultimate solution includes among other things the implementation of wireless access by Immigration Inspectors to information and photographs on suspected illegal foreigners; the imaging of all files in the Department; automated alerts and data to and from other Government Departments; providing information to students and the general public about opportunities for jobs that are currently held by work permit holders; biometric identification including facial recognition; on-line applications and expedited processing; e-passports; and, ultimately, automated passenger clearance at the Airport.

Over $5 million has been invested in the system to date since preparatory work began in 2004. An additional $1.7 million is budgeted for the upcoming financial year. The implementation of a new Border Management system as part of this process will be implemented this year, which will see the provision of electronic manifests and the elimination of the Immigration Passenger Form for travelling Bermudians.

Mr. Speaker

The Ministry of Culture and Social Rehabilitation is provided with a budget of $60.2 million in 2008/09.

The focus on our youth is reflected in the programmes and initiatives of several Ministries and Departments. Government is determined that every young person should have the opportunity to develop into positive contributing members of their community.

The Mirrors programme had a positive start for at-risk youth in 2007/08. Government has allocated an additional $1 million to the Mirrors programme in 2008/09 to enable two residential sessions to help more of our youth redirect their energy to more positive endeavours.

Government is taking steps to intervene with our youth early in order to assist them in seeing and grasping the growing opportunities that exist for them to succeed in Bermuda and in the wider world community.

Similarly, there has been significant success with the Cross Ministry Initiative Team. In 2008/09, funding has been provided to enable CMIT to assist up to 40 families in need of the integrated support services.

The free daycare initiative highlighted in the *Speech From The Throne 2008* has excited the community because it is seen as fresh, progressive and helpful in a substantive way. During the course of 2008/09, the Ministry of Culture and Social Rehabilitation will finalise and implement the policy and programme details for the free daycare initiative, which will cover qualified families with children under four years old. It is to be noted however that families already in receipt of Government assistance that covers daycare services will be ineligible for the new programme. An amount of $1.5 million has been earmarked for the daycare programme in 2008/09.

The staff at Camp Spirit and the Women's Treatment Centre is being reclassified from miscellaneous to permanent status within the civil service. This re-designation is geared to provide security of tenure to the employees. The conferring of permanent status underscores a commitment to the dignity of labour and to provide better pay and benefits to deserved staff. The cost of the reclassification is minimal as most of the operational cost of running the programmes was included in the base budget within the Ministry.

Mr. Speaker

Bermuda marks its 400th birthday in 2009. The Ministry of Culture and Social Rehabilitation will assist with the planning and preparation of the calendar of events to be rolled out from January

2009. An amount of $296,000 has been earmarked in the Ministry's 2008/09 budget for this purpose.

Many of the Ministry's community-based programmes have gained immensely in popularity since their introduction in 2004. In particular, the 'Grassroots Initiatives' programme has taken root and there has been an increase both in numbers of requests and in the scale of the programme requests coming into the Ministry. The policy is that funding requests should not exceed $5,000 per initiative. Given all of the other demands across Government, the Ministry of Culture and Social Rehabilitation will maintain this policy on funding requests for 2008/09.

The National Drug Control Master Plan will be implemented in 2008/09. The Plan embodies a fresh and better co-ordinated approach to substance abuse as a public health challenge. The focus will be on delivery of treatment to clients in need and the Courts will be empowered to mandate drug treatment as a component of a sentence. Funding in the amount of $2 million is provided for the implementation of the Plan in 2008/09.

Mr. Speaker

Access to high quality health care at affordable prices is an overarching objective for the Ministry of Health. The Health Ministry has an overall budget of $151.7 million in 2008/09.

The establishment of urgent care centres in the eastern and western regions of the Island is a major facet of Government's plan for more affordable and accessible healthcare.

Urgent care is the delivery of ambulatory care in a facility dedicated to the provision of unscheduled, walk-in care outside of a hospital emergency department. Urgent care centres are primarily used to treat patients who have an urgent injury or illness that requires immediate care but is not serious enough to warrant a visit to an emergency department.

The design and development work for the first urgent care centre to be located at Southside has commenced.

Government has committed to instituting FutureCare, a programme geared to assist seniors without means to have insurance coverage for their healthcare needs. The groundwork is planned for 2008/09 during which a service provider will be contracted to begin delivery of the programme in 2009/10.

Mr. Speaker

The Ministry of Energy, Telecommunications and E-Commerce is provided with a budget of $12.4 million in 2008/09.

The primary objective for the new Department of Energy in its first year will be to develop a national energy policy including a Green Paper on Energy that will serve as a stimulus for public discussion on this important issue. The new Department has been provided with a budget of $559,000 in 2008/09.

Government is seeking also to identify the potential for new sources of revenue in the telecommunications sphere. That is what Governments do to try to ease the burden on existing taxpayers. In this regard, Government is well on its way to developing a regulatory framework designed to encourage global satellite companies to locate in Bermuda as their jurisdiction of choice for the administration of satellite network filings.

The focus on the space/telecommunications broadcasting satellite allotment is seen to provide a number of options. It is viewed as a means:

- to create a sustainable and prestigious business opportunity;
- to stimulate sustainable growth in, and diversification of, Bermuda's specialist domestic technical capabilities; and
- to diversify the economy by applying existing skills to a new sector.

Mr. Speaker

The Ministry of Justice is provided with a budget of $24.9 million in 2008/09. This Ministry has taken on the important role of leading policy development in anti-money laundering and counter-terrorist financing.

The Government of Bermuda recognises and accepts the important international role that it must play to safeguard the security and economic integrity and well-being of Bermudians and people of other nations from the global threat of organised crime and terrorism. The work that will be done by the newly established Financial Intelligence Agency (FIA) will be pivotal in that regard. Funding in the amount of $500,000 has been allocated to the FIA in 2008/09.

In addition, Government has established a position of National Coordinator whose main function will be the coordination and implementation of a detailed national action-plan that will bring Bermuda's already strict controls into alignment with the relevant global standards established by the Financial Action Task Force. Pending the recruitment of the fulltime National Coordinator, the Ministry of Justice has engaged a Consultant to move the process along.

Mr. Speaker

The Ministry of Finance is provided with a budget of $152 million in 2008/09. The allocation includes the sum of $30 million for estimated interest payments on Government debt and Government's statutory contribution to the Sinking Fund.

Government believes in and supports our business sector. A strong entrepreneurial base is a crucial driver of economic growth. The growth of new business and expansion of existing business stimulates the economy and also provides jobs and contributes to household income.

An enabling entrepreneurial environment supports businesses and helps to expand opportunities for those who may traditionally have felt screened out of mainstream economic activity.

The expansion of the Economic Empowerment Zone (EEZ) is therefore critical to promoting entrepreneurial enterprise so we can foster greater innovation amongst Bermuda business and to provide a greater range of options to consumers. That is one of the reasons the EEZ plan is to be exported to the eastern and western ends of the Island.

In order to help new business start-ups in the EEZ build up working capital in their early years, Government will extend the period during which the special rate of payroll tax is available from one year to two years.

The Bermuda Small Business Development Corporation is provided with a grant of $3 million to continue its excellent work in spearheading the EEZ initiative.

The grant to the Bermuda International Business Association (BIBA) has been increased to $2.6 million. BIBA plays an important role in marketing Bermuda as a jurisdiction of choice for international business. In partnership with the Ministry of Finance, the recent joint efforts have raised Bermuda's profile in the global arena of international business.

In a similar fashion, the Ministry of Finance has continued its financial support of the Insurance Development Council and the Bermuda Stock Exchange.

Within Finance Ministry Headquarters, the newly established Treaty Unit will conduct negotiations with a number of OECD countries. Countries in the schedule for 2008/09 include Germany, Japan, Mexico, the Netherlands, and the Nordic countries. In addition, the team will continue discussions with the European Union (EU) regarding the EU Directive on the Taxation of Savings Income.

Mr. Speaker

The Cabinet Office which includes the portfolio of Tourism and Transport is provided with an overall budget of $136.2 million in 2008/09.

Arrangements for the establishment of a representative office in London are to be concluded in 2008/09. The Cabinet Office has been provided with an additional $800,000 for this purpose.

Other areas of focus in Cabinet Office business plan in 2008/09 are infrastructure improvements.

Automation of the Aircraft and Registration System (AIRS) to accommodate the continued growth of the register of aircraft will be completed in 2008/09. The new application will see the entire Department's technical application forms, permissions and certifications converted to a web-based, electronic format with the attendant benefits of increased efficiency, quality assurance and responsiveness. In sum, the Department of Civil Aviation will operate as an 'e-business', an example of Government's firm commitment to this initiative.

A vastly improved Port Royal Golf Course will re-open for play during this fiscal year. At 37 years old, the fabric of the course, (tees, fairways, bunkers and greens) is undergoing a major renovation to improve its playability. Port Royal is open to resident and non-resident play. Its appeal therefore is wide-ranging. The upgrade that is underway is consistent with the strategy to promote Bermuda as a leading golfing destination and to provide another option for physical fitness for Bermudians.

The completion of the second cruise pier at Dockyard will allow Bermuda to remain competitive with other destinations by developing a pier capable of docking the modern ships currently operating in the marketplace and it will enable the Dockyard area to develop into a first-class tourist destination by providing higher volumes of visitors. Focusing the cruise product at Dockyard will enable a redevelopment of the Hamilton and St. George's waterfronts to occur, something not possible as long as cruise ships line the waterfronts. It is important to note that the development of the second pier will not result necessarily in an increase in the number of cruise visitors, but will result in a redistribution of them.

To complement the introduction of the second cruise pier and assist with planning for the future of Bermuda's cruise ship industry, a Hydrographic Survey of Ship Channel and Entrances will be conducted.

Mr. Speaker

The Ministry of Works and Engineering is provided with a budget of $76.4 million in 2008/09. The Ministry has been impacted negatively by the shortage of surveyors in the global market as a number of key posts remain vacant.

In response to the staff shortage, the Ministry of Works and Engineering will focus on the development and implementation of a Human Resource Strategy for the Ministry as one of its business plan objectives in 2008/09.

The Ministry of Works and Engineering will take over the management of the coordinated schools maintenance programme in 2008/09. The coordinated progamme combines the maintenance of school plant with the mould remediation programme and centralises the management and operational functions in one Ministry.

The Ministry also will roll out a new Recycling Campaign in the next fiscal year. The 500 gallons per day Sea Water Reverse Osmosis plant on North Shore Road, Devonshire is scheduled to begin operations in mid-2008. In addition, the Ministry will continue the work on the old Marsh Folly landfill site to convert it into green space, a nature reserve and recreational use.

Mr. Speaker

The Ministry of the Environment and Sports is provided with a budget of $43.3 million in 2008/09. One of the key business objectives for the Ministry in 2008/09 is to complete major reviews of its businesses processes and the underlying legislation.

Groundwork for the business process review has commenced and the review is expected to be completed in the early course of 2008/09. The intention is to make changes that will speed up the planning approval process by introducing policies and processes that reflect modern international best practice.

Mr. Speaker

The production of citrus and other fruit in Bermuda has been in decline for a number of years. The Ministry of Environment and Sports will introduce new varieties of citrus into Bermuda and provide information and classes to the public on citrus culture. The programme will provide for demonstrations on the production of containerised citrus which take advantage of smaller spaces than those required for in-ground culture. Officials also will explore opportunities for the importation of low chill varieties of other fruits to expand the range and quality of fruit produced in Bermuda.

There is currently a policy in place which restricts the importation and breeding of dogs of certain breeds. This policy will be reviewed to ensure that dogs, dog owners and the public are protected while ensuring that dog owners and breeders have greater freedom of choice in selecting their dogs.

Mr. Speaker

In round terms, the capital expenditure component of the National Budget 2008/09 is $155

million. This planned investment in hard assets for the present and future delivery of services to our community has been prioritised so that only the most vital projects will be funded in 2008/09.

The initial capital submissions including revisions to existing projects and requests for new projects amounted to more than $400 million in total. As a prudent Government, we have pruned the wish list to include only the necessary projects that will add immediate value for money.

These value-for-money projects include housing initiatives, seniors' facilities, infrastructure improvements to the airport and cruise docks, the redevelopment of the Port Royal Golf Course, and a coordinated school maintenance programme. In addition, there is the initial work on the first urgent care centre, expansion of waste management facilities, remediation work at the former Club Med site and Morgan's Point, and development of the new court and police complex in the City of Hamilton.

Together, these projects account for 80 per cent of the $125.3 million to be invested in plant, buildings and infrastructure. An amount of $15 million has been allocated to housing projects and a similar amount has been earmarked for work on the new court and police complex. $10 million has been allocated to the new cruise pier in the Royal Naval Dockyard. Similarly, $10 million is included to complete the redevelopment of the Port Royal Golf Course. A sum of $7.5 million is included in the 2008/09 plan for vital work on the runways and aprons at the L.F. Wade International Airport as part of compliance with international standards. The coordinated school maintenance programme, including continuing work on mould remediation, has a budget of $3 million.

A sum of $2.5 million for one of the two urgent care centres is also included in the 2008/09 capital plan. The first urgent care centre is planned for Southside. Funding for the second urgent care centre that will be established in the western region of the Island is earmarked for inclusion in next year's capital plan.

Less costly projects in the capital plan include renovations to Fort St. Catherine, refurbishment work at Paget Island and Ports Island and continued improvements to Bermuda's national parks. In addition, $2.7 million has been set aside for minor school improvement projects including wiring upgrades, bathroom renovations and passive cooling modifications.

Investment in the public transportation fleet, public safety vehicles, information technology and police communications equipment accounts for the balance of $29.6 million or 18 per cent of total planned investment of $154.8 million.

Security at our ports will be bolstered by the acquisition of a mobile x-ray unit that will be deployed by HM Customs to screen containers for contraband including illegal weapons.

Government estimates that the borrowing requirement to assist in financing the planned capital outlays summarised above will be $111 million.

Revenue Estimates 2008/09

Mr. Speaker

Government's tax policy has been both fair and reasonable. This has been reflected through a combination of moderate tax increases, tax breaks and concessions. This policy has worked well under our fiscal management. New businesses have flourished under our enabling environment. Economic opportunity has been available as never before. Family incomes have risen. The quality of life has improved for the vast majority of Bermudians. There have been fair and reasonable taxes that have helped to build our community.

Seniors have benefited from no more land tax on the home they occupy. Families have benefited from the tax shelter on the home they occupy. Fishermen and farmers have benefited from customs duty concessions. Hotels and restaurants have been assisted with tax breaks on materials used in renovations and refurbishments. Taxi owners and operators have benefited from Customs Duty remission orders. Government has reduced duty rates for florists. Most recently, a youth organisation created and led by young people and situated in the EEZ made its mark in the community with the assistance of a Government grant.

Mr. Speaker

As Government plans our country's finances for the next five years, equity and fairness will continue as the key principles underlying our tax policy in building the tax base to meet our commitments.

As a consequence of the proposed 5 per cent increase in pensions and allowances for seniors, Social Insurance contributions will increase by 6.75 per cent with effect from August 2008.

In 2008/09 Government proposes to collect total revenue of $985 million, about 7.5 per cent higher than the revenue estimate of $917 million in 2007/08.

Underlying growth in the economy is projected to generate $965 million from the existing rate structure in our tax base. The additional $20 million, equivalent to 2 per cent of the organic tax yield, will come from the biennial uplift in fees and charges including vehicle licences, and adjustments to a relatively small number of tax rates, some of which have not been increased since 2001.

In seeking to raise the modest amount of additional revenue to assist in financing the essential capital expenditure plan in 2008/09, Government has sought to distribute the additional tax burden in a fair and equitable manner.

The standard rate of payroll tax will be raised from 13.5 per cent to 14 per cent in 2008/09 but the salary cap will remain at $350,000. The standard rate is assessed on businesses with annual payrolls of $1 million or more and on exempted companies. An additional $5.5 million is anticipated to flow from this adjustment.

The lower rates of payroll tax for small and medium size businesses including taxi drivers, farmers and fishermen will remain unchanged in 2008/09.

Similarly, the recovery rate of 4.75 per cent pertaining to the employee portion of payroll tax will remain unchanged in 2008/09.

Airport departure tax will be increased by $10 to $35 to help meet the rising cost of security and the cost of planned improvements at the L. F. Wade International Airport. The airport departure tax was last increased in 2001. The new rate is similar to airline departure taxes in competing jurisdictions such as Bahamas, Barbados, the Cayman Islands and Jamaica. In these countries, the departure tax is in the range of $30 – $38.

Stamp duty on the conveyance or transfer of land will be adjusted in 2008/09. Properties that sell for amounts up to $1 million will attract a slightly lower rate of stamp duty. Accordingly, the lowest band in the rate structure for conveyance or transfer of land will be reduced from 2.5 per cent to 2 per cent. Most first-time home purchasers seek properties valued at less than $1 million and home buyers in this segment of the housing market will have the full benefit of the downward adjustment.

For properties that sell for more than $1 million, the rate of stamp tax will be higher. The two top bands in the rate structure will be increased by one percentage point to 6 per cent and 7 per cent respectively. The net yield from the rate changes is estimated at $2 million.

The rate of Customs Duty is to be increased on cigarettes, cars and boats for an estimated additional yield of $4.7 million.

Duty on cigarettes will be increased from 15.5 cents per unit to 18 cents per unit. This may be considered as a 'health tax'. The Chief Medical Officer has stated that smoking is the number one preventable cause of death linked to cancer. Increasing the rate of duty and the resulting retail price of cigarettes may help to reduce the number of smokers in our community. If demand for cigarettes remains inelastic or impervious to price increases, then the public treasury will benefit.

The existing tiered rate of duty on cars will remain at 75 per cent and 150 per cent, but the threshold value that separates the tiered rates is to be reduced from $12,000 to $10,000.

Mr. Speaker

Pleasure craft including motor boats and sailboats are luxury items. Their numbers continue to proliferate which is a reflection of the growing levels of income and wealth in our community. Government proposes to increase the rate of duty from 33.5 per cent to 55 per cent purely as a revenue-raising measure.

Land tax is projected to yield $45 million in 2008/09. No changes to the land tax rates are planned for the 2008/09 fiscal year.

Vehicle licences were last adjusted two years ago. A modest increase of 3 per cent will take effect from April 1, 2008.

The licence fees for sale of land to non-Bermudians will be increased from 22 per cent to 25 per cent for houses, and from 15 per cent to 18 per cent for condominiums. The fee for sale of fractional units will be set at 18 per cent on the second disposition of such units. The fee for the first-time sale of such units will be 10 per cent.

Mr. Speaker

Bermuda's name and the Bermuda brand as a jurisdiction has cachet. We jealously prize it and we are resolute that we will take all reasonable actions to protect Bermuda's name as a premier jurisdiction in international financial services both in the courts and in terms of economic diplomacy.

The cost of maintaining the good name of Bermuda's company registry continues to increase. We have always prided ourselves on effective gate keeping powers. We must continue to enhance that and to ensure that we have the necessary resources. There have been instances of action and in tandem with the work that the independent regulator is undertaking we in Government also have to ensure that we have the necessary financial resources to address improvements to our regulatory framework.

Therefore, to assist in defraying the rising supervisory and regulatory costs, Government proposes to increase fees under the Companies Act 1981 by about 6.5 per cent to have effect from April 1, 2008. The additional yield should amount to about $2 million in 2008/09.

Honourable Members will recall that there was a *Report on the Bermuda Tax System*, dated August 1999 that was tabled in this Honourable House. There were no structural changes recommended. This was borne out by the Sustainable Development Survey in which the wider public indicated that our existing tax structure was adequate and that any new tax structure could add a burdensome and costly infrastructure with very little demonstrable value.

Accordingly we have not tinkered to any appreciable extent with the existing tax regime. What we have done is instituted some tax increases that are geared to provide additional revenue without introducing radically different or burdensome new tax measures.

Mr. Speaker

Turning briefly to management of the public debt, Government re-affirms its philosophy and policy on borrowing that funds are borrowed to finance the development and acquisition of hard capital assets as investment in our nation's physical and social infrastructure.

As part of its long term financial planning, Government monitors the statutory debt ceiling in relation to growth in Bermuda's GDP. GDP has risen since the statutory debt ceiling was adjusted to $375 million in 2005.

At the end of 2007/08, Bermuda's net debt was $282 million. The longstanding policy of constraining debt to 10 per cent of GDP has served Bermuda well. This ratio compares very favourably with many other countries that have debt/GDP ratios generally in the range of 25 per cent to 65 per cent.

With GDP estimated to reach $6 billion in 2008/09, the statutory debt ceiling would represent 6.25 per cent of GDP. In keeping with the policy of periodically re-aligning the statutory debt ceiling to a position within the policy limit of 10 per cent of GDP, Government plans to adjust the statutory debt ceiling in 2008/09 to $550 million.

I note for the record that Government completed a successful refinancing of a portion of existing debt and at the same time paid off a $20 million 6.72 per cent note issue that fell due in November of 2007. The refinancing transaction was in the amount of U.S.$140 million. The term was 15 years and the all-in coupon rate was 5.73 per cent. The transaction was executed in the U.S. private placement market and was arranged by The Bank of Bermuda/HSBC in November 2007.

Mr. Speaker

We are at the tipping point and call to action.

The race cannot be just to the swift and survival for the strong.

We must bear one another's burdens; that is what the National Budget 2008/09 sets out to do.

We will conclude National Budget 2008/09 feeling not only refreshed but more importantly renewed:

- **renewed** because the people of Bermuda have shown that they have no fears about a PLP Government;
- **renewed** because we know there are new issues to be tackled in a new and dynamic way;
- **renewed** because we are determined to make 'one Bermuda' a reality. The Big Conversation is just the start; and
- **renewed** because as a member of the global community, we realise that we are inter-dependent and that we rely on each other.

We recognise that we have a grand opportunity that faces us and our country.

We are serious about renewal, renewal of our community, renewal of our country, renewal of our people.

Hope, energy, renewal, resolve – those are our spiritual and mental attributes that we will combine in tandem with our fiscal resources to help Bermuda to become all that she can be so that all her people are the beneficiaries.

We are confident of our plans, our policies, and our programmes and of our leadership.

Some will always assert that we spend too much.

However, even in the U.S. there is the recognition of the need for some immediate injection to help the people by way of a fiscal stimulus. The stated criteria used by credible economists are that it must be **targeted** to help those most in need, it must be **timely** and it must be **temporary** – if it is to achieve the desired effect and to stave off the possibility of a recession.

The PLP Government has long recognised this – does the Restaurants (Temporary Customs Duty Relief) Act 2002 sound familiar?

There is a view that more of the people of Bermuda who are hurting needed to benefit in a demonstrable way. This is why we made the commitments we did in our December 2007 Election Platform. We must bear one another's burdens.

We recognised that there was a need to improve on our public services.

That is what the people voted for on December 18, 2007. They wanted to see their needs attended to even more directly.

This we intend to do – free daycare for children under four years for families whose circumstances require it, free bus and ferry fares for Bermudians on a phased basis, FutureCare – as part of a raft of initiatives to help citizens and to promote sustainable practices.

Despite considerable progress we must further raise the bar. To do so will require focusing on

enhancing human capital, fostering energy innovation and increasing the global demand for Bermuda products.

We must reinvest in our most precious resource – our people. While education and skills training are important the urgent priority must be to ensure that more Bermudians are in jobs at the higher end and there are more successful productive and profitable Bermudian enterprises.

Government's focus is to strengthen education, provide training and leadership opportunities for Bermudians, keep taxes fair and reasonable, avoid unnecessary and burdensome regulations, promote and foster entrepreneurship, and maintain the integrity of our jurisdiction.

Bermuda's economy is strong and it will continue to be so notwithstanding the global challenges and threats, be they the increased price of fuel, the weak dollar, the threat of terrorism or external regulatory requirements.

Government realises the importance of reinventing itself and of the value of innovation and change. We intend to deploy our resources and to encourage all the components to make our economic engine the best it can be as a standard-bearer for the world.

We will continue to work in partnership with the private sector. Our collective aim has to be to promote new levels of educational success, expanded opportunities for Bermudians as well as increased economic productivity for Bermuda.

This National Budget 2008/09 provides the firm financial foundation to improve the quality of life and standard of life for Bermudians – both present and in generations to come.

The human condition does not allow people to live off handouts. People want jobs. The nature of our growth must ensure that everyone is a stakeholder.

Success breeds success. I am reminded of one of Africa's visionary leaders Kwame Nkrumah who said:

Go to the people
Live among them
Learn from them
Love them
Plan with them
Start with what they know
Build on what they have.

Government has been to our people and the National Budget 2008/09 builds on what they have.

Thank you, Mr. Speaker.

Table I

GOVERNMENT OF BERMUDA — SUMMARY OF CONSOLIDATED FUND ESTIMATES FOR 2008/

ACTUAL 2006/07 $000			ORIGINAL ESTIMATE 2007/08 $000	REVISED ESTIMATE 2007/08 $000	ESTIMATE 2008/09 $000
		Revenue and Expenditure Estimates			
883,711	1	Revenue	917,113	929,076	985,273
836,070	2	Current Account Expenditure (excl.debt and s/fund)	861,992	881,071	931,699
47,641	3	Current Account Balance (excl.debt and s/fund)	55,121	48,005	53,574
13,929	4	Interest on Debt	16,445	16,800	21,516
33,712			38,676	31,205	32,058
4,388	5	Sinking Fund Contribution	6,375	5,625	8,625
29,324	6	Surplus Available for Capital Expenditure	32,301	25,580	23,433
108,437	7	Capital Expenditure (See line 19 below)	141,000	143,135	154,860
(79,113)	8	Budget Surplus (Deficit)	(108,699)	(117,555)	(131,427)
		Sources of Financing			
31,087	9	Consolidated Fund	20,000	15,389	20,000
39,675	10	Borrowing	88,699	102,166	111,427
70,762	11	Total Financing	108,699	117,555	131,427
		Capital Appropriations			
110,542	12	Appropriations in Original Estimates	107,484	107,484	119,388
9,926	13	Supplementary Appropriations	0	5,659	0
120,468	14	Appropriated During the Year	107,484	113,143	119,388
0	15	Appropriations Lapsed	0	17,330	0
120,468	16	Net Appropriations	107,484	95,813	119,388
70,763	17	Unspent Appropriations from Prior Year	33,516	82,794	35,472
191,231	18	Appropriations to Meet Spending	141,000	178,607	154,860
108,437	19	Capital Spending	141,000	143,135	154,860
82,794	20	Unspent Appropriations Carried Forward	0	35,472	0
		Consolidated Fund Balance (31 March)			
1,000	21	Contingency Fund	1,000	1,000	1,000
82,794	22	Unspent Capital Appropriations	0	35,472	0
(432,867)	23	Undesignated Surplus (Deficit)	(395,795)	(503,100)	(599,055)
(349,073)	24	Consolidated Fund Surplus (Deficit)	**(394,795)**	**(466,628)**	**(598,055)**

Table II
ANALYSIS OF CURRENT ACCOUNT REVENUE

HEAD	REVENUE DESCRIPTION	2006/07 ACTUAL ($000)	2007/08 ORIGINAL ($000)	2007/08 REVISED ($000)	2008/09 ESTIMATE ($000)	DIFFERENCE 2007/08 vs 2008/09 ($000)	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Taxes and Duties							
12	Customs Duty	230,228	247,383	245,720	259,737	12,354	5
27	Sale of Land to Non-Bermudians	21,242	16,000	12,000	16,375	375	2
29	Timesharing Tax	323	250	250	350	100	40
38	Passenger Taxes	30,530	30,050	25,550	33,050	3,000	10
38	Stamp Duties	50,710	58,377	55,377	60,000	1,623	3
38	Betting Tax	1,766	1,500	1,100	1,500	0	0
38	Land Tax	43,286	53,200	45,000	45,000	(8,200)	(15)
38	Foreign Currency Purchase Tax	8,715	15,000	15,000	15,750	750	5
38	Payroll Tax	297,301	292,000	320,000	335,500	43,500	15
38	Hotel Occupancy	12,047	11,000	11,000	12,000	1,000	9
38	Corporate Service Tax	3,060	2,500	2,500	3,000	500	20
Fees, Permits and Licences							
03	Liquor Licences	319	320	320	320	0	0
12	Other Customs Fees and Charges	2,222	2,082	2,105	2,343	261	13
12	Wharfage	1,759	1,430	1,640	1,700	270	19
13	Post Office	6,885	7,993	7,923	7,128	(865)	(11)
27	Immigration Receipts	13,069	11,755	15,780	18,006	6,251	53
29	Trade and Service Mark	1,443	1,371	1,407	1,416	45	3
30	Ferry Services	1,789	1,717	1,740	1,703	(14)	(1)
30	Services to Seaborne Shipping	2,986	3,037	2,987	3,001	(36)	(1)
31	Air Terminal and Aviation	11,039	11,650	11,650	12,110	460	4
32	Planning Fees and Searches	1,291	1,750	1,480	1,657	(93)	(5)
34	Vehicle Licences And Registration	27,201	28,153	26,653	26,122	(2,032)	(7)
35	Bus Revenues	8,260	8,015	8,015	8,015	0	0
36	Solid Waste	3,325	2,060	2,743	2,910	850	41
36	Water	3,557	5,090	3,912	4,112	(978)	(19)
36	Rentals	2,586	3,407	2,996	2,645	(763)	(22)
39	Companies – International	52,067	52,691	54,195	56,116	3,425	7
39	Companies Local	2,706	2,730	2,835	2,907	177	7
39	Companies Licences	423	295	335	350	55	19
46	Telecommunications Receipts	11,295	10,000	10,450	12,000	2,000	20
57	Aircraft Registration	7,328	7,900	10,970	12,970	5,070	64
72	Plant Production and Marketing Centre	424	438	368	438	0	0
73	Registration of Shipping	2,814	2,548	2,548	3,010	462	18
Other Receipts							
03	Fines And Forfeitures	4,330	5,252	4,752	5,252	0	0
11	Interest on Deposits	3,273	3,200	3,200	3,200	0	0
11	Bermuda Monetary Authority	2,152	2,000	2,300	250	(1,750)	(88)
	Other Revenue	9,960	12,969	12,275	13,330	361	3
		883,711	917,113	929,076	985,273	68,160	7

Table III

SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE

HEAD	DESCRIPTION	2006/07 ACTUAL ($000)	2007/08 ORIGINAL ($000)	2007/08 REVISED ($000)	2008/09 ESTIMATE ($000)	DIFFERENCE 2007/08 vs 2008/09 ($000)	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Non-Ministry Departments							
01	Governor and Staff	1,239	1,605	1,605	1,642	37	2
05	Office of The Auditor	2,222	2,901	2,901	2,915	14	1
08	Public Service Commission	71	80	80	79	(1)	(1)
63	Parliamentary Registrar	588	1,377	1,377	709	(668)	(49)
85	Ombudsman's Office	880	655	655	687	32	5
		5,000	**6,618**	**6,618**	**6,032**	**(586)**	**(9)**
Cabinet Office Departments							
09	Cabinet Office	3,888	4,622	4,622	6,160	1,538	33
14	Department of Statistics	2,307	3,065	3,065	3,168	103	3
15	Dept. of Management Services	960	1,147	1,147	1,356	209	18
19	Department of Archives	1,009	1,815	1,815	1,919	104	6
26	Department of Human Resources	4,007	6,417	6,417	6,219	(198)	(3)
30	Marine and Ports	19,410	19,680	20,319	21,340	1,660	8
31	Airport Operations	25,001	20,555	22,416	21,606	1,051	5
33	Department of Tourism	40,938	40,337	40,337	35,299	(5,038)	(13)
34	Transport Control Dept	4,136	4,943	4,943	5,588	645	13
35	Public Transportation Board	20,334	20,973	22,048	22,623	1,650	8
48	Transport Headquarters	1,271	1,770	1,770	1,795	25	1
51	Dept. of Communication and Information	1,682	2,569	2,489	2,942	373	15
57	Civil Aviation	3,382	3,558	4,907	4,491	933	26
73	Maritime Administration	1,718	1,959	1,959	1,715	(244)	(13)
		130,043	**133,410**	**138,254**	**136,221**	**2,811**	**2**
Ministry of Justice							
87	Ministry of Justice HQ	447	1,282	1,282	3,440	2,158	168
02	Legislature	4,173	5,045	5,045	4,999	(46)	(1)
03	Judicial Department	8,848	10,356	10,356	8,653	(1,703)	(16)
04	Attorney General's Chambers	3,812	4,557	4,557	5,250	693	15
75	Dept. of Public Prosecutions	1,170	2,304	2,304	2,582	278	12
		18,450	**23,544**	**23,544**	**24,924**	**1,380**	**6**
Ministry of Finance							
10	Ministry of Finance HQ	8,479	15,384	13,597	15,038	(346)	(2)
11	Accountant General	52,545	58,907	63,289	69,771	10,864	18
12	Customs	15,068	19,428	19,428	20,408	980	5
28	Social Insurance	6,500	3,081	6,354	8,986	5,905	192
38	Office of The Tax Commissioner	2,881	3,256	3,256	3,355	99	3
39	Registrar of Companies	4,342	4,060	4,934	4,385	325	8
58	Interest on Debt	13,929	16,445	16,800	21,516	5,071	31
59	Sinking Fund Contribution	4,388	6,375	5,625	8,625	2,250	35
		108,132	**126,936**	**133,283**	**152,084**	**25,148**	**20**
Ministry of Education							
17	Department of Education	117,573	117,313	117,313	122,985	5,672	5
41	Bermuda College	17,254	18,195	18,195	20,290	2,095	12
		134,827	**135,508**	**135,508**	**143,275**	**7,767**	**6**

Table III *continued*

SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE

HEAD (1)	DESCRIPTION ($000) (2)	2006/07 ACTUAL ($000) (3)	2007/08 ORIGINAL ($000) (4)	2007/08 REVISED ($000) (5)	2008/09 ESTIMATE ($000) (6)	DIFFERENCE 2007/08 VS 2008/09 % (7)	(8)
Ministry of Health							
21	Ministry of Health HQ	4,993	3,898	3,898	6,588	2,690	69
22	Health Department	24,547	30,485	30,485	31,822	1,337	4
24	Hospitals	100,203	105,275	109,307	113,291	8,016	8
		129,743	**139,658**	**143,690**	**151,701**	**12,043**	**9**
Ministry of The Environment and Sports							
50	Ministry of The Environment and Sports HQ	689	701	701	868	167	24
20	Youth, Sport and Recreation	13,400	15,151	15,148	15,194	43	0
32	Department of Planning	3,086	4,223	4,220	4,638	415	10
49	Land Valuation	601	827	827	868	41	5
68	Parks	9,971	11,363	11,363	11,806	443	4
69	Conservation Services	4,577	5,526	5,526	5,677	151	3
72	Environmental Protection	3,861	4,286	4,286	4,312	26	1
		36,185	**42,077**	**42,071**	**43,363**	**1,286**	**3**
Ministry of Works and Engineering							
36	Ministry of Works and Engineering HQ	66,579	1,874	6,797	7,228	5,354	286
80	Architectural Design and Construction	0	1,798	1,328	1,611	(187)	(10)
81	Lands, Buildings and Surveys	0	30,217	29,195	29,177	(1,040)	(3)
82	Operations and Engineering	0	40,380	36,947	38,435	(1,945)	(5)
		66,579	**74,269**	**74,267**	**76,451**	**2,182**	**3**
Ministry of Culture and Social Rehabilitation							
71	Ministry of Culture and Social Rehabilitation HQ	0	871	1,692	5,271	4,400	505
18	Libraries	1,930	2,241	2,241	2,340	99	4
23	Child and Family Services	12,487	12,241	13,769	13,666	1,425	12
52	Community and Cultural Affairs	3,329	4,107	4,103	4,101	(6)	(0)
55	Financial Assistance	17,774	15,463	17,363	18,351	2,888	19
56	Human Affairs	2,532	4,430	4,430	4,709	279	6
74	Department of Court Services	3,814	4,906	4,906	5,140	234	5
86	Ministry of Community and Cult. Affairs HQ*	362	2,579	2,579	0	(2,579)	(100)
88	National Drug Control	4,057	5,252	5,252	6,666	1,414	27
		46,285	**52,090**	**56,335**	**60,244**	**8,154**	**16**
Ministry of Labour, Home Affairs and Housing							
83	Ministry of Labour, Home Affairs and Housing HQ	49,608	1,057	1,057	3,702	2,645	250
06	Defence	5,800	8,565	8,542	8,971	406	5
07	Police	54,734	57,089	57,089	62,813	5,724	10
13	Post Ofice	12,710	13,698	12,923	14,852	1,154	8
25	Department Of Corrections	23,355	26,002	26,018	27,798	1,796	7
27	Immigration	3,977	4,940	4,940	5,827	887	18
29	Registry General	1,656	2,088	2,088	2,253	165	8
42	Rent Commissioner	490	593	593	725	132	22
44	Ministry of Labour and Immigration HQ*	1,383	672	672	0	(672)	(100)
45	Fire Services	8,597	12,902	13,156	14,073	1,171	9
53	Bermuda Housing Corp.	3,699	4,300	4,300	6,000	1,700	40
54	Security Services and Delegated Affairs	133	223	223	234	11	5
60	Labour and Training	2,850	7,262	7,262	7,864	602	8
		168,992	**139,391**	**138,863**	**155,112**	**15,721**	**11**

Table III *continued*

SUMMARY BY DEPARTMENT OF CURRENT ACCOUNT EXPENDITURE

HEAD	DESCRIPTION	2006/07 ACTUAL ($000)	2007/08 ORIGINAL ($000)	2007/08 REVISED ($000)	2008/09 ESTIMATE ($000)	DIFFERENCE 2007/08 vs 2008/09 ($000)	DIFFERENCE 2007/08 vs 2008/09 %
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Ministry of Energy, Telecommunications and E-Commerce							
90	Min. Energy, Telecomm. and E-Comm. HQ	0	0	0	606	606	0
43	Information Technology Office	6,155	6,654	6,406	6,685	31	1
46	Telecommunications	2,014	2,225	2,225	2,272	47	2
67	E-Commerce	1,039	1,350	1,350	1,282	(68)	(5)
84	E-Government	943	1,082	1,082	1,029	(53)	(5)
89	Energy	0	0	0	559	559	0
		10,151	**11,311**	**11,063**	**12,433**	**1,122**	**10**
		854,387	**884,812**	**903,496**	**961,840**	**77,028**	**9**

*2008/09 Estimates have been reallocated to reflect Ministerial restructures

Table IV

ANALYSIS OF CURRENT ACCOUNT EXPENDITURE BY OBJECT ACCOUNT

EXPENDITURE						DIFFERENCE 2007/08 vs 2008/09	
OBJECT CODE	DESCRIPTION	2006/07 ACTUAL ($000)	2007/08 ORIGINAL ($000)	2007/08 REVISED ($000)	2008/09 ESTIMATE ($000)	($000)	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Salaries		254,945	310,238	309,327	329,910	19,672	6
Wages		84,208	78,480	79,441	83,546	5,066	7
Employer Overhead		46,128	48,094	52,466	58,496	10,402	22
Other Personnel Costs		7,860	8,942	8,820	9,462	520	6
Training		6,065	9,653	9,172	11,933	2,280	24
Transport		5,956	6,404	6,576	7,091	687	11
Travel		5,570	7,629	7,817	7,436	(193)	(3)
Communications		8,130	7,864	8,118	9,309	1,445	18
Advertising and Promotion		19,327	18,610	21,301	18,770	160	1
Professional Services		71,575	65,286	71,062	79,263	13,977	21
Rentals		11,941	15,681	16,254	16,906	1,225	8
Repair and Maintenance		17,331	18,244	18,674	21,351	3,107	17
Insurance		10,456	12,530	12,800	11,952	(578)	(5)
Energy		16,404	16,826	18,453	19,200	2,374	14
Clothing and Uniforms		1,980	2,576	2,503	3,021	445	17
Materials and Supplies		35,302	29,197	36,024	35,036	5,839	20
Equipment		2,409	3,483	4,131	1,827	(1,656)	(48)
Other Expenses		3,420	6,992	5,463	5,064	(1,928)	(28)
Receipts Credited to Programme		(16,218)	(8,838)	(17,367)	(19,020)	(10,182)	115
Capital Recharges		0	(910)	182	0	910	(100)
Transfer to Other Funds		4,388	6,375	5,625	8,625	2,250	35
Grants and Contributions		242,700	204,521	209,364	220,656	16,135	8
Public Debt Charges		14,510	16,935	17,290	22,006	5,071	30
		854,387	**884,812**	**903,496**	**961,840**	**77,028**	**9**

Table V
Expansion (Reduction) of Programmes in 2008/09 Current Account Expenditure Estimates

The following are the major variations from 2008/09 Original Estimates which, in the main, do not relate to pay awards or increases in prices.

HEAD			$000
NON-MINISTRY DEPARTMENTS			
63	**Parliamentary Registrar**	General Election operational costs	(600)
		SUBTOTAL NON-MINISTRY	**(600)**
CABINET OFFICE/MOTT			
09	**Cabinet Office**	London Office	800
		Sustainable Development	200
		Health and Safety Coordinator – PS 31	86
		Public Access to Information	200
15	**Management Services**	Job Evaluation System Update	150
26	**Human Resources**	Transfer of savings	(300)
30	**Marine and Ports**	Increased operational costs	900
31	**Airport Operations**	Contractual increases: BAS/SERCO, Meteorology, Maintenance and Engineering, Ground Electronics, ATC	484
		Airport Traffic Officers	150
		Operational Costs – Air Terminal	132
33	**Tourism**	Transfer of savings	(5,000)
34	**Transport Control Dept**	Increased overtime provision	90
		IT Consultant	250
35	**Public Transportation** Board	15 min. extended service and increased school scheduling	250
		Increased operational costs	175
		Vehicle insurance	225
		Increased training provision	100
		Maintenance bus shelters	60

Table V *continued*

HEAD			$000
51	**Communication and Information**	Set-up of Government Television Station staffing: Part-time Programme Hosts Part-time Floor Crew	250
57	**Civil Aviation**	Increased consultancy provision for Aircraft Registry	800
73	**Maritime Administration**	Transfer of savings	(180)
		SUB TOTAL CABINET OFFICE/MOTT	**(178)**
MINISTRY OF JUSTICE			
04	**Attorney General's Chambers**	Additional staffing:	
		Deputy Solicitor General – PS 45	149
		Senior Crown Counsel – PS 43	137
		Deputy Parliamentary Counsel – PS 44	143
		Assistant Parliamentary Counsel – PS 32	89
75	**Public Prosecutions**	Additional Staffing:	50
		Deputy Director (Admin) – PS 45	149
		SUB TOTAL JUSTICE	**717**
MINISTRY OF FINANCE			
10	**Finance HQ**	Transfer of savings	(500)
28	**Social Insurance**	War Veterans' Benefits	2,000
		Increased provision for Portability Claims	2,700
		Provision for Medical Assistance	500
		Addt'l Temp. Staff – Claims processing	300
39	**Registrar of Companies**	Additional consultancy provision	100
		SUB TOTAL FINANCE	**5,100**
MINISTRY OF EDUCATION			
41	**Bermuda College**	Increase grant provision	1,300
		SUB TOTAL EDUCATION	**1,300**

Table V *continued*

HEAD			$000
MINISTRY OF HEALTH			
21	**Health HQ**	LCCA grant increased provision	300
		Public Health Scholarships	150
		Other grant provisions	50
22	**Health**	Operations and Staff regradings of the St. George's Rest Home	1,190
		Operations and Staff regradings of Lefroy House	500
		Increased provision for child health	100
		Increased provision for water and food analysis	75
24	**Hospitals**	KEMH increased patient subsidy	5,018
		Mid-Atlantic Wellness Institute increased subsidy	2,998
		SUB TOTAL HEALTH	**10,381**
MINISTRY OF THE ENVIRONMENT AND SPORTS			
50	**Environment and Sports HQ**	Increased consultancy provision	150
32	**Planning**	Increased consultancy provision for review of planning and building legislation, procedures	200
		SUB TOTAL ENVIRONMENT AND SPORTS	**350**
MINISTRY OF CULTURE AND SOCIAL REHABILITATION			
71	**Culture and Social Rehabilitation HQ**	Mirrors Programme	1,760
23	**Child and Family Services**	Increased operational costs	160
		Increased provision for Family Services	110
		Increased provision for Foster Care	310
		Increased provision for Home-Based Programme	150
		Increased provision for Psycho-Educational Programme	100
55	**Financial Assistance**	Increased provision for Social Assistance	2,700
CULTURE AND SOC. REHAB. TOTAL			**5,290**

Table V *continued*

HEAD			$000
56	**Human Affairs**	Increased operational costs	45
88	**National Drug Control**	Increased provision for Prevention and Treatment programme support	1,400
		SUB TOTAL CULTURE AND SOC. REHAB.	**6,835**
MINISTRY OF LABOUR, HOME AFFAIRS AND HOUSING			
13	**Post Office**	Delivery Project	400
27	**Immigration**	Additional Staffing: Primary Line Airport Inspectors – PS20	550
		Increase provision for production of e-passports	150
42	**Rent Commissioner**	Boarding Housing Legislation and Regulations	100
53	**Bermuda Housing Corp.**	Increased grant provision	1,700
60	**Labour and Training**	Increased provision for National Training Board	400
83	**Labour, Home Affairs and Housing HQ**	Hustle Truck	1,000
		Hope for Life	200
		National Security Operative	400
		SUB TOTAL LABOUR, HOME AFFAIRS AND HOUSING	**4,900**
MINISTRY OF ENERGY, TELECOMMUNICATIONS AND E-COMMERCE			
90	**Ministry of Energy, Telecommunications and E-Commerce HQ**	Set up of new Department	606
89	**Energy**	Set up of new Department	559
		SUB TOTAL ENERGY, TELECOMMUNICATIONS AND E-COMMERCE	**1,165**
GRAND TOTAL NEW MONEY ALL MINISTRIES			**29,970**

Table VI
GOVERNMENT OF BERMUDA
DEBT AND LOAN GUARANTEES

UTILISATION OF STATUTORY BORROWING POWERS

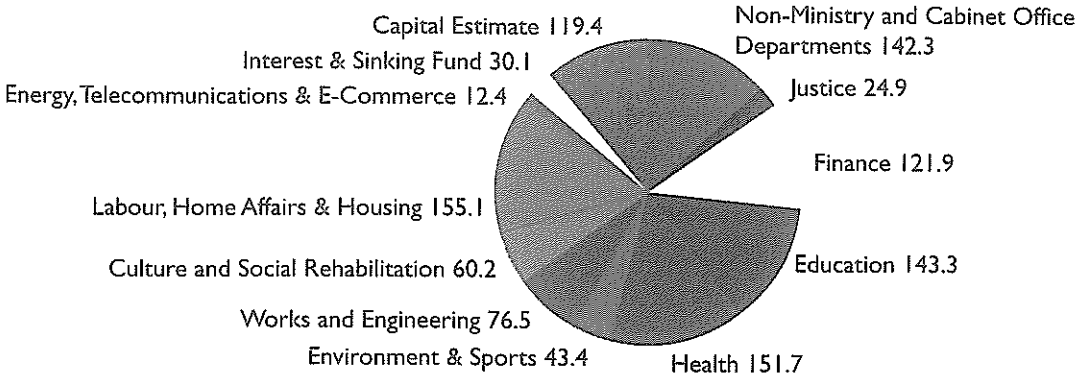
ACTUAL 2006/07 ($000)	DETAILS	REVISED ESTIMATE 2007/08 ($000)	ESTIMATE 2008/09 ($000)
	DEBT AND LOAN GUARANTEES OUTSTANDING AS OF 31 MARCH		
255,000	Borrowings Under Loan Facilities (Govt)	345,000	456,441
255,000	Total Debt Outstanding (Govt)	345,000	456,441
1,498	National Education Guarantee Scheme	4,000	4,000
0	Bermuda Land Development Co. Guarantee	0	5,000
256,498	Total Loan Facilities and Guarantees	349,000	465,441
58,339	Less: Sinking Fund Contributions (Note (ii))	66,482	78,111
198,159	Net Cumulative Government Debt and Guarantees Outstanding (Note (iii))	282,518	387,330

Note: (i) Government introduced a Sinking Fund with effect 31 March 1993. The intent being to set aside a sum equivalent to 2.5% of the public debt outstanding at the end of the preceeding year, in order to repay debt. The Sinking Fund is earning interest at approximately 4.0%

(ii) The total amount of utilised Loan Facilities and Loan Guarantees is restricted by the Government Loans Act 1978, as amended. With effect from 1 April 2008, the statutory debt limit was increased to $550 million.

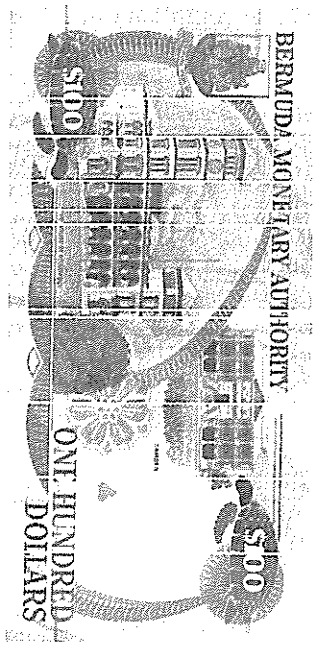
Schedule 9

Estimated Expenditure 2008/09 in BD$ Millions*



*Expenditures reflect total estimated 2008/09 appropriations of $1,081.2 million 'actual' expenditure will exceed appropriated amounts by an 'anticipated' $35.5 million of unspent capital appropriations from prior years.

Categories of expenditure expressed as a percentage of total estimated expenditure for 2008/09 of $1,081.2 million

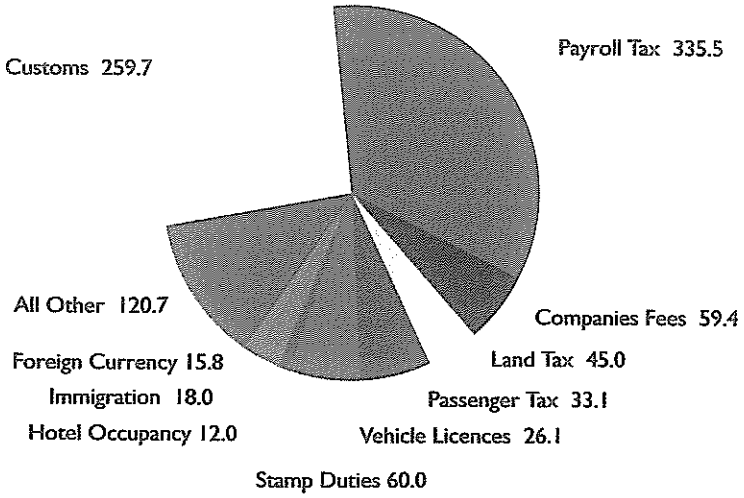


- Interest and Sinking Fund 2.8
- Capital Estimate 11.0
- Culture & Social Rehabilitation 5.6
- Works and Engineering 7.1
- Environment & Sports 4.0
- Justice 2.3
- Labour, Home Affairs & Housing 14.3
- Energy, Telelcommunications and E-Commerce 1.1
- Health 14.0
- Education 13.3
- Finance 11.5
- Non-Ministry and Cabinet Office Departments 13.2

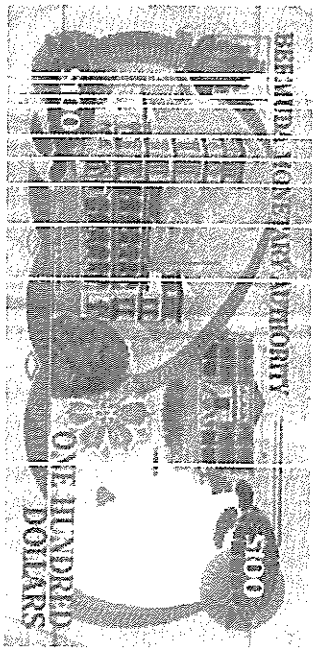
Schedule 10

Estimated Revenue 2008/09 in BD$ Millions

Total Revenue $985.3 Million



Categories of revenue expressed as a percentage of total estimated revenue for 2008/09 of $985.3 million



All Other 12.3

FCPT 1.6

Immigration 1.8

Hotel Occupancy 1.2

Stamp Duties 6.1

Vehicle Licences 2.7

Passenger Tax 3.4

Land Tax 4.6

Companies Fees 6.0

Payroll Tax 34.1

Customs 26.4