



COMMUNICATION
BY
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PRIME MINISTER AND MINISTER OF FINANCE
DEBATE ON THE
2016/2017 BUDGET
CLOSING STATEMENT
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Introduction

Mr. Speaker:

In closing the debate on the 2016/17 Budget Communication, I am drawn to remark that the quality and constructiveness of the contributions that have been offered by Members of the Opposition are fully consistent with what we have heard from them in recent years.

These contributions are consistently confused, disjointed or simply and blatantly erroneous.

Indeed, theirs is a litany of feeble laments, strung together, one after the other, in no coherent fashion. What is truly lamentable is that one's mind can be so disjointed. But I suppose that this merely and fundamentally reflects the Opposition's approach to governance. Based on their performance in their last term in office, it is clear that they have no guiding coherent vision for the future, nor concrete plans for achieving better economic and social outcomes for Bahamian citizens.

Instead, they floundered about rather than exercise rigorous and disciplined husbandry of the public finances. It bears repeating that, during their recent mandate, they succeeded in producing the most astounding and

explosive increase in the public debt burden in any five-year period in the history of our nation.

Mr. Speaker:

When we left office in 2007, we left them with a debt-to-GDP ratio of 30 per cent, generally acknowledged to be a desirable and sustainable level. Mr. Speaker, I think it would be useful to pause here for a moment to explain why it is important to look at Government Debt relative to GDP, or alternatively, the size of the economy. That is because the size of the economy essentially reflects the ability of Government to service its debt in terms of its ability to collect revenues. It is really similar to borrowers in the private sector where one looks at debt service ratios, or debt relative to income. In assessing the creditworthiness of borrowers, lenders will look at such ratios as a measure of the ability of borrowers to meet their debt servicing obligations. So, in the area of the public finances, we look at Government Debt to GDP ratios.

To continue, then, when we returned to power in 2012, we inherited their dismal fiscal structure with a debt-to-GDP ratio that then stood at 55.4 per cent of GDP in 2012/13.

The burden of debt rose by fully 25.4 percentage points on their watch, from the base of 30 per cent that we had left them; that is an astonishing 85 per cent increase in the burden of Government debt.

In marked contrast, in our current mandate, the ratio of debt-to-GDP will, by the end of the 2016/17 fiscal year, have risen by a more modest 8.7 percentage points, to a level of 64.1 per cent. That's an increase of 15.7 per cent over the course of our mandate, as compared to 85 per cent during theirs.

Mr. Speaker:

I also want to emphasize at this juncture that the data to which I have been referring relates to the Direct Charge on Government. The reason that we focus on that measure of Debt in the Budget Communication is that it is the one that relates directly to the GFS Deficit. By and large, the change in the Direct Charge every fiscal year amounts to the size of the GFS Deficit during that year.

The Government does, of course, also guarantee the borrowings of certain public bodies and those guarantees represent contingent liabilities of the Government. When these are added to the Direct Charge, one then gets the Total National Debt. The size of the Government Guaranteed Debt is relatively small in comparison to the Direct Charge and it has not varied greatly over the years. In 2007, it amounted to 5 per cent of GDP; in 2012, 7 per cent and, at the end of 2015, 8.5 per cent. I would note that both measures of Government Debt are clearly shown in the Tables that accompany the Budget Communication.

As such, whether one is looking at the Direct Charge or at the National Debt, the message is the same: Government Debt during our current mandate has risen by far less than it did during the last mandate of our predecessors.

And, more importantly, Mr. Speaker, our fiscal actions have set the table for the seemingly inexorable rise in the burden of public debt to finally be arrested and for the debt-to-GDP ratio to begin falling as of the 2016/17 fiscal year.

Mr. Speaker:

This brief introduction sets the overall tone for my contribution to the debate today. More specifically, I will address the following central themes as they relate to the 2016/17 Budget Communication:

- our track record in respect of fiscal responsibility in the context of our agenda for a modern Bahamas;
- our fiscal achievements since 2012 and, in the process, I will correct some of the glaring inaccuracies in Opposition statements made during the debate;
- our plan for renewed and more vigorous growth of the economy and job creation; and
- within that context, our successes in promoting and supporting new investments across the breadth of the nation.
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Fiscal Responsibility

Mr. Speaker:

I begin with the matter of fiscal responsibility.

When our mandate began four years ago, we were poised to implement the bold and proactive transformative agenda, set out in our Charter for Governance, that was specifically designed to address the very grave and deep-rooted economic and social problems plaguing our country.

However, we immediately understood that any and all of our efforts would be in vain if we failed to redress the fiscal mess that had been created by our predecessors. Both the fundamental health of the economy and our fiscal ability to finance our programme of change hinged on our success in bringing order to the public finances. That would require a plan to gradually eliminate the GFS Deficit and arrest the corrosive and seemingly self-perpetuating rise in the burden of public debt.

Mr. Speaker:

Our firm commitment to fiscal responsibility indeed goes back to our very first days in office. And I am not making this up in retrospect in a fit of revisionist

history merely for the sake of appearances. As early as the 2012/13 Budget Communication, I stated quite clearly that:

“I will note at the outset that our room for manoeuvre is, at least in the short-term, severely constrained by the dire fiscal situation that has been handed to us by the previous Administration. As I will set out in detail below, the Government’s deficit and debt levels at this time are much worse than we had anticipated. We have been left with sizeable, ongoing capital expenditure commitments and a legacy of contracts entered into in the final days of the former Administration”.

“We also face the carry-over into 2012/13 of certain recurrent expenditure commitments of the previous Administration in respect of the promotions exercise, back pay, salary increases and the payment of insurance benefits”.

“We fully appreciate that it will be imperative to rebuild the fiscal buffers over time. The significant structural fiscal reforms that I will propose in this Budget ... will be critical in this regard. The stronger, sustainable fiscal position that will result from these measures will facilitate the full implementation of our agenda for change and will underpin enhanced confidence and more buoyant growth and job creation”.

So, Mr. Speaker, we appreciated from the very outset the vital role to be played by fiscal responsibility in the attainment of our goals. Unquestionably, our record as a fiscally responsible Government stands in stark contrast to that of our predecessors who, every year at Budget time, spouted the ritualistic lines about the need to redress the public finances but failed miserably, year in and year out, even in the face of a resurgent domestic economy in 2010 and 2011. For them, fiscal responsibility was nothing but a fashionable slogan with no credibility whatsoever.

We followed up, in the 2012/13 Mid-Year Budget Statement with a concrete and explicit medium term fiscal consolidation plan that has guided our actions to this day. Our steadfast adherence to the tenets of this plan is a further barometer of the depth of my Government’s commitment to fiscal responsibility as a critical prerequisite for building a better future for Bahamians. And our solid track record of fiscally responsible governance has produced the concrete results that were needed.

Fiscal Achievements since 2012

Mr. Speaker:

This brings me to the issue of the fiscal achievements that we have secured since coming to office.

In reviewing these achievements, it is vital to explain why they have been so important to the future prospects for our economy and for employment opportunities going forward.

Had we done nothing to address the fiscal situation in 2012 and beyond and simply maintained the fiscal structure left to us by the party opposite when in power, then a straightforward counter-factual analysis reveals that the burden of public debt would have continued to swell to levels exceeding 80 per cent of GDP within the next 5 years. Contrast that with the medium term fiscal outlook in this year's Budget Communication, which sees the debt burden reversing its upward march during the course of the coming fiscal year and falling to under 60 per cent of GDP in two years time.

Now, had we been fiscally irresponsible, with the debt burden trending up toward 80 per cent of GDP, one can well imagine the economic consequences that most certainly would have ensued. We most surely would have been downgraded to junk status and interest rates would be sharply higher. The economy would be considerably weaker and unemployment would be commensurately more elevated as well. In the face of a fiscal crisis, the Government would then have been obliged to impose draconian and deep cuts in spending, including significant layoffs of public sector workers. Massive tax increases, including a VAT with a rate well in excess of 7.5 per cent, would also likely have been needed.

This is not wild and fanciful conjecture on my part, Mr. Speaker. It is precisely the experience that has been lived by certain countries within the European Union which, confronted with the urgent need to implement sharp fiscal redress, have had to suffer deep contractions of their domestic economies, in some cases in 8 years over the last decade, with unemployment rates at 25 per cent and above.

I am thus amused, Mr. Speaker, to hear Opposition members asking Bahamians if they find themselves better off today than four years ago. Such a question is simply irrelevant. The more appropriate question to ask is whether or not Bahamians find themselves better off today than they might have been if my Government had continued the fiscally irresponsible fiscal policies of our predecessors. The answer, Mr. Speaker, is obvious.

So, Mr. Speaker, what has our fiscal plan achieved over the past four years and going into 2016/17?

Despite the unfounded laments from members across the aisle, the data speak for themselves. Since coming to office, we have reduced the GFS Deficit each and every year:

- In 2013/14, by \$51 million;

- In 2014/15, by \$107 million;
- In 2015/16, by \$231 million; and
- In the coming fiscal year, by a further \$50 million.
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Mr. Speaker:

For the benefit of those opposite who, over the course of the debate, have shown signs of possibly being mathematically challenged, that is a total reduction in the GFS Deficit of \$439 million. Thus, by the coming fiscal year, the Deficit will have been cut by fully 80 per cent from the all-time record high of \$539 million, or 6.4 per cent of GDP, bequeathed to us by the opposition.

Again, it bears repeating that the GFS Deficit in 2016/17, at \$100 million, will be at its lowest level since the turn of the millennium. And, on current plans, a GFS surplus is projected for 2018/19, the very first such surplus in at least 40 years.

I am thus amazed and indeed perplexed by the shameful claim made by the Deputy Leader of the Opposition that my Government has been telling Bahamians a so-called “GFS Deficit lie”. This bold and admittedly offensive assertion is based on a simplistic and inaccurate calculation. What he did was to look at the fiscal results for only part of the 2015/16 fiscal year and then he produced a forecast for the full year by assuming that the fiscal trends during the part-year would continue at the same level for the balance of the year. With this inaccurate and inappropriate approach, he thus came up with a full-year estimate for the GFS Deficit, which he estimated at \$446 million.

That, Mr. Speaker, is a far cry from the Budget estimate of \$150 million. Unfortunately, the estimate presented by the Deputy Leader opposite is pure fantasy and has no connection to the real world in which we live.

Mr. Speaker:

Allow me to explain why that is the case.

For one thing, the pattern of Recurrent Revenue is rather irregular during the course of the fiscal year, with a disproportionate share of fiscal year collections occurring in the second half of the fiscal year. Indeed, in the first half of the 2015/16 fiscal year, Recurrent Revenue collected amounted to only 44 per cent of the full year estimate. Over the three previous years, that ratio ranged from 39 per cent to 45 per cent of the full year total. Simple-minded extrapolation distorts his analysis and invalidates his conclusion. Had he factored in the actual pattern of the fiscal flows during the course of the fiscal year, or waited for the end of the fiscal year, he would have been able to produce a much more realistic and reliable estimate of the 2015/16 GFS Deficit.

As well, through ongoing monitoring and prudent fiscal management, we are able to manage evolving fiscal pressures during the course of the year, particularly in respect of Recurrent Expenditure, in order to stay close to our fiscal objective. Every responsible government around the world exercises this type of responsible husbandry of the public finances and we are no exception in this matter.

For the record, in one of the fiscal tables contained in his contribution, he also made simple errors, such as forgetting to deduct Debt Redemption in the calculation of the GFS Deficit for 2014/15. He also forgot to extrapolate Debt Redemption in 2015/16, instead using the partial year result to represent the full-year outturn.

Mr. Speaker:

This is not rocket science and I must say that I am at a loss to explain how such simple errors could be made.

More damning to his argument, however, is that he then goes on to question, on the basis of his defective analysis, the numbers that underlie the Budget estimate of a GFS Deficit of \$150 million in 2015/16. He goes so far as to suggest that we are intentionally trying to mislead Bahamians.

Mr. Speaker:

Let me reassure this House and Bahamians that great care and prudence are exercised in the preparation of the national Budget. As members opposite know full well, the fiscal projections presented in the Budget Communication every year are subjected to careful and meticulous scrutiny, both at home and abroad. In its annual Article IV assessment of the state of, and prospects for, the Bahamian economy, the IMF engages in intensive discussions with officials and Ministers, and the Executive Board of the Fund reviews and comments on the evaluation prepared by IMF staff. The international credit rating agencies, for their part, pore over our fiscal numbers with a fine-tooth comb.

Accordingly, we see to it that the projected outturn for the current fiscal year and our projections going forward are backed up by prudent assumptions about the growth of the economy, as well as conservative estimates of the impact of revenue policies. Thus, the projections for the GFS Deficit that are presented in the Budget Communication this year are fully supported by, and fully consistent with, the projections for Recurrent and Capital Expenditure, as well as Recurrent Revenue that are laid out in plain view in the Communication. It is simply ludicrous and irresponsible to suggest that any Government could imagine it possible to try to fool anyone about the nation's fiscal situation.

Of course, fiscal matters are complex and are influenced by any number of developments during the course of the fiscal year. As such, it does occur on occasion that outturns may differ from Budget estimates, whether because economic developments have evolved somewhat differently than had been expected or because the timing of projects and expenses has varied. However, in the event, we do go to great lengths to explain such variances for all to see and understand.

For instance, in this year's Budget Communication, we readily acknowledged that the outturn for the GFS Deficit in 2014/15 was somewhat higher than had originally been projected. That year's Deficit is now estimated at \$381 million, up \$95 million from the Budget projection of \$286 million. The Communication went on to explain the major factors that account for that Deficit deviation, namely:

- a \$100 million increase in Recurrent Expenditure reflecting an additional \$84 million for Debt Redemption;
- a \$42 million shortfall in Recurrent Revenue due to a lower level of current dollar GDP than forecast; and
- a \$41 million increase in Capital Expenditure due to the acceleration of the RBDF vessel project, with four ships completed and delivered during the fiscal year, to the tune of \$66 million.

Mr. Speaker:

While the Deficit in 2014/15 was thus higher than projected, I would note that the outturn still represented a decline in the GFS Deficit of \$107 million from the previous fiscal year.

Similarly, this year's Communication also explained the \$9 million increase in the GFS Deficit in 2015/16, from \$141 million to \$150 million. Again, a number of factors were at play in this development. Recurrent Expenditure was up by \$57 million, which incorporated increases of \$33 million for Debt Redemption, \$35 million for interest payments and \$13 million for the CLICO payments, to name a few. A lower than expected level of nominal GDP led to a shortfall of \$37 million in respect of Recurrent Revenue. And Capital Expenditure was \$52 million lower than projected due to the timing of projects.

Mr. Speaker:

Clearly, our approach in the presentation of fiscal outturns and forecasts speaks volumes to our solid record of sound, transparent and responsible fiscal management.

Mr. Speaker:

Prior to moving on, I believe I would be remiss if I did not also take a moment to correct a few other glaring inaccuracies in the Opposition's contributions to the Budget debate.

They state that the Government has supposedly surreptitiously changed the presentation of the Budget documentation in order to hide both the misappropriation of public funds and the purported existence of a so-called election slush fund. That is untrue. Members opposite quite obviously have not taken the time to properly read and study the detailed Budget documentation that accompanies the Budget Communication. One will readily find there all of the details of public expenditure, whether in respect of the Recurrent or the Capital account. Every single dollar expended is presented.

Take, for example, the \$223 million increase in Recurrent Expenditure proposed for 2016/17. In passing, for the benefit of the member opposite who failed to adequately look into the matter, I would clarify that this increase is from the amount budgeted for the previous fiscal year. The increase of \$166 million to which I referred in the Communication was from the projected outturn for the previous year.

Be that as it may, I would stress that the Budget documentation clearly reveals where that spending will be allocated by individual Head. So, a careful reader will be able to note that, of the \$223 million increase in Recurrent Expenditure in 2016/17, we will spend \$135 million more on Debt Redemption and \$6 million more on interest payments. The major items that account for the remaining increase include: \$15.7 million for the Department of Education and the Ministry of Education, Science and Technology; \$14.5 million for the Public Parks and Beaches Authority, \$7.5 million for the National Drug Plan, and so on. The details are there for all to see. Mr. Speaker, the alleged slush fund is the figment of an overly active, and dare I say distorted, imagination.

Mr. Speaker:

They state that we have also reduced transparency and accountability by removing information on interest payments and debt redemption from the Budget documentation. That is untrue. It was, in fact, decided beginning last year to include these expenditure items under the Treasury Department Head 22 as it is that organization that is responsible for those payments. The data are there, Mr. Speaker, in plain view. Our stellar record of transparency and accountability remains intact.

They state that the Government cannot tell Bahamians how much revenue is collected from each source. That is untrue. In the detailed documentation accompanying the Budget Communication, revenues collected from all sources are clearly revealed.

They state that the Government has been spending like drunken sailors. That is untrue. As the Minister of State for Finance so ably demonstrated during his opening contribution to the Budget debate, of the 7.4 percentage point increase in Recurrent Revenue relative to GDP between 2012/14 and 2016/17, fully 77 per cent has been allocated to a critically needed improvement in the primary fiscal balance. Such an improvement is vital to halting the growth of the public debt burden and getting it onto the downward track going forward that we are projecting. Only 23 per cent of the revenue enhancement has been allocated to somewhat higher primary spending in respect of both Recurrent and Capital Expenditure.

They state that my Government has failed to modernize government services. That is untrue. From the very beginning of our mandate we have pursued the implementation of comprehensive reform and modernization programmes in a number of areas, including Customs, Real Property Tax, Business License and internal tax administration through a new Central Revenue Administration. We are also actively striving to modernize our public financial management system. Our progress in respect of these initiatives is reported regularly in both Budget Communications and Mid-Year Budget Statements.

Mr. Speaker,

They state that, in accelerating the VAT filing period to 21 days after month-end, we fail to appreciate how businesses work. That is untrue. In fact, if one takes the time to examine general VAT practice around the world, it will be obvious that a 21-day filing period is not unreasonable. Such a filing period is found in Barbados, with 20-day filing periods in effect in the Dominican Republic, Grenada, Dominica and Swaziland. In some cases, 15-day filing periods are mandated; for example in St. Kitts and Nevis, some Brazilian states and in Jamaica if the cash method is used. Chile imposes a 12-day filing period.

They state that we have not provided mortgage relief. That is untrue. In fact, it was announced in this year's Budget Communication that, as part of the effort to modernize this country's financial infrastructure, the Government has been successful, in collaboration with the Clearing Banks Association, in designing a comprehensive Mortgage Relief Programme to assist borrowers negatively impacted by the financial crisis.

I would note that, building on experience with the previous programme, several features of this new programme go beyond that programme in ways that are specifically designed to provide greater relief to more borrowers. For example, the new programme expands the scope of the eligible borrower pool to reach more borrowers in true distress. The programme also contemplates permanent loan modification as opposed to only forbearance, i.e. time-limited relief. As well, the new programme provides for a so-called "waterfall" of steps to

be taken to achieve a target level of affordability, rather than just one general relief option. As for the execution strategy, the programme also features a strong focus on borrower outreach, which is critical to the success of the programme.

A mortgage relief programme in the U.S. with many similar features has met with a good level of success and I am confident that this new programme will also be successful in providing meaningful relief to a significant number of borrowers in financial difficulty.

Mr. Speaker,

They state that my assertion, in the Communication, that there was an increase in mortgage loan disbursements for new construction and renovations last year is inconsistent with the realities observed by the Central Bank. That is untrue. In fact, if one takes the time to review the Central Bank's contribution to this year's Budget Communication, which is part of the documentation accompanying the Communication, one will readily note that that assertion is made by the Central Bank itself. Moreover, it is a statement of fact, and not an opinion.

Mr. Speaker,

They state that, under my Government, there have been higher job losses. That is untrue. In looking at the hard data published by the Department of Statistics, I note that they have been reporting labour force data for Abaco separately since 2014. But they have done so consistently across the board, reporting on all major labour force components on that island, including the size of the total labour force, total employment and total unemployment. The data show that, between May 2012 and November 2015, the total labour force of The Bahamas has grown by 23,885. Over the same period, total employment in the economy grew by 20,170. While the number of unemployed rose by 3,720, the national rate of unemployment was relatively stable, registering at 14.8 per cent in November 2015 as compared to 14.7 per cent in May 2012.

So, Mr. Speaker, based on the facts, the reality is that employment in the country has grown appreciably over the past four years, but unfortunately not rapidly enough to absorb the somewhat stronger growth in the labour force. My Government has readily acknowledged that that is a particular challenge that confronts policymakers in this country; it is imperative that we achieve significantly higher rates of real economic growth to both absorb the significant new numbers of entrants into the labour force each year and sharply reduce the rate of unemployment. I will shortly turn to a discussion of my Government's approach to boosting economic growth in the period ahead.

Mr. Speaker,

I could go on with additional examples of inaccuracies espoused by members opposite in their contributions to the debate. However, I believe that I need not further belabour the point at this time. For the sake of brevity and time, I will move on.

More Buoyant Economic Growth

Mr. Speaker,

I therefore turn to my Government's approach to bolstering the growth of our economy and job opportunities.

Since the deep global recession of the last decade, it has been estimated that the potential growth rates of economies generally have declined on account of a number of factors. In the advanced economies, this reflects a slowing in the rate of physical capital accumulation as well as the effects of population aging. In the emerging economies, lower potential growth is due primarily to a slowdown in the growth of multi-factor productivity.

In its most recent Article IV report, the staff of the IMF concludes that potential real growth in The Bahamas has declined to between 1 per cent and 1.5 per cent per year, down from close to 3 per cent at the start of the century. The State of the Nation Report corroborated the finding that, as in the emerging economies, a negative growth of multi-factor productivity in this country has acted to negate the positive contributions to growth of additional inputs of labour and capital.

As such, it is clear that our policy focus must be on enhancing the supply side of the economy in order to boost the rate of real potential growth. Through our agenda for a modern Bahamas, we have recognized this priority and are acting to ameliorate the various critical determinants of stronger growth. We have done this by, for instance, strengthening our education and training programmes. We have also been pursuing an aggressive campaign to promote and support new investments across the breadth of the nation, a topic to which I will return shortly.

In its conclusion to the annual Article IV exercise, the Executive Board of Directors of the IMF succinctly recapped the growth challenges that we confront and concurred with my Government's approach to the development of a National Development Plan. The NDP will contain a programme of structural reform that will be needed to improve the competitiveness of our economy, boost potential real growth and reduce high structural and youth unemployment.

It is expected that key features of the plan will include raising human

capital and reducing skill mismatches; strengthening the business environment and reducing costs, including energy and other utility costs; and investing in growth-enhancing infrastructure, especially through productive public-private sector partnerships.

Mr. Speaker,

After many failed attempts on the part of various administrations over the years, it is evident that the development of a comprehensive plan such as the NDP and the implementation of the various structural reforms that it will advance will be critical to a significant and durable increase in the productive potential of our economy. That, in turn, will be indispensable to a lasting and appreciable reduction in our national rate of unemployment. Piecemeal and short-term programmes geared to the political cycle, as under our predecessors prior to the last election, are ultimately ineffectual and a waste of taxpayer resources. My Government has, over the past four years, and will continue in the period ahead to focus on our transformative agenda for a modern Bahamas – that is the true key to a brighter future for all Bahamians.

Doing Business Indicators

Mr. Speaker:

The Bahamas is taking full ownership of its rankings in the various competitiveness indices and as a Government, we have vowed to become a Smarter, more Competitive jurisdiction. We have committed to enabling business, small and large to succeed within our markets. We want to promote entrepreneurship and innovation. For this a strong business culture and a healthy sense of cooperation with the business sector is required.

Mr. Speaker:

I am pleased to have been advised that this is also a key area to be addressed in the National Development Plan. The National Development Planning Secretariat has met with a number of experts in the area to identify the changes necessary to allow The Bahamas to retain its leadership in the business development.

Mr. Speaker:

Our focus over the next year will be to ensure that we make starting a business easier by upgrading our ICT infrastructure and processes. We are working to ensure that the time it takes for businesses to connect to electricity is reduced through greater coordination between the electricity company and the Ministry of Works. Our innovative solutions include a mix of initiatives focused on reducing the cost of inputs, improvising efficiency and management,

rationalising the use of the resources in the family islands and utilising sound financial instruments to reduce future costs.

Mr. Speaker:

The Bahamas ranks 183 out of 189 for registering property. We understand that the ranking is heavily predicated on the challenges faced by attorneys in making checks for encumbrances at the Registry and in lodging conveyances. Significant improvements can be made through the use of technology to facilitate full online searches of the registry, reducing the time to do a search from the current 1- 2 months to a few days. Improving the technology is only part of the answer as we also need to improve the service provided by the various government departments. The initiative to strengthen the public service, to create more accountability and improve staff performance will have long run benefits as it will remove a number of the bureaucratic hindrances that adversely impact business in The Bahamas.

Mr. Speaker:

The recent undertaking of the Central Bank of The Bahamas and Bankers Association to introduce a credit bureau has been critical as it provides a mechanism by which banks can improve their data and better understand the risk profiles of potential borrowers but it will take some time before the database is fully populated and all of the benefits can be realised. This single initiative alone has the potential to considerably improve our ratings.

Finally Mr. Speaker:

We look at the issue of Protecting Minority Investors. Here we were ranked 111. We know that we need to modernize our legal framework for companies.

Mr Speaker:

My government is committed to improving the business environment here in the Bahamas but we do not seek to do this blindly. We seek to be informed by the experts on the best course of action and the vision and desires of the Bahamian public.

It is easy to stand up here and talk about all that is wrong. It is easy to criticise. It is a much harder job to listen to the needs and wants of the people; to listen to the advice of the experts and to commit the required resources and make the necessary hard institutional changes.

Mr. Speaker:

My government is prepared.... No... dedicated to doing this and making The Bahamas the best country in which to do business.

Buoyant Investments Across the Nation

Mr. Speaker,

As indicated in my Budget Communication, my Government and private sector investors through the focussed efforts of my administration are engaged in buoyant investments and infrastructure developments across many Islands in the Commonwealth of The Bahamas. Some projects have been completed during our term in office, others are ongoing, and others are in the advanced stage of planning, so as to ensure future economic growth, with more and more employment, entrepreneurial and ownership opportunities for our growing population. During the debate the Minister of State for Investments as well as other Ministers, have also in their contributions provided a vivid account of numerous developments, manpower training and the policies, programmes and systems being put in place to foster economic, human and social development.

Mr. Speaker:

As hard as the side opposite is trying both in this House and in an incessant public campaign to deny or belittle the reality of the many investment projects being attracted to our country, they are not able to hold back progress which is unfolding right before their eyes. The attraction of some \$7.8 billion in foreign direct investment since the commencement of my administration in 2012 is significant by any measurement and its continuing impact over the next decade is estimated to create over 8,000 construction jobs and a minimum of 5,000 permanent jobs as new projects come on stream.

Mr. Speaker:

Since presenting to this Honourable House of Assembly the 2016/17 Budget Communication on 25th May, 2016, two wonderful opportunities have presented themselves to witness the amazing progress on two developments, one at Highbourne Cay in the Exumas, and the other at Bimini.

I have previously touted the design, ambiance and success of the Holoweskos; Bahamian owned and operated Island House at Lyford Cay – a model which I would like to see replicated throughout The Bahamas. I was finally able to accept Mr. Mark Holowesko's invitation to visit his Highbourne Cay project, and to witness first hand its elegance, beauty and comfort set in a natural environment, and professionally managed staffed by Bahamians. I was surprised to learn that this project which is still under development, attracted

some 40,000 visitors last year.

Mr. Speaker:

Two Saturdays ago, along with a large number of guests from Nassau, Bimini, Grand Bahama and the United States, I participated along with the Chairman of Genting and Resorts World and his partner Mr. Gerardo Capo in the official opening of the new five star Hilton branded hotel operated by Resorts World. Apart from the beauty of the resort, I was most impressed by the quality of service and the pride and satisfaction displayed by the staff as they carried out their various functions.

Mr. Speaker:

Genting Resorts World and RAV Bahamas have proven to be invaluable development partners and investors in Bimini, where the development paradigm is that much more challenging than in New Providence or Grand Bahama Island. Resorts World has used its considerable clout to attract the premier global Hilton brand to the destination, supplemented by its uniquely designed world class casino, which is already attracting a mix of regular and high end customers. This superb new hotel will offer a world class spa and meeting facilities and other wonderful amenities with breath-taking views, unique swimming pools at the ground floor and roof top levels, surrounded by attractive villas and the largest marina in The Bahamas and with the advantage of close proximity to South Florida.

Mr. Speaker:

It was just three years ago that the Government was negotiating plans for a \$150 million resort project with The Genting/Resorts World Group. For those unfamiliar with the Resorts World brand, it is one of the international leisure brands of the Genting Group, the multi-billion dollar conglomerate based in Southeast Asia with over \$15 billion in leisure and hospitality assets operating under the direction of Chairman and Chief Executive Tan Sri Lim. Genting has partnerships with leading global brands such as Hard Rock, Universal Studios, Maxims, Star Cruises and Norwegian Cruise Lines which is also expanding its footprint in The Bahamas at Great Stirrup Cay in the Berry Islands and adding new luxury cruise ships on calls at Nassau and Great Stirrup Cay. Genting Resorts World recently acquired the ultra-luxury Crystal Cruise Line which operates exclusive cruises in various parts of the world, and is slated to call at Bimini in 2017.

Mr. Speaker:

Resorts World Bimini Limited, in conjunction with its partners, RAV Bahamas Limited, initially settled on construction of a 300 room hotel as part of a Master plan for development of the Island of Bimini; a Master plan

encompassing public private investment in infrastructure development and air, sea and ground transportation coupled with entertainment products and attractions to stimulate entrepreneurial activity and job creation for residents. The result has been the transformation of Bimini's tourism sector from a seasonal to a year round destination.

Mr. Speaker:

Resorts World's investments in Bimini's infrastructure have included a \$12 million investment in North Bimini's airport expansion, lengthening of the runway, upgrade of the terminal and flight facilities, construction of a deep-water jetty and water taxi terminal, construction of over 400 employee housing units, paving of the King's highway, improvements to local attractions and investment in various economic, social and educational community projects in Bimini.

I am advised that more than 33 new businesses have been established in Bimini since the introduction of Resorts World to the Island and that the Bimini Chamber of Commerce was recently formed to assist residents to take advantage of the opportunities ahead.

Mr. Speaker:

Since 2013 the developers have injected \$660 million in capital and operating cash flow into the development. Its employee count rose from 158 in February 2013 to 657 in May 2016 and is expected to stabilize at 720 employees over the next 12 months as the developer carries out further capital investment.

In the area of transportation to service Bimini from the United States and to connect with the rest of the world, the Resorts World Bimini Team have introduced daily, non-stop commercial air service via from the United States with flights to Bimini by Cape Air and Silver Airways, code sharing with major US carriers, including Jet Blue and American Airlines. Additionally, five (5) luxury private aircraft service high rollers visiting the resort. There is now capacity to transport 500 people daily over Miami and Ft. Lauderdale with seamless transfer of baggage to the Resort on airline check-in.

The company is committed to the provision of fast and efficient ferry service for guests and will soon launch and improved ferry service from Port Miami utilizing the new jetty constructed by Resorts World on Bimini.

Chub Cay, The Berry Islands

Mr. Speaker:

The Extensive update on development projects in my earlier Communicationg did not include among others, Chub Cay in the Berry Islands. The new Clubhouse is substantially completed and is slated to have a soft

opening around 4th July next month. It will also include indoor/outdoor bars, restaurant, swim up pool bar and eleven very nicely appointed hotel rooms located on the second floor with views overlooking the pool and beach. Also to open next month are eight new beach cabanas with one bedroom which are located directly on the beach.

The developer has also completed ten new villas from two bedroom to four bedrooms pricing from \$800 to \$1600 per night, with luxurious amenities and furnishings.

Work has been carried out on brick paving sand and dirt road, and finishing the power and water plant. Some 190 Bahamian construction workers and 53 operational staff are employed at the Club. Further development is slated in the upcoming months.

In addition to the \$25 million for the purchase of Chub Cay Club, the owner has invested another \$25 million on construction so far.

Hawksbill Creek Expiring Concessions Review

Mr. Speaker:

I went to some length both in my Budget Communication and my earlier Communication dated May 9th, 2016 to report to this Honourable House the outcome of the review of expiring concessions contained in the Hawksbill Creek Grand Bahama (Deep Water Harbour and Industrial Area) Extension of Tax Exemption Act, 1993. Opportunity has also been taken by my Government to conclude arrangements aimed at strengthening and expanding the economy of Grand Bahama after extensive consultations and negotiation with the Grand Bahama Port Authority and key investor/stakeholders and the public. These arrangements follow upon an in depth and comprehensive study being conducted by the Hawksbill Creek Review Committee.

Mr. Speaker:

As an outcome the Government has inter alia

- (i) Entered into a Memorandum of Understanding (“MOU”) with the Grand Bahama Port Authority Limited (“GBPA”) and key entities controlled by GBPA, Hutchison Ports, CK Property Holdings Limited, and the Port Group, namely GBPA, Freeport Harbour Company Ltd, Grand Bahama Development Company Ltd, and Freeport industrial and Commercial Ltd.
- (ii) Executed a Waiver of Exclusivity Agreement with Freeport Harbour Company Limited with respect to the operation of cruise ports on Grand Bahama.

The MOU sets the stage for specific arrangements which must be entered into with licensees.

Meaningful progress is being made in settling with the Grand Bahama Port Authority a list of social and infrastructural commitments which will deliver tangible contributions to the quality of life for resident of Freeport. In fact one of these items which include reopening of portions of West Sunrise Highway is already the subject of discussions between the principals of the Grand Bahama Port Authority and the property owner. Discussions are also taking place between the Office of The Prime Minister and the GBPA relative to Government's administrative expenses in the Port Area.

Mr. Speaker:

A new regime with a new framework is contemplated for the Port area with respect to the tax concessions which expired on 5th May, 2016. The same tax concessions will be granted by the Government for a period of 20 years commencing on the 4th of May, 2016 to existing licensees of the GBPA on an individual basis, subject to certain conditions and under a framework that would provide for the maintaining of performance through periodic reviews every five years. The Government would collaborate with GBPA on the design of the framework. The same framework will apply to new licensees once they submit and obtain approval of their development plans. In return for the undertakings and assurance by GBPA, Freeport Harbour Company, Grand Bahama Development Company and Freeport Commercial & Industrial Company Ltd., the Government is to take the necessary measures to grant the expiring concessions to these companies, their existing affiliates, subsidiaries and joint venture companies in like terms for a period of twenty years, commencing 4th May, 2016.

A Bill to give effect to these new measures is in the final stages of preparation and will be presented for consideration by Parliament within the coming days.

Baha Mar Development Project

Mr. Speaker:

As you are aware I provided to this House in my Budget Communication factual background information on the stalled Baha Mar project, the current status and measures being taken by the stakeholders, the Receiver Managers, the Provisional Liquidators and the Bahamas Government to achieve early remobilization and completion of the project, as well as the bid process to secure a new investor. I provided the House with the Joint Statement dated 24th May, 2016 issued by the Export Import Bank of China, China State Construction and

Engineering Corporation and the Government of The Bahamas, following two days of successful meetings in Beijing regarding remobilization.

Mr. Speaker:

Since such time, however there has been much talk and serious allegations that require an urgent and serious response. I begin with some significant history.

When the FNM Government announced that it was giving consideration to a multi-billion dollar proposal by Mr. Sarkis Izmirlan for the financing and construction of the Baha Mar Resort and that it could involved up to 8,000 Chinese construction workers, I appointed a Committee chosen from our Members of Parliament and chaired by the Member of Parliament for Bains and Grants Town. The Member of Parliament for West End and Bimini was a member of that Committee.

The Committee was asked to review the newly announced Baha Mar development, meet with representatives of the developer and the Government with a view to making a recommendation with respect to the position we should take in our Parliamentary Caucus.

Mr. Speaker:

We did not rush to judgment. We made strong efforts to arrive at the right decision. After a full set of consultations including with the Cabinet Committee of Tommy Turnquest, Dion Foulkes and Desmond Bannister, a report was prepared and published as to our position.

Mr. Speaker:

After the debate on the Resolution moved in the House of Assembly, I made it a point to attend the groundbreaking functions hosted by the FNM Government and the Developers. That is where I saw the officials of both the Chinese Construction Company and the China Eximbank for the first time.

We were guided by the fact that we supported the first proposed development when we won the Government 2002 -2007. And notwithstanding that the proposed contract required a reversal of the ratio of Bahamian Labour from 70% Bahamians to 70% Chinese.

Mr. Speaker:

We were truly impressed and in admiration of Mr. Izmirlan for his perseverance in overcoming difficult circumstances and being able to secure an extraordinary multibillion dollar loan facility for the construction of the Baha Mar Resort from the China Export and Import Bank.

Towards ensuring that Bahamians fully understand the history and extent of the Chinese involvement in the economy of The Bahamas. We should not overlook the important investment of Hutchinson Whampoa in Freeport – hotels, airport, Harbour and Container Port.

We should also recall that the Ingraham Government awarded to the same Chinese Company under the New Providence Road Improvement Programme to rebuild the roadways from the Lynden Pindling International Airport along JFK Drive. The works were ultimately subcontracted to Knowles Construction Company.

Also the award of a major contract to a Chinese company to build a new port in North Abaco

Why then in such circumstances Mr. Speaker should anyone try to argue or suggest some special out of the ordinary relationship between my Government and the Chinese Construction Company and the Financing Bank. As history would have it, it was an Ingraham FNM Government that brought about diplomatic relations between The Bahamas and the People's Republic of China. It was the right thing to do.

But let us go further on our examination of the unfortunate use of prejudice that has become a part of the discussion on Baha Mar.

Mr. Speaker:

I am grateful for the recall and research of the Member of Parliament for West End and Bimini who used the words of a former FNM politician uttered during the debate on the FNM Government sponsored a Resolution seeking the support of the House of Assembly for the deal that politicians admonished us and the country to be aware of the nature of our economy and the danger to it of xenophobic utterances.

Mr. Speaker:

The rhetoric and false accusations coming from the side opposite and other sources are astounding and not helpful to say the least in achieving an overall solution, that would permit the project to be completed and successfully operated not only for the benefit of the stakeholders, but more importantly thousands of Bahamian workers, scores of Bahamian sub-contractors and suppliers who are in dire financial straits, and the economy of The Bahamas for the benefit of all our citizens. The orchestrated anti-Chinese rhetoric does not bode well for the friendly relations which exist between The Government of The Bahamas and The People's Republic of China as well as the two state owned entities Eximbank of China and China State Engineering & Construction

Company and its subsidiary China State Construction Company who have invested heavily in The Bahamas. The Government of China has also been a generous donor and good supporter of The Bahamas within the international community.

Mr. Speaker:

It is a very dangerous and damaging assertion to state and warn that the FNM reserves the right to void Government agreements relating to the completion of Baha Mar. It is damaging not only in relation to Baha Mar, Chinese stakeholders and the Government of China, but to the international reputation of the Government of The Bahamas as a country which relies so heavily upon Foreign Direct Investment. I must ask is this really the position of the FNM leadership? I should also advise all who have ears to hear for a final time that it was the former FNM administration led by the then Prime Minister, which approved and negotiated the Chinese involvement in Baha Mar, and the terms of the Amended and restated Heads of Agreement with the developer, which was to permit the employment of up to 8,000 Chinese workers at the project. It was the FNM Government which agreed to the loan arrangements with the China Eximbank and the general contractor and equity partner China State Construction a subsidiary of China State Engineering & Construction Company.

Mr. Speaker:

The accusation that my Government is conspiring with the Chinese against the previous developer is totally false. The record will show that while I was acting as an intermediary with the Eximbank at the request of Mr. Izmirlian, he without notice to the Bahamas Government, the Eximbank and the general contractor filed for Chapter 11 bankruptcy in the United States. It was upon the advice of the Government's Bahamian, US and UK attorneys that the Government of The Bahamas resisted in the national interest the Chapter 11 proceedings and recognition of same in Bahamas courts. Even after these unfortunate events my Government joined in two protracted rounds of negotiations in Beijing and one in The Bahamas in seeking a negotiated arrangement between Mr. Izmirlian the former developer, the Eximbank and the general contractor, during which the Bank and the general contractor offered terms to the former developer to finance and complete the project, but he did not agree to the terms. Ultimately under the terms of the loan agreement Receiver Managers with the consent of the Bahamas Supreme Court took possession of the property.

With your leave Mr. Speaker I will now read and then lay on the Table a Memorandum dated 20th June, 2016 from the Government's US attorneys Hogan & Lovells and a Memorandum dated 20th June, 2016 from the Government's UK attorneys CharlesRussell Speechlys, providing a summary of

the advice tendered to the Government regarding the Chapter 11 proceedings, and the prudent actions taken by my Government in the national interest and in the best interests of the project.

(Read Hogan Lovells & CharlesRussell Speechlys Memorandums)

Mr. Speaker:

Meanwhile following upon the joint Press Statement dated May 24th on funding and remobilization, Eximbank, the Receiver Managers and CSCEC and CCA are currently in Beijing where they are negotiating a construction contract in order to remobilize and complete the project as soon as possible. My Government is committed to remain engaged with the stakeholders and the Government of the People's Republic of China, the Receiver/Managers, Provisional Liquidators and the Bahamas Supreme Court to achieve not only completion of Baha Mar project, but its successful operation by world class hotel and casino partners.

Mr. Speaker:

The side opposite has raised the question regarding concessions which the Government is being asked to consider in relation to the completion of the Baha Mar project. This is a matter which will require negotiations primarily with the new investors in the project, who are yet to be decided by China Eximbank following the international bid process being conducted by the Receiver/Managers. The concessions will depend upon the plans and level of investment by the new investors. The criteria and terms and conditions of the former Heads of Agreement will also be taken into consideration. To facilitate the remobilization, the Government will give consideration to such concessions as are normal and necessary having due regard to the arrangements for settlement of legitimate amounts owing to Bahamian sub-contractors and suppliers.

Conclusion

By way of a very brief and succinct conclusion, Mr. Speaker, I would simply reiterate that, over the course of our mandate, we have remained faithful to our overriding agenda of change whose focus is the transformation of The Bahamas into a modern and more prosperous nation with buoyant and lucrative employment opportunities.

That is our vision for the future. We have assiduously moved to make that vision a concrete reality and will continue to do so through the implementation of the National Development Plan that is in preparation.

I am proud to assert that vision and action are the hallmarks of my Government. I am also confident that we will succeed in transforming our vision into fact. My optimism is unwavering; the future is bright indeed.

I am confident, Mr. Speaker, that we will succeed in transforming our vision into reality so that the greatest good can be wrought on a sustainable basis for the greatest number. The optimism that I share with my Government and Party in this regard is unwavering. Though we are clearly beset by challenges on many fronts, we draw inspiration from the fact that we have been able to weather many diverse challenges already and that we are now firmly on course to overcome the challenges that lie before us still.

Mr. Speaker:

This is not a Government that rests on its laurels. On the contrary, we rise each day to go forward into the world to do the unfinished business that summons us with its cries of anguish and of urgency. We are always about the people's business. No matter the nonsense that may issue from the lips of the foolish or the blind, the people of the Commonwealth of The Bahamas can rest assured of one thing, and it is this: this Government of the Progressive Liberal Party remains the one and only Party that has the vision, the compassion, the philosophical conviction, the Plan and the cohesive team and the talent needed to bring peace and prosperity to all our people.

That is our mission. That is our purpose.

And from that mission and from that purpose, we, in the Government of the Progressive Liberal Party, shall not shirk – not now, not ever!