



COMMONWEALTH OF THE BAHAMAS

**2016/17
BUDGET COMMUNICATION**

AN AGENDA FOR A MODERN BAHAMAS

Presented to the Honourable House of Assembly

By

**The Rt. Hon. Perry G. Christie, M.P.
Prime Minister and Minister of Finance**

on

Wednesday, 25th May 2016

2016/17 BUDGET COMMUNICATION

It is my honour to present the 2016/17 Budget Communication.

I. INTRODUCTION

Mr. Speaker,

This is the fifth Budget Communication that my Government has presented to this Honourable House during our current mandate. Significantly, since the first, each succeeding Communication has shown a reduction in the Government's GFS Deficit. This Budget Communication continues our track record in this regard, with a further reduction in the GFS Deficit in the 2016/17 fiscal year.

As we committed to do when we set out an unprecedented and rigorous Medium-Term Fiscal Consolidation Plan, we have not wavered from that plan. The plan is targeted and balanced and it has yielded concrete improvements in the public finances of our nation and that, in turn, sets a solid foundation for stronger growth and job creation.

Mr. Speaker,

I am pleased to report that we have been successful in containing fiscal pressures this fiscal year and thereby keeping the projected GFS Deficit to a level of \$150 million, broadly in line with the Budget target of \$141 million. This variance reflected the payouts for the CLICO Bahamas liquidation that, for their part, were funded by extraordinary revenue.

Mr. Speaker,

For general information with respect to the CLICO interim payments, as at 29th April 2016, 3,078 cheques totaling some \$10.2 million in payments have been collected and 1,649 cheques totaling \$2.1 million remain uncollected. This demonstrates the Government's commitment to making whole everyone negatively impacted by CLICO.

Mr. Speaker,

In the 2016/17 fiscal year, we will build further on our fiscal success with a projected GFS Deficit of \$100 million.

Mr. Speaker,

Since the first year of our mandate and by the end of the 2016/17 fiscal year, we will have reduced the Deficit by \$439 million, or by over 80 per cent.

While the burden of Public Debt remains unacceptably high, I am pleased to note that, through our fiscal plan, we will have arrested the rise in that burden in the 2016/17 fiscal year with its first reduction in many years. Thereafter, the ratio of Debt to GDP will decline steadily.

Mr. Speaker, viewed in its proper context, this is no small feat. The ongoing struggles and associated economic and social upheaval of other nations around

the globe, in the face of daunting structural fiscal challenges, are instructive in this regard, especially in those cases where consolidation has been delayed. My Government boldly rejected the short-term and shortsighted expediency of delay. Indeed, we acknowledged the fundamental necessity to redress the nation's public finances at the very outset of our mandate, through the Medium-Term Plan that we presaged in the 2012/13 Budget Communication and that we formally and explicitly announced in February 2013. As I mentioned, this action plan is targeted and balanced, with a focus on all of the major components of the public finances, that is, reform and restraint of Recurrent and Capital Expenditure, enhanced Recurrent Revenue through modernized administration and new sources of revenue and the promotion of economic growth potential. And we are doing so in the face of the burgeoning demands on Government from a yet developing archipelagic nation.

Mr. Speaker,

As I have explained previously, we have sought to bring order to our public finances, not merely for the sake of doing so, but because healthy public finances are a crucial prerequisite to maintaining and enhancing confidence in The Bahamas as a desirable and attractive location for investment, growth and job creation. Strong finances are also vital to the viability and continuity of the public programmes and services that Bahamians need and demand of a modern Government.

II. THE GLOBAL ECONOMY

Mr. Speaker,

As I explained in the Mid-Year Budget Statement, the global economic environment continues to be very challenging. Indeed, in its latest World Economic Outlook of April 2016, the IMF suggests that the world economy is, in its words, “faltering from too slow growth for too long” and that the recovery remains fragile and still vulnerable to a number of risks.

On that basis, the IMF has yet again downgraded its forecast for world output growth to 3.2 per cent in 2016, down a further 0.2 percentage points from only three months ago. More significantly, the Fund asserts that we now face a risk that persistent slow growth could lead to damaging longer term effects on the social and political fabric of nations, to lower potential economic expansion and to weak prospects for employment growth around the globe.

I would note, in particular, that the IMF is concerned that the consecutive and persistent downgrades to growth prospects run the risk of the world economy reaching so-called “stalling speed” and falling into secular stagnation. The Fund therefore calls on governments to pursue aggressive actions to support the recovery and enact the critically needed structural reforms to bolster the potential growth of their economies.

For The Bahamas, the implications are clear. We must, on the one hand, protect the hard-won improvements in our public finances that have to date been secured and persevere with the further improvements that are planned. That is critical to

maintaining confidence in our nation as a very attractive locale for investment. We must also address the various structural reforms that are necessary to boost productivity and enhance the competitiveness of our economy. As I explained in last year's Budget Communication, in the Mid-Year Budget Statement and again in brief review earlier, we have begun to implement reforms to that end. The development and effective implementation of the National Development Plan will also be vital in this regard.

The IMF now projects the world economy to grow by 3.2 per cent this year and 3.5 per cent in 2017. The advanced economies are forecast to grow by a more modest 2 per cent in 2016, on the basis of relatively weak demand conditions, unfavourable demographics and low productivity growth.

On a somewhat more positive note, growth in the United States, our major trading partner, is expected to be slightly more buoyant, expanding by 2.4 per cent in 2016, with a further modest strengthening in 2017. Domestic demand is expected to be supported by improved public finances, as well as stronger housing and labour markets. Following its most recent meeting, the Federal Reserve noted these areas of strength, in addition to the solid rate of growth of household real incomes and the high level of consumer sentiment. The Fed agreed, dependent on future economic developments, to maintain its accommodative monetary policy stance, with interest rates expected to remain at relatively low levels for some time.

These factors and the general outlook in the U.S. economy augur well for the further expansion of our key tourism sector this year and beyond.

Elsewhere, the Euro economy is forecast to experience ongoing modest growth, at around 1.5 per cent this year and next, as a result of persistently high unemployment, weak balance sheets and low investment. Modest economic expansion is also expected in both Canada and the U.K.

One critical factor for global prospects is the outlook for the Chinese economy which is presently transitioning from a focus on investment and manufacturing to a more sustainable path based on consumption and services, While down somewhat from recent experience, real growth in China is still forecast at just in excess of 6 per cent per annum.

III. THE BAHAMIAN ECONOMY

Mr. Speaker,

I now turn to recent domestic economic developments and prospects for the future.

In its latest release of the National Accounts data a few weeks ago, the Department of Statistics estimated that the performance of our domestic economy was somewhat weaker in real terms in 2014 than it had previously estimated at this time last year. According to these latest data, the real economy is now

estimated to have contracted by 0.5 per cent in 2014, in contrast to the estimated positive growth of 1 per cent presented twelve months ago.

In addition, the DOS also presented its first estimate of real economic growth for 2015. These data suggest that the contraction in real economic activity widened further last year, to the tune of -1.7 per cent. This estimate stands in contrast to the projected positive rate of real growth of 2.3 per cent presented in last year's Budget Communication, which had been developed by the Ministry of Finance in conjunction with the staff of the IMF. The estimates of real growth in the Bahamian economy presented by the major ratings agencies at various times following the May Budget also featured positive rates of growth for 2015.

I would note that these new data from the DOS have direct and important implications for the fiscal ratios that are presented in the Budget Communication and which are key features of the Government's Medium Term Fiscal Consolidation Plan. For instance, the value of nominal GDP, which is used as the denominator in our fiscal ratios, is now estimated at \$8,736 million in fiscal year 2014/15, down \$35 million from last year's Budget forecast.

More significantly, the value of nominal GDP in the 2015/16 fiscal year is now estimated at \$8,944 million, down considerably from \$9,220 million in last year's Budget.

The weakness in real economic activity in 2015 was due primarily to softer output in the construction sector. Positive growth was, however, registered by a number of industries, including wholesale and retail trade, banking, real estate, business services and public administration, health and education and community, social and personal services.

The softness in the construction sector reflected a significant fall-off in foreign investment-led construction output, as activity at the Baha Mar project wound down.

Our key tourism sector recorded ongoing, though still modest, improved performance in 2015, primarily reflecting continuing gains in the high value-added stopover segment of the industry. This development reflects further improvements in our key tourist source markets, as well as improved airlift and hotel capacity. Total air arrivals expanded by 3.6 per cent last year, on the heels of the 4.9 per cent growth registered in 2014.

Activity in the domestic construction sector posted mixed signals in 2015. Mortgage loan disbursements for new construction and repairs in the residential segment grew by an appreciable 35 per cent last year, a reversal from the 8 per cent decline in the previous year. This performance contrasts to that in the smaller commercial segment, where disbursements fell to roughly \$10 million from \$15 million in 2014.

On the labour market front, developments were impacted by the softness in economic activity registered in 2015. As reported by the Department of Statistics, the national rate of unemployment in November 2015 stood at 14.8 per cent. That represented an increase of 2.8 percentage points from the rate of 12 per cent reported six months earlier, though the latest rate was still 0.9 percentage points lower than it had been in November 2014. The rise in the unemployment rate last year reflected a number of factors, including seasonal effects such as the entry into the labour force of new high school and university graduates, a fall in the number of discouraged workers and the layoff of over 2000 workers at the Baha Mar project.

Of particular concern, the rate of unemployment for the youth of our nation, aged 15 to 24 years, continued at the unacceptably high level of 30 per cent and this is an issue that we are committed to addressing aggressively through both the growth strategy that we are pursuing and the apprenticeship and training programmes that I discussed earlier.

Consumer price inflation continued at a moderate pace of 1.9 per cent in 2015, up slightly from the previous year. While the introduction of VAT contributed some measure of one-time upward pressure, overall inflation was tempered significantly by the sharp drop in international oil prices. With ongoing excess supply and weak consumer demand globally, the average price of crude oil declined by 47 per cent

in 2015 to \$52.61 per barrel. By end December, the price stood yet lower at \$36.53 per barrel. The IMF projects ongoing relative weakness in oil prices in 2016, on the basis of high inventory levels and buoyant supplies from the major producers. The weakness in oil prices translated into significantly lower domestic gasoline prices and BEC fuel charge. The latter declined by over 34 per cent in 2015 and by a further 12 per cent in the first quarter of this year.

External reserves expanded significantly in the first quarter of 2016 to stand at \$980.5 million, representing an increase of some \$172 million from December 2015.

As for the economic outlook, the Ministry of Finance and the Central Bank expect some degree of firming in economic activity this year on the basis of ongoing modest growth in the tourism sector and foreign investment led activity in the construction sector. On that basis, real GDP is expected to grow by some 0.5 per cent in 2016, following the 1.7 per cent contraction last year. That rate of expansion in economic activity is projected to strengthen further in 2017, to an annual rate of 1 per cent in real terms. Of course, it is to be borne in mind that, when the Baha Mar project restarts, it will provide an important boost to our economic growth prospects and to near-term employment opportunities.

IV. FISCAL PERFORMANCE IN 2014/15 AND 2015/16

Mr. Speaker,

I now turn to fiscal performance in the 2014/15 and 2015/16 fiscal years.

The 2014/15 Fiscal Year

Mr. Speaker,

The fiscal outturn in the 2014/15 fiscal year featured a somewhat more elevated GFS Deficit than had originally been projected in the Budget Communication for that year. The Deficit, at \$381 million, was some \$95 million higher than the forecast of \$286 million. This was the result of a number of factors, including:

- An increase in Recurrent Expenditure of \$100 million due primarily to a higher level of Debt Redemption that year, to the tune of \$84 million, which I would note affects the level of Recurrent Expenditure but not the GFS Deficit;
- A further \$14 million of the increase of Recurrent Expenditure reflected a reconciliation exercise with BTC involving payments by the Government for services received which were offset, on the Recurrent Revenue side, by the payment by BTC of Business Licence fees and real property tax and site rental payments;
- An increase in Capital Expenditure of \$41 million as a result of an acceleration of the procurement project for new RBDF vessels, with four vessels being completed and delivered in the 2014/15 fiscal year, at a cost of \$66 million; and

- A lower level of Recurrent Revenue than projected, by some \$42 million, reflecting the somewhat weaker than expected growth in nominal GDP during the fiscal year.

The 2015/16 Fiscal Year

Mr. Speaker,

In the 2015/16 fiscal year, the GFS Deficit is estimated at \$150 million, broadly in line with the Budget projection of \$141 million. This \$9 million increase reflected a number of factors, including:

- A \$57 million increase in Recurrent Expenditure primarily associated with higher levels of expenditure in respect of both Debt Redemption and Interest payments, to the tune of \$33 million and \$35 million, respectively;
- An additional allocation of \$32 million to the Ministry of Tourism for concession payments under agreements with the cruise ship companies, as was set out in the Mid-Year Budget Statement;
- There were also the payments made by the Government in respect of the CLICO Bahamas liquidation, in the amount of \$13 million, that were announced in the Mid-Year Budget Statement in early March of this year;
- The Water and Sewerage Corporation was allocated an additional \$13 million to cover shortfalls;
- Recurrent Revenue is expected to be down by an estimated \$37 million during the fiscal year and this despite a significant reduction in the level of

nominal GDP as compared to the Budget forecast, primarily reflecting the relative buoyancy of VAT revenues; and

- Capital Expenditure during the 2015/16 fiscal is expected to be lower than projected, by some \$52 million, partly reflecting the timing of RBDF vessel deliveries.

As I mentioned at the outset of the Communication, the Government confronted various fiscal pressures during the current fiscal year, primarily in respect of Recurrent Expenditure. But we were successful in managing these pressures and containing the increase in Total Recurrent Expenditure, net of Debt Redemption, such that the rise in the GFS Deficit above the projected level was minimized to the extent possible.

V. FISCAL POLICY 2016/17 AND BEYOND:
THE MEDIUM-TERM FISCAL CONSOLIDATION PLAN

Mr. Speaker,

As I stated earlier, the Government remains firmly committed to staying the course with its Medium-Term Fiscal Consolidation Plan. The plan comprises a multi-year strategy whose overarching objective is to secure durable structural reform of the principal components of the public finances. As such, we are moving decisively to transform Recurrent Expenditure, Capital Expenditure and Recurrent Revenue in a manner that is phased, measured and balanced.

Recurrent Revenue

Mr. Speaker,

The various reform and modernization measures that we have implemented in respect of Recurrent Revenue have borne fruit and produced the targeted, significant increase in the revenue yield of our tax system. From a low of 16.3 per cent of GDP the year that we took office, the revenue yield has risen to 22.5 per cent of GDP this fiscal year. This primarily reflects the impact of the Value Added Tax that we implemented in January of 2015. Also important have been the comprehensive reform and modernization exercises that we launched in our major revenue areas, including Customs, Real Property Tax and Business License. The further development of the new Central Revenue Administration will also contribute importantly to revenue compliance and enhanced collections going forward.

The improved revenue yield of our tax system that we have achieved during this mandate has brought it into the range of such yields among countries in the region, but I would stress that it still remains at the lower end of that range.

With the ongoing revenue reforms that are in process and the further maturation of our VAT system, I expect the yield of our revenue system to improve again somewhat in the 2016/17 fiscal year, to a level of 23.7 per cent of GDP. In combination with the forecast growth in nominal GDP, that will result in estimated Recurrent Revenue collections of \$2,176 million in 2016/17. The medium term projection assumes that the revenue yield will remain in the area of its 2016/17 level through 2018/19.

Recurrent Expenditure

Mr. Speaker,

As for Recurrent Expenditure, I would reiterate that we are moving forward with the reforms and measures that are targeted at restraining the growth of spending and to make that spending more efficient and effective such that, through the medium-term, Recurrent Expenditure shows a decline relative to the size of the economy.

In the 2016/17 fiscal year, Recurrent Expenditure is estimated at \$2,321 million, an increase of \$166 million from its projected level this year. The bulk of that increase corresponds to a higher level of Debt Redemption payments, by some \$102 million as compared to its level in 2015/16. However, I will stress again that the higher level of Debt Redemption will have no bearing on the GFS Deficit in 2016/17.

Going forward and, in line with the commitments contained in our Medium Term Fiscal Consolidation Plan, we are asserting that Recurrent Expenditure will be further constrained and projecting that it will decline as a percentage of GDP beyond the coming fiscal year, by 1 percentage point or more per year.

Capital Expenditure

Mr. Speaker,

On the Capital Expenditure front, we are also remaining faithful to our commitment to restraining its weight relative to the size of the economy over the medium term, to a level in the range 2.5 per cent of GDP. In dollar terms, that amounts to a total level of Capital Expenditure of some \$242 million per year.

This constraint does not reflect a lack of commitment to modernizing and upgrading the public infrastructure in The Bahamas. In this regard, as I mentioned earlier, we have provided significant new investments for National Security with funding to provide the RBDF with three modern bases of operations throughout the archipelago. In addition, we have included funds to provide more vehicles and motorcycles for the Royal Bahamas Defence Force as well as our agencies that operate in the Family Islands.

We have also included funding to continue the very ambitious Family Island Road Programme, with roadworks in North Andros, Acklins and Abaco. In addition, we have included funding for the road paving programme in New Providence.

Furthermore, funding is also available for Family Island airport development as we continue to modernize the civil aviation regime in The Bahamas. This process, when completed, will see the present Civil Aviation Department as a standalone regulator with the Airport Authority assuming operations for Family Island airports.

Mr. Speaker,

It is important for Bahamians to note that my Government completed an assessment of airports throughout The Bahamas in which it was indicated that recommended improvements could amount to \$150 million.

In consequence, we are in the process of completing major improvements to the airport in San Salvador and expect to engage in major improvements in Exuma, North Eleuthera, Berry Islands, Inagua, Cat Island and other airports as well.

The Government has also reached an agreement in principle to acquire new accommodations for the Post Office Department and this will pave the way for the complete renovation of the Post Office Building. Funding for the acquisition and outfitting of the new home of the Post Office is included in the budget.

VI. PROJECTED FISCAL RESULTS

Mr. Speaker,

As a consequence of the fiscal measures that we are implementing and, barring unforeseen developments, we expect to adhere to the fiscal objectives of our medium-term plan, namely:

- the GFS Deficit will post a further decline in 2016/17 to a level of \$100 million, or 1.1 per cent of GDP;
- the primary balance will post a second consecutive surplus in 2016/17, to the tune of \$172 million;
- on the current fiscal track, the GFS Deficit will be eliminated in 2018/19 and a small surplus will be posted;
- the ongoing rise of the Government Debt burden will be arrested and the ratio of Debt to GDP will decline to 64.1 per cent in 2016/17, down from the peak of 64.6 per cent in 2015/16. It will fall steadily, thereafter, to stand in the area of 59 per cent in 2018/19.

VII. OUR AGENDA FOR A MODERN BAHAMAS

Mr. Speaker,

My Government's efforts and successes over the past four years do not begin and end on the fiscal front, for we have clearly understood - from prior to the last election - that our nation confronts a multitude of challenges that stand in the way of a better future for all of our citizens. Accordingly, we have been driven over the past four years by a mission to effect fundamental transformation in the pursuit of a modern Bahamas. Significant problems plague our society and economy and we simply cannot continue to accept the status quo. Bahamians demand a better future for themselves and their children and it is my Government that has taken up the mantle and begun to move us toward a decidedly better future. Ours is an agenda for a modern Bahamas, with modern governance, a modern and more prosperous economy, as well as modern social programs and public infrastructure. We began that process with the comprehensive change agenda of the **Charter for Governance** that we shared with our fellow citizens prior to the 2012 election. Since taking office, we have doggedly implemented a number of reforms in the various areas of that agenda, as I explained in the last Budget Communication as well as in this year's Mid-Year Budget Statement. While I will not repeat all of the details at this time, it is nonetheless important to remind this House and Bahamians of the major reform measures that we have implemented. I will group these under the four key pillars of future economic and social development that

were identified in the recent State of the Nation Report. This Report represents the first stage in the preparation of a National Development Plan, to which I will return shortly. The four pillars of development are:

- Human Capital
- Governance
- The Natural and Built Environment, and
- The Economy.

Human Capital

In the area of human capital, we have effected healthcare reform with significant investments in both Princess Margaret Hospital and Rand Memorial, as well as in new and renovated facilities in the major Family Islands; we have also worked toward the introduction of a National Health Insurance scheme.

Modernizing Health Care and National Health Insurance

Mr. Speaker,

The provision of practical and cost effective Universal Health Care to Bahamians remains a key priority of my Government. The subject of National Health Insurance continues to attract healthy debate among medical practitioners and others; however, my commitment, and that of the Government, to the accessibility and affordability of basic medical services and the improvement of the quality of life for Bahamians, is unequivocal and together with the involvement of leadership

from the NHI Bahamas Secretariat, the Ministry of Health, the Public Hospitals Authority and our global partner in healthcare, KPMG Bahamas, we are committed to delivering health care that is modern, affordable and accessible for all legal residents of The Bahamas.

Mr. Speaker,

The implementation of NHI Bahamas is reflected in our continual assessment and evaluation of our medical professionals, health care facilities, allocation of resources and effective delivery of services. All of these elements are of vital importance to the core of health systems strengthening and an essential aspect of the successful implementation of NHI Bahamas.

We have made significant investments in the evaluation and assessment of our public health sector. We have evaluated our public healthcare facilities, taken account of the need for additional doctors, nurses and other healthcare professionals, analyzed the distribution of financial and material resources and determined the deficit in terms of availability, accessibility and quality of services in our public sector.

Mr. Speaker,

Strategic Health Systems Strengthening plans have been developed and are being implemented to bridge the gaps in all areas to support the implementation of National Health Insurance for The Bahamas.

Mr. Speaker,

It is unacceptable that, today, 70% of Bahamians still do not have health insurance. Not being able to afford health care can result in illnesses that are preventable; that can be avoided through access to primary care, which will be the first phase of coverage. It is also unacceptable that 32% of Bahamians who needed medical treatment at some point did not seek it because of cost. It cannot be underscored enough that in a modern Bahamas this is our opportunity to provide all Bahamians with the means and wherewithal to obtain routine medical services for themselves and their families.

The Ministry of Health, including the Department of Public Health and the Public Hospitals Authority, have introduced extended clinic hours and increased administrative capacity and availability of services in recent months.

Mr. Speaker,

Since the beginning of this year, the NHI Secretariat has engaged in meaningful dialogue to educate all Bahamians about NHI Bahamas. This has included presentations to civic, corporate, religious, government and non-government entities. The Secretariat consistently makes itself available to any and all organizations which request their presence for a presentation and discussion around NHI. They have traveled across The Bahamas, meeting local residents and speaking at town hall meetings in most islands. Before the end of this budget

year every island would have been engaged in discussions on the National Health Insurance Programme. I am advised that these presentations are being well received and that the general public is calling for the implementation of NHI Bahamas without further delay.

Additionally, over the last twelve months, the NHI Secretariat has consistently and assiduously collaborated with stakeholders to improve the manner in which we can collaborate regarding NHI Bahamas. Although public consultation regarding the NHI legislation has concluded, stakeholder engagements will continue in order to further develop the roadmap towards the phased implementation of NHI Bahamas.

Mr. Speaker,

These stakeholder groups have included:

- The Bahamas Association of Physiotherapists
- The Bahamas Chamber of Commerce and Employer's Confederation
- The Bahamas Chiropractic Association
- The Bahamas Dental Association
- The Bahamas Doctors Union
- The Bahamas Insurance Association
- The Bahamas Nurses' Association
- The Medical Association of The Bahamas and
- The Pharmacy Association of The Bahamas

Mr. Speaker,

My Cabinet has approved a single governance model that will accelerate the implementation of Universal Health Coverage while providing effective oversight of the Programme. The approved, integrated Universal Health Coverage governance structure will allow for quick and effective decision making with transparency and accountability, as well as the alignment of health systems, and will result in greater efficiency, continuity of care and the seamless delivery of patient-centered services in the Government health sector.

The accepted Integrated Universal Health Coverage governance model that my Government has adopted, following the recommendations of KPMG, is in keeping with our commitment to work with stakeholders to shape the design and implementation of Universal Health Coverage and support the advancement of health system-strengthening goals. Additionally, the Universal Health Care (UHC) Stakeholder Advisory Committee is being formed to improve the health of Bahamians through ongoing stakeholder engagement and continuous collaboration.

Mr. Speaker,

The budget allocation for the Ministry of Health reflects an investment in primary care coverage and health systems' strengthening that will significantly improve the quality of life for Bahamians. This will reveal itself in shorter wait times, improved facilities, more doctors and Bahamians living longer and healthier lives in a modern Bahamas.

In any event, when we are advised that Bahamians are generally the worst off in the region and some say in the world with respect to the incidence of diabetes – a most debilitating and life changing disease.

Then, we must readily accept that there is a compelling urgency to launch a National Lifestyle improvement Programme for all Bahamians with special emphasis on our school population.

Improving Human Capital Development in Agriculture and Marine Sciences

Mr. Speaker,

The low academic level of human capital in the Agricultural Sector of The Bahamas is a major impediment to growth, poverty reduction and food security in the Family Islands and in the inner communities of urban Nassau, and to some extent, Freeport. The establishment in September 2013 of the Bahamas Agriculture and Marine Science Institute (BAMSI) served to create a tertiary level academic curriculum which would offer Associates degrees, Diplomas, Certificates and a Skills Training programme to students training in the technologies associated with crop and livestock production and marine and fisheries resource development. Several weeks ago, the College of The Bahamas (COB) and BAMSI negotiated a collaborative agreement where the qualifications to enter BAMSI are the same as those for entering COB. There will be student exchanges and collaboration with facilities on teaching and research assignments.

In addition to the COB agreement, there are also agreements with the University of Miami, University of Florida, Ocean University of China and one pending with the University of the West Indies School of Agriculture in St. Augustine, Trinidad. BAMSI is about knowledge-driven development of our agriculture and marine resources and the Institute is now a member of the Caribbean Council of Higher education in Agriculture (CCHE). The Bahamas was accepted as a member of the Caribbean Agricultural Research and Development Institute (CARDI), the premier agricultural research entity in CARICOM, and CARDI will have its offices on the BAMSI site in North Andros and will add a new dimension to its research programme by giving it regional credibility. Bahamians working as counterparts to CARDI professionals will be able to undertake research on The Bahamas and earn UWI postgraduate qualifications at both the Masters and Doctoral degree levels.

Mr. Speaker,

The Caribbean Farmers' Network (CaFAN) is the leading small farmer organization in CARICOM and has invited the Institute to have its Associated Farmers' Programme as a member. It is also notable that BAMSI is the only marine institute in CARICOM, and possibly the region as a whole and a number of CARICOM states have announced their intention to send their students for training in order to more efficiently manage their marine resources.

BAMSI is an investment in human capital development, and in the food and nutrition security infrastructure of our country. BAMSI will continue to transform the Agricultural Sector and provide a more secure marine environment for Bahamians.

As for reforms in the education and training areas, we have introduced new standards for high school graduation and established the National Training Agency, as well as the STAR Academy for the most vulnerable in our society. In the last Budget, we provided \$20 million for training and apprenticeship programmes aimed at the at-risk unemployed youth in our country.

The provision of effective social services is also vital to the well-being of our citizens in need. To that end, we have modernized our programmes in this area with the introduction of modern debit cards to improve the delivery of social assistance and we have implemented the RISE programme to tie assistance to positive behaviour.

In the period ahead, we will undertake a nationwide survey of vulnerable areas of the country, to be conducted by Urban Renewal using, as field workers, employees of the job and apprenticeship/training programme that I am announcing today. This survey will, over a three-month period, perform a detailed examination of households to assess the challenges that they confront -- be they in respect of health issues, housing, employment and so forth.

The concrete results of the survey will be made available to the Bahamian public and will serve to supplement the other data that are currently available to policymakers. That, in turn, will assist in the formulation of effective socio-economic interventions by the Government to the major challenges confronting the citizens of our nation.

Governance

Mr. Speaker,

The Governance pillar is about the institutions that serve the vital needs of citizens and underpin their rights and freedoms in a stable and secure environment. We have thus embarked on a process to transform the way in which strategic planning is implemented at the centre of Government. Our view of planning has evolved to more fully encompass strategic thinking as we prepare for today and the future.

In a nutshell, we have placed planning and results-based management at the forefront of the activities of Government so that we can achieve the very best opportunities for the people that we serve. Indeed, strategic planning will allow us to successfully take ideas from conception to execution, considering all of the known available options and alternatives and recommending the best approach.

This represents a sea-change in our public policy formulation procedures built around a “Centre of Government” approach to planning within the Office of the Prime Minister, including the development and institution of an effective planning and monitoring tool and a governance mechanism to ensure that planning and execution are properly implemented.

We have also launched a wide-ranging reform of our Public Financial Management System that will have a positive impact on the performance of the public sector, including a more transparent and efficient public procurement system.

The implementation of the new Chart of Accounts by the end of the next fiscal year will allow tracking of expenditure at the level of projects and programs. It will also allow expenditure to be tracked by geographic location. This is especially important given the obligations under the Hawksbill Creek Agreement.

To facilitate this implementation, the Government will upgrade its IT infrastructure to will allow for the modernization of the existing systems. However, I wish to stress that this investment does not mean that the Government will not pursue the complete overhaul of its public finance system that is still slated to commence in the upcoming fiscal period.

In the area of citizen security, we have sought to modernize our law enforcement system through the provision of additional officers and equipment to the Royal

Bahamas Police Force; to modernize our prison system with legislation to address recidivism and improve rehabilitation; to reform our judicial system with the addition of ten new courts and additional legal officers to reduce system backlogs; to modernize our national defence system with investments of over \$250 million on new fleet and bases for the Royal Bahamas Defence Force; and to modernize our immigration system with investments of over \$20 million.

Mr. Speaker,

My Government's Swift Justice initiative is bearing fruit. Conviction rates have more than doubled -- from 31% in 2012 to 63% in 2015. One hundred and ten more cases were tried in 2015 compared to 2012. Seven murder cases were tried within one year of charge. And the backlog continues to steadily decrease. 21st century technology is being used to link witnesses from the Family Islands and internationally by video, saving time and money, and new witness anonymity protections allow for witnesses to testify by disguising their voices and obscuring their faces over video link.

As well, the Office of the Attorney-General had a most productive year in 2015. Tracking and monitoring improvements and inadequacies have enabled strategic response and planning. In addition to providing for the 10 criminal courts to sit concurrently, resources have been provided for a revamped court reporting unit to improve the timely provision of transcripts as well as to establish an Office of the Public Defender.

The public can expect continued improvement in outcomes as we all work together to eliminate inefficiencies in the system.

The Government of The Bahamas has also expended significant sums of money to acquire and install cutting edge technologies in our fight against crime. These investments were made in Ballistics, Digital Biometrics, Long Term Evolution Communication Technologies, Collaborative Enterprise Solutions, Integrated Justice Solutions, Electronic Monitoring Solutions, and Closed Circuit Television Solutions (CCTV), and other cutting edge technology.

To date, the new technology includes a state-of-the-art, multi-agency Smart-Net Integrated Trunking Communication System, which is designed for Public Safety. The system is shared among eighteen (18) government agencies and also serves as an emergency communication system for the National Emergency Management Agency (NEMA).

In 2014, the ASTRO Digital Trunking System was further upgraded at a cost of \$6.1 million. This allowed for a significant decrease in power consumption as well as the proper tracking and updating of one of our most important crime fighting tools, the patrol cars.

With all the upgrades and enhancements, further investments to maintain safety and security were necessary. There is now the ability to text to 919, and send videos directly to the Police Control Room. Currently, the systems are segmented and are standalones. The new system will integrate the Automatic Vehicle Location (AVL), Dispatch and 919 platforms for use and operation from a single point.

The Government has also invested \$4.5 million to install two hundred and forty-three (243) cameras, mainly in the downtown area and hot crime spots of New Providence. All video feeds are sent either wirelessly or via fiber optics to a secure server located at the Police Headquarters. The camera feeds are integrated with other incoming data sources, such as behavioral analytics systems and computer-aided dispatch (CAD), creating a common real-time operational dashboard.

This offers the ability to easily integrate with third-party data and camera systems (public or private). These additional systems can enhance law enforcement's visibility into key areas of the city without large investments in additional assets. The base platform can be expanded and has the ability to add multiple smart function items, including Facial Recognition, Gun Shot Detection/location and License Plate Recognition.

There has been much success thus far with the CCTV system. The Government is currently in discussions to expand the system to over one thousand cameras, which is expected to cover essentially all the exit/entry points in Nassau.

To further protect the borders of The Bahamas and enhance national security, the Government is actively pursuing the use of Unmanned Aerial Vehicles (UAVs) with high-resolution imagery. This technology is intended to improve upon the interdiction of drug traffickers, poachers, smugglers, human traffickers and illegal migrants. It will also improve upon the search and rescue missions.

As well, a state of the art Police and Fire Station is well on its way to completion in Freeport, Grand Bahama. Expanded and newly refurbished facilities are being made available for a Police Station in Lower Deadman's Cay, Long Island.

An Agreement has also been reached with the New Providence Development Company Limited for the purchase, by the Government, of properties at a cost of \$2.1million to establish a Police Station in southwestern New Providence.

In addition, the number of Police Reservist Officers has been increased by 200. And the maximum number of hours worked by Police Reserve Officers, for which they are paid, has been increased from 150 to 200 hours per month.

We expect that the additions of the expanded use of technology by our law enforcement officers will significantly improve their crime fighting capacity as well as prove to a deterrent to crime.

As for the Royal Bahamas Defence Force, the Government, in 2013, earmarked some \$232 million under the Sandy Bottom Project towards equipping and decentralizing the Defence Force to increase its overall efficacy.

This investment -- the largest capital outlay of its kind in the history of The Bahamas -- was necessary in light of the myriad of threats confronting our nation. These security threats are compounded by an aging fleet, shortage of personnel, and limited bases, to name but a few. To resolve these issues that dilute the effectiveness of the Force's efforts, major changes are being implemented within the Defence Force. These changes include:

- the decentralization of the Defence Force;
- the augmentation and modernization of the Force's fleet and bases under the Sandy Bottom Project; and
- and the accelerated rate of recruitment of personnel.

The final two (2) of nine (9) patrol crafts are slated to arrive in The Bahamas in August of this year, and the agreed completion date for all civil works, including the construction of buildings and quay walls in Coral Harbour, Inagua and Ragged Island, is scheduled for October 2016.

The people of The Bahamas are reaping positive returns on this sizeable investment. HMBS Lignum Vitae and HMBS Lawrence Major have both intercepted and apprehended undocumented migrants and have provided vital

assistance in bringing relief to persons affected by Hurricane Joaquin in the Family Islands.

More specifically, Her Majesty's Bahamian Ship Lawrence Major, for example, apprehended over forty undocumented migrants in February of this year. This 185-foot vessel has also assisted with disaster management efforts in delivering relief supplies and reconstruction materials to islands that were adversely impacted by Hurricane Joaquin. The 17- container Mobile Base with disaster relief equipment was also deployed to Crooked Island where it provided food, water, technical and medical support to residents on that island for a four-month period.

The strategic deployment of the new patrol crafts has seen the significant reduction in poaching incidents. Indeed, our fishermen have reported increases in their catch/ harvesting.

Finally, the Defence Force has implemented **Operation Secure Shores** with increased patrols of the borders of New Providence such that there has been the detection and apprehension of persons suspected of planning criminal activities and / or criminals have been apprehended with the assistance of the Police Force.

Natural and Built Environment

Mr. Speaker,

I now turn to the third key pillar of development, namely the Natural and Built

Environment. The health and sustainability of the natural environment are critical to the physical well-being of individuals and the support system for a modern economy. Of a number of initiatives in this area, I would signal efforts to reserve Marine Protected Areas which have resulted in our meeting the target of 10 per cent reservation of the marine and coastal areas as protected zones. Efforts continue to identify the near shore and marine areas for the next 10 per cent of the 2020 Challenge for The Bahamas to protect 20 per cent of its near shore and marine environment. We are as well developing an Environmental Youth Corps that will employ our youth and prepare them for so-called green jobs within the National Park and protected area system.

In the area of oil exploration, the new Petroleum Regulations include an expanded emphasis on environmental protection.

As for the built environment, I have of course spoken at length in the recent past about the important role to be played in this area by Public-Private Sector Partnerships. In the last Budget, we provided seed capital to support up to \$200 million in such new projects across the breadth of the nation. These will cover roads and bridges; airports; new and refurbished Government buildings and repairs of existing Government buildings; and health care infrastructure and schools.

In this vein, I would note that Grand Bahama Power has embarked on an ambitious programme to switch all of their streetlights to LED bulbs. This both

saves in power consumption and improves road and public safety. The Government will seek to do the same within this fiscal year for public buildings and all streetlights in New Providence, through a public-private partnership. The financial savings from lower power consumption will be used to expand street lighting in major Family Island thoroughfares through the fiscal year.

We have also endeavoured to modernize our nation's aviation system with significant investments in the upgrading of our aviation infrastructure in both New Providence and the Family Islands and with an investment of over \$100 million in the re-fleeting of Bahamasair.

The Economy

Mr. Speaker,

As for the fourth pillar of development, a dynamic and vibrant economy supports the creation of employment opportunities and the generation of wealth for our citizens. To that end, my Government has, as I mentioned earlier, implemented significant budgetary and fiscal reforms to redress the nation's public finances and enhance confidence in The Bahamas as an attractive location for investment. The myriad new foreign investment projects, of all sizes and locations across the

nation, attest to the success of our strategy in this area. I will return to a fuller discussion of these projects shortly.

Modernizing Tax Administration

Mr. Speaker,

We have also implemented the most important tax reform exercise in the history of our nation, with the introduction last year of a Value Added Tax, in combination with the reduction and elimination of other taxes. As well, we have launched major reform exercises in respect of the administration of our major taxes. Not only will these measures lead to an enhanced revenue yield from our tax system but they will also lead to enhanced efficiency and growth of our economy.

The Customs Modernization Programme is continuing, with Customs committed to processing all entries electronically as of July of this year. In addition, Customs aims to have the online payment of entries by September, using the same payment methods utilized for VAT.

Customs enforcement will commence operations of a canine unit in both New Providence and Grand Bahama this summer. This complements the recently established Marine Unit and improves the ability of the Department to address law enforcement challenges. In addition, the number of X-ray machines will be

expanded to all major ports of entry, to increase the ability of Customs to conduct more non-intrusive searches for contraband.

To comply with FATF and CFATF requirements, Customs will also commence currency declaration procedures in June for individuals leaving the Bahamas with more than \$10,000 in cash.

As well, a vendor for the Electronic Single Window system will be selected by the end of this year. This will make the entire Customs process automated and create a one-stop shop for importers. Like many of the reform initiatives, this is being funded through an IDB loan.

In July 2015, the Department of Inland Revenue (DIR), which previously comprised the Real Property Tax and Business Licence Units, merged with the VAT Project Unit. The DIR also relocated to new modern facilities located at the Shops at Carmichael Plaza, Carmichael Road.

The Department has modernized Real Property Tax by implementing a Property Tax Computer-Assisted Mass Appraisal (CAMA) software. The new Tyler is a World software was launched in December 2015; and shortly, also in conjunction with Tyler Technologies, the Department will embark on a programme to update its data collections and imaging. The aim is to increase the number of registered properties and bring greater equity in both the assessment of properties and the overall Real Property Tax System. Currently, there are 99,556 properties on the

property tax register, with 12.6 per cent classified as residential, some 57.2 per cent as owner-occupied, 23.6 per cent as vacant land and roughly 6.5 per cent as commercial properties.

A total of 43,003 properties are now fully exempted from the payment of property taxes. During this fiscal year, 42.5% or 24,008 of taxable properties have paid taxes amounting to just over \$100 million.

There were several property tax initiatives introduced in July 2015 which included a 10% discount for property owners who pay their taxes in full by March 31 and a fifty percent discount for Senior Citizens on their Owner Occupied property bills. The reform of the property tax system is an extended process, made complex by historical underinvestment, but the Government is committed to delivering to the public a fairer tax, one with a broadened base that will allow all taxpayers to benefit from a lower tax rate.

The Business Licence was first implemented in The Bahamas in September 1980. Over the past thirty plus years, the processing system has remained virtually the same. In 2015, a determined effort was made to modernize the Business Licence process by having it converted from manual to fully automated. In this regard, significant progress has been made. Applications for new licences and renewals of existing licences are now processed online and this is supported by either online payment or direct payment through the banking system.

Additionally, communication with clients is conducted online and customers can now print their own licence upon paying the prescribed fees. This can all be achieved without the customer having to physically visit the Business Licence office. Licences are also now issued with a barcode that allows for easier verification of authenticity. While there have been some growing pains, it is acknowledged that there have been marked improvements over the manual system previously operated.

From January 2016 to the present, the department has approved 10,430 licences, almost 70 per cent of which are for businesses with turnover of \$50,000 or less. Another roughly 20 per cent are for those with turnover from \$50,000 to \$500,000 and some 12 per cent or so for those with turnover from \$500,000 to \$5 million. Licencees with turnover in excess of \$5 million number 265.

Business Licence revenue collected, thus far for the current fiscal year, is just under \$92 million. The focus is now on education to allow businesses to improve compliance, as there is still a significant amount of businesses that are not meeting their legal obligations.

Mr. Speaker,

VAT performance continues to be strong. There are 6,361 VAT registrants, of which 653 file monthly and 5,708 file quarterly. Almost 80 per cent of the monthly filers and two-thirds of the quarterly filers do file on time. And, of those registrants

that filed, 75 per cent of the monthly filers and two-thirds of the quarterly filers paid on time. Although not all VAT registrants paid on time, over 90 per cent eventually settle their obligations. The DIR processes refunds weekly and has received 1,661 applications, of which \$6.2 million has been paid. The Department is now focusing much attention on improving taxpayer services in areas of refund management and policy responses.

As for the VAT on property transactions and the first home exemption, it is anticipated that applicants for the exemption will be able to apply electronically early in the upcoming fiscal year. This development will lead to an integrated administration of taxes on conveyances and leases.

Modernizing Public Services

Mr. Speaker,

The Government has also implemented a significant reform of our energy system in the form of a modernized BEC with private sector management. This will result in a more secure supply of electricity, as well as lower prices for both consumers and businesses.

As well, we have implemented communications reform with majority economic ownership of BTC and the award of a second cellular license.

Cellular Liberalization

Mr. Speaker,

It will be recalled that, in October 2015, Cable Bahamas Limited (CBL) emerged as the successful bidder in the two-phased selection process to liberalize the cellular mobile market in The Bahamas. This process was initiated by my Government back in November 2014, with a Request for Proposals (RFP) to operate a second cellular mobile network.

By way of reminder, the RFP stipulated that a new Bahamian company (NewCo) would be formed to hold the cellular licences, and that the successful applicant of the process would be a minority shareholder of NewCo. Another Bahamian company (HoldingCo) would be formed as the entity that will hold the majority equity ownership interest in NewCo on behalf of the Bahamian public.

Immediately following the conclusion of the Phase II spectrum auction in October, the Cellular Liberalization Task Force commenced discussions with CBL on the ownership arrangement of NewCo. These discussions have led to the conclusion of a Shareholder's Agreement (SHA) that will govern the relationship between CBL and HoldingCo.

In line with CBL's Phase I commitments, HoldingCo will hold 51.75% of the shares in NewCo and CBL will hold the remaining 48.75%.

Licensing of NewCo

In light of CBL having met the remaining requirements of the RFP, I am pleased to advise that the Government will notified the Utilities Regulation and Competition Authority (URCA) to proceed with the licensing of NewCo. Although CBL will have management and board control of NewCo, HoldingCo will have certain standard market veto rights in order to protect its investment.

The first Board Meeting of NewCo is expected to take place in the coming weeks.

The licence will be awarded to NewCo for a fifteen year period and NewCo's trade name will be disclosed just prior to its launch date later this year.

HoldingCo

In order to facilitate the timely formation and licensing of NewCo, the Government has incorporated HoldingCo with itself as the sole and initial shareholder. Government's shareholding in HoldingCo, however, will only be temporary in nature and a Caretaker Board will be appointed until such time as HoldingCo's shares have been divested.

In the meantime, the focus of the Task Force and its advisor, PricewaterhouseCoopers, will shift to soliciting eligible investors. This process

however, will not interfere with the timing of NewCo's launch once the relevant licences have been granted by URCA.

It is proposed that HoldingCo's shares will be offered to institutional investors (e.g. local pension/mutual funds, co-operative credit unions) within the next few months. Such an offering will ensure that the equity ownership in HoldingCo is as widely distributed as possible so that there will be broad Bahamian ownership.

Cellular competition is imminent

The licensing of NewCo within the next few weeks will mark yet another significant milestone of this Government's commitment to introduce competition in the cellular mobile market.

Under the licences to be awarded by URCA, and from the time that the licences are awarded, NewCo will be required, on a phased basis, to satisfy the following coverage obligations:

Within 3 months: 99% in New
Providence and 80% in Grand
Bahama;

Within 6 months: 75% in each of
Eleuthera, Abaco, Bimini, Andros and

Exuma (including Black Point, Little Farmers Cay, Staniel Cay and Stocking Island);

Within 8 months: 85% in Andros and 99% in each of Grand Bahama, Eleuthera, Abaco, Bimini and Exuma¹;

Within 12 months: 99% in each of Andros, Cat Island, Long Island, San Salvador, Berry Islands, Inagua and Ragged Island;

Within 18 months: 99% in each of Acklins, Crooked Island, Long Cay, Rum Cay and Mayaguana; and

Within 24 months: 80% in each of the remaining Exuma Cays.

I wish to emphasize what the coverage obligation under the licences will entail. A 99% coverage requirement, for example, means that NewCo will have to ensure

¹ Including Black Point, Little Farmers Cay, Staniel Cay and Stocking Island

that reliable service is available in 99% of the places where persons habitually live and traverse.

It should be noted that NewCo's performance with respect to its licence obligations will be secured by a Performance Bond to be submitted to URCA within fourteen (14) days of the licences being granted.

Over and above the roll-out obligations in the licences, the Government will also enter into a Deed of Undertaking with CBL to facilitate accelerated roll-out, if needed, in the context of contemplated development on specific Family Islands in the southern Bahamas.

The benefits expected from cellular liberalization will support the broader sustainable development goals of our country's National Development Plan.

Modernizing Other Sectors

Mr. Speaker,

We have also endeavoured to modernize and enhance the sports and cultural sector, as well as the agricultural sector, through the establishment of the Bahamas Agriculture and Marine Institute.

In addition, legislation has now been completed for the establishment of the University of The Bahamas.

The Government recognizes the magnificent contributions of our sports heroes and heroines at home and abroad. In further support of sports development at all levels and in all disciplines, the Government will continue with the development of facilities at the Queen Elizabeth Sports Centre through the construction of a new National Baseball Stadium and through the construction of sports complexes in our islands, commencing with Moores Island, Abaco, Eleuthera, Exuma and Andros.

We have also regularized the domestic gaming sector with the introduction of regulation and appropriate taxation.

And we have introduced a modern regulatory framework for the financial services sector, in line with international standards.

Mr. Speaker,

This is but a brief snapshot of the many actions that my Government has taken over the past four years to address the significant challenges that our nation faces and thereby steer us onto a path toward a better future for all Bahamians.

These are not mere palliative, short-term and thus inevitably ineffective measures focused only on the span of our current five-year mandate. They represent a bold and aggressive agenda of deep and fundamental structural reform that addresses several of the grave challenges that confront our nation. They will bear fruit in the

form of significant and durable improvements in the performance of our economy and the welfare of our citizens.

Mr. Speaker,

I dare to suggest that this is an impressive record of achievement. Going forward, my Government remains firmly committed to building on these reforms with the action plans that will be identified in the forthcoming National Development Plan that will set out a National Vision and Objectives for the next 25 years. As I mentioned earlier, the recent State of The Nation Report represents the initial diagnostic phase of the NDP process. That is now being followed by an extensive process of national consultations, through which Bahamians are being given an opportunity to provide their input into the development of the NDP. In the third stage, we will be developing the Plan through the identification of a National Vision and Goals, along with Strategies to meet each of the Goals and action plans for each of the Strategies.

The State of the Nation Report has identified our strengths and weaknesses in respect of each of the four key pillars of the NDP. Going forward, it will be critical to aggressively address the weaknesses identified, in order to achieve the overriding economic and social goals of our National Vision for the next 25 years.

One area that requires immediate attention and action relates to the vital improvements that are needed in our domestic business environment, as identified

in the State of the Nation Report. Quite strikingly, The Bahamas ranks 106th of 189 nations in the World Bank Ease of Doing Business Index.

Some of the areas of particular concern are: registering property, access to credit, starting a business and getting secure and lower priced electricity. We appreciate that improvements must be brought to these and other areas of the business environment and that our economic and social prospects demand such improvements. We are working diligently to that end. For instance, the office of the Registrar General has now implemented an efficient online process for the registration of companies.

Modernizing Opportunities for Apprenticeships and Training for our Youth

Mr. Speaker,

Youth unemployment is another area of grave concern for my Government as prolonged idleness increasingly worsens employability and is conducive to illicit activity and crime. This is an issue that must be attacked on multiple fronts, beginning with education reform to ensure that young persons leave school with the range of hard and soft skills needed to be successful in the job market. For those already in the job market and unemployed, we must deploy resources to the building of skills and increasing employability. To that end, in the last Budget we allocated \$20 million for apprenticeship and training programmes for our at-risk unemployed youth.

Under a jointly funded agreement between the Government and Grand Bahama Shipyard Ltd. (GBSL), the latter will increase the intake of its apprentice programme for skilled trades to 40 per year, of which roughly three quarters will be trade apprentices and one quarter technical/commercial apprentices. These will be High School graduates in the 17-19 year age group. Over the next 10 years, GBSL plans to recruit and train 400 skilled Bahamian workers into permanent full-time positions.

For its semi-skilled trades, GBSL plans to recruit and train 200 Bahamians in the 25-40 year age group over the next two years. The trades involved are blasters/painters, riggers and scaffolders. At the end of the training period, the trainees will be assessed and certified by external, U.S. examiners and will then work alongside experienced workers for a 6-12 month period to become fully proficient in their respective trades.

Mr. Speaker,

The Government is also introducing a new apprenticeship and training programme targeted to the unemployed that will be managed jointly by the Office of the Prime Minister and the National Training Agency. Under this new programme, for which \$22 million has been allocated, persons will be paid to work and train in a very formal manner, with certification on completion of the apprenticeship period.

The programme differs from the Jobs programme introduced by the previous administration in that it is not strictly about job placement for the unemployed but

rather training to ensure that persons are able to attract and retain long-term employment. The programme is being structured along the lines of that between the Government and GBSL that I discussed previously.

The Government also intends to employ immediately individuals from the apprenticeship programme to work on the creation of two green spaces for public use in New Providence. One will be situated at Lake Killarney and the other, a National Hero's Park, in an area just south of the Botanical Gardens. Young people with an aptitude and willingness to learn professional landscaping will be engaged to assist with the development of these green spaces and will be apprenticed to professional and skilled landscapers. Both of these projects will be coordinated and managed by the Parks and Beaches Authority with Lake Killarney being done in concert with Bahamas National Trust and the Nature Conservancy.

Mr. Speaker,

The Government will also, within the fiscal year, seek to bring the number of temporary and contractual workers to an irreducible minimum. Many of these workers joined the Public Service without the requisite qualifications and, through their own hard work and commitment, are making a valuable contribution to the Public Service and the country; they are deserving of being integrated into the Public Service.

Modernizing Financial Infrastructure

Mr. Speaker,

The financial crisis impacted both financial institutions and individuals in The Bahamas and the commercial banks had to absorb losses, to varying degrees, due to higher than historical loan defaults. The Bank of The Bahamas, an important part of the country's financial infrastructure and which has no parent company balance sheet to help absorb those losses, now requires recapitalization.

This is to be achieved through a combination of a rights offering and convertible contingent bonds. The Government has supported the bank through this period of restructuring and modernizing and I am pleased to note that the bank is on schedule to return to profitability in the 2nd quarter of 2018, by refocusing itself as a bank for the Public Service, which will include the provision of loans to public officers as well as banking services to public institutions.

The Government of The Bahamas, as part of the effort to modernize this country's financial infrastructure, has also designed a comprehensive Mortgage Relief Programme in collaboration with the Clearing Banks Association to assist borrowers negatively impacted by the financial crisis. The programme will provide financial incentives that will allow banks to offer borrowers who have some ability to pay, but have fallen behind, the chance to get back on track.

Subject to programme eligibility criteria, banks will offer qualifying borrowers a minimum 20%-25% reduction in monthly payments. For their part, borrowers will be required to attend a financial counseling programme that will be established and run by the Government.

According to initial estimates, upwards of 1,000 delinquent borrowers, which are persons who are 90 days or more in arrears as at May 1, 2016, are anticipated to qualify for the Mortgage Relief Programme. That number could of course go higher. The programme has been designed to make it as attractive as possible for eligible borrowers to agree to participate (e.g., through large reductions in monthly payments, the ability to immediately start paying lower amounts prior to loan modification paperwork, etc.). As well, the programme has been designed on the basis of the most current information from the banks' own portfolios, thereby maximizing the chances that program participation will materialize. The total cost is estimated to be in the range of \$20 million over 4 years and will be paid by the Government. Additional details on the Mortgage Relief Programme will be provided during the Budget Debate.

I am fully cognizant that this programme, although well structured, does not address the root cause of the mortgage crisis in The Bahamas, nor does it provide a guarantee that persons who may fall into financial difficulty are afforded a duty of care by their lender with respect to their home. In this respect, the Government is also discussing with the Clearing Banks Association, guidelines on how to treat delinquent mortgagors. We want to ensure that a Bahamian who is delinquent is afforded opportunities to retain his or her home or, if all else fails, gives up that home in a dignified manner. To achieve this objective, a revised Home Owners

Protection Bill will be presented to this House for passage before the end of this calendar year.

Modernizing the Economy Through Planning and Foreign Direct Investment

Mr. Speaker,

In April of this year we concluded the first phase of the National Development Plan's work and I have now made provisions to ensure that the NDP can continue its work with these key initiatives. I am therefore pleased to advise that this budget contains a new item within my Office's head, establishing the Economic Development and Planning Unit.

The Economic Development and Planning Unit in my office is entering its second year of operation and is tasked with overseeing implementation of the country's first locally developed and executed National Development Plan as well as a number of technical cooperation projects in concert with the Inter –American Development Bank. These projects include a \$1.1 million dollar grant for the IDB to create a Sustainable Nassau Masterplan and a \$900,000 grant for a Sustainable Masterplan for Andros.

We also anticipate a new technical cooperation grant in the coming year for a project on San Salvador to commemorate the meeting of Europe with the Americas – the first encounter between the old and new world that shaped the world as we know it today.

The Unit is also tasked with the oversight the Smart Bahamas programme – an initiative between The Government of The Bahamas and the International Telecommunications Union (ITU) that was recently announced by the Secretary General of the ITU. The Economic Development and Planning Unit will serve as Secretariat for this new initiative which will be led by a Technical Advisory Committee bringing together the best minds in technology, social media and e-governance. We are currently seeking to work with the ITU on developing an updated and comprehensive ICT strategy for The Bahamas, including e-government services. We are evaluating the plausibility of several initiatives including pre-paid utility services. Our aim is to get thousands of persons back on the grid and to reconnect to prepaid electricity services. We know that this technology has long been used in the UK and are exploring how to deepen Internet connectivity and various citizen security applications. As an economic sector we know that ICT is ripe for growth.

This year, we are also planning to make headway on the implementation of the Centre of Government Initiative.

The National Development Plan

Over the next budget year, the NDP Secretariat will unveil a first draft of the National Development Plan, expected by the end of July, for consultation with The Bahamian people and has budgeted for a communications strategy to support the

National Development Plan process and we expect that a Request for Proposals for this process will be issued shortly.

The Plan will be monitored and evaluated by the College of The Bahamas chiefly, but presented in a way that all citizens feel that they can understand the progress being made in implementing the NDP by the relevant stakeholders, including the Government.

Our last National Development Plan was prepared in 1976. I am honoured to recognize the drafters of that Plan. Indeed, Justice K. Neville Adderley served as one of the chief architects

[PM to present 1976 National Development Plan].

We also applaud the efforts of those who worked towards the development of the 1968 Nassau Masterplan.

[PM to present the 1968 Masterplan].

We hope to digitize and make available both works to all Bahamians.

The Andros Masterplan and the Nassau Master Plan

I now turn to the issue of the two island Masterplans being prepared by the Economic Development and Planning Unit under the technical cooperation grants provided by the Inter-American Development Bank.

The Andros Masterplan takes an ecosystems' services approach – which means that it first values the existing mechanisms through which people benefit from the land and sea resources of the island. Based on this analysis, one can then estimate the changes to those benefits from various development scenarios. The Andros Masterplan uses the best science combined with planning techniques to develop a roadmap for the future of Andros.

The Nassau Sustainable Masterplan is also a dynamic initiative which brings the City of Nassau into a network of over 50 cities in the Americas participating in the IDBs Emerging and Sustainable Cities Programme and seeks to deliver a model of development that can support the City and ensure its sustainability for many years to come.

Foreign Direct Investment

Mr. Speaker,

Since our first day in office in 2012, my Government has maintained its proactive pursuit and facilitation of various investment projects to improve the growth potential of our economy and thereby create jobs and entrepreneurial opportunities, all the while ensuring the protection of the environment. Through focused attention and multiple measures, new and expanding developments are underway in various parts of The Bahamas.

Foreign direct investment in the country continues unabated, despite a market still clouded with economic uncertainty and an increasing paucity of lenders for resort development projects in this Region.

Since the commencement of my Administration in 2012, The Bahamas has succeeded in securing significant capital commitments of some \$7.8 billion in foreign direct investment, delivering an additional **1500 hotel rooms and 300 high-end estate homes and villas in resort inventory** over the next decade.

Just over \$1.3 billion in new capital projects have been tabled and are currently in active phases of development, with launch slated for the fiscal period 2016/2017, ably demonstrating the continued confidence of international investors.

In fact Mr. Speaker, contrary to public pronouncements, the stalled opening of Baha Mar has certainly not eroded investor confidence in The Bahamas as a surprisingly high number of reputable companies with global reach continue to express an interest in acquiring the property and many are participating in the current bidding process initiated by China Exim Bank.

The list of projects outlined here is not exhaustive; however, it is anticipated that the total volume of investment committed from 2012 to today, exclusive of Baha Mar, will create over 8,000 construction jobs during the development phase, and a minimum of 5,000 new permanent jobs as new projects come on stream.

New Providence

Lyford Cay

Referring to these investments, Mr. Speaker, in New Providence, the homeowners of Lyford Cay have undertaken a \$20 million, single phase construction of a high-end commercial & residential complex with a combination of townhouses, villas, and high-end retail shops, flanked by a community park and police station.

Ocean West/Island House/Marley

In the Western District, the newly opened, 10-room Ocean West Hotel and the 33 room Island House in Lyford Cay are two new Bahamian owned and operated trend-setting boutique hotels in New Providence. Together with the refurbishing of the 16-room Marley Resort, they are redefining the small hotel product and crafting a superlative visitor experience in The Bahamas. Also, they have, between them, added an additional 163 jobs to the marketplace.

Tavistock Group - Albany

The Tavistock Group, owners of the Albany Resort, are implementing a \$230 million expansion project over the next 24 months which will yield new marina residences at a cost of \$100 million, a state-of-the-art, \$20 million financial centre, \$10 million recording studio, \$10 million equestrian centre, \$20 million Sports Academy, \$20 million Hospital and Wellness Centre, and ongoing Custom Residence construction at a cost of \$50 million. Construction hiring, averaging over 800 persons, is expected to increase above 1200 within the quarter and full time employment now stands at 564 persons.

Sandals Royal Bahamian

Sandals Royal Bahamian has invested \$25 million in the introduction of Swim Up Lagoon suites and complete refurbishment of the Balmoral Building. Future

projects include \$10 million in a new sushi restaurant and upgrades of villa rooms, kitchen and conference facilities.

Silver Leaf

A new \$30 million luxury timeshare resort, consisting of 71 luxury suites, will be operated on Cable Beach by Silver leaf Resorts, with Phase 1 comprising 24 units to be completed within the next 12 months and the remaining 47 units within a 5 year timeframe. The project entails construction employment for 120 persons and on completion it is expected that 38 persons will be hired.

New World – The Pointe

Mr. Speaker,

On the harbourfront, the \$200 million residential and entertainment complex at the Pointe has begun to take shape with the parking garage almost completed and commencement on construction of the 200-room hotel foundation. These additional rooms, along with an 82-key condo hotel, will significantly increase much needed room inventory on New Providence when completed in late 2017. Mr. Speaker, the opening of the Summer Palace restaurant resulted in an additional 25 employees. As of April 2016 Bahamian construction employment stabilized at 72% with only **28% foreign labour** employed at the site and it is anticipated that the local labour force will increase with commencement of phase 2 & 3 of the project.

Paradise Island

Brookfield - Atlantis

The Atlantis Resort has incurred capital expenditures of \$50 million on property renovations of its hotel rooms in the Coral Towers and suites at the Cove and engaged in the process over 700 construction employees. Pending projects include refurbishment of the Ballroom and the Marina Village later this year.

The introduction of 77⁰ West, a new signature restaurant, at Atlantis, along with upgrade of Marketplace and the opening of Salon Privé, a new gaming facility, has kept Atlantis continually finding ways to improve the guest experience in its quest to remain on the cutting edge of hospitality. Atlantis intends to invest another \$140 million in refurbishment and additional facilities over a four year period.

Warwick Paradise Island

The 250-room Warwick hotel, formerly the Paradise Island Harbour Resort, will have a soft opening late July after an extensive \$40 million property renovation, the addition of a spa, and new terrace restaurant, restoration of the boardwalk and car park and a new entrance area. The resort will be fully operational by 4th quarter 2016 with occupancies expected to climb to 65-70% in 2017. The Warwick Paradise Island will employ between 125-150 persons in 2016 and between 195 – 250 persons in 2017.

Access Industries – One & Only Ocean Club

Access Industries, owners of the One & Only, Ocean Club, have spent just \$21 million of a \$50 million capital development budget to complete a two year refurbishment of the Hartford Wing, public spaces and expansion of meeting space and food and beverage outlets at the hotel, retaining over 450 employees during

the renovations. Access has added 25 new permanent positions and has indicated that it will continue to reinvest to maintain brand quality and recognition.

Bimini

Resorts World Bimini

Mr. Speaker, Resorts World Bimini has proven to be an investor of the highest caliber, having invested through April 2016 over US\$660 million in capital and operating cash flow inclusive of \$12 million in public infrastructure investments in Bimini. Resorts World has committed \$60 million in operating capital and plans to invest a further \$35 million in additional capital investment over the next 12 months. Mr. Speaker, official ribbon cutting for the new 300-room five star, Bimini Hilton hotel will take place on June 4 of this year, following its soft opening last year with a boutique casino, spa, meeting space and the largest marina in The Bahamas.

Resorts World Bimini will soon introduce the launch of a new ferry service from Miami dubbed "Break for Bimini", delivering faster and more direct access to the Island. Supplementing this initiative is critical air service via daily commercial flights to Bimini by Cape Air and Silver Airways and five (5) luxury private aircraft servicing high rollers visiting the resort. There is now capacity to transport 500 people daily. Permanent employees have grown from 159 in 2013 to 657 at present. Over the next 12 months some 63 positions will be added. The hotel,

which currently employs 657 employees, will add another 63 positions in 2017 and expects to achieve average hotel occupancy of 70%-80% over the next 12 months.

Grand Bahama

Grand Lucayan Resort

The Hutchison Group of Companies and primarily their land holding company CK Holdings, has initiated a bid process for the Grand Lucayan Resort on Grand Bahama Island and I shall speak to this more succinctly on these developments in my remarks on the Hawksbill Creek Agreement.

Memories

Memories enjoyed a near 90% occupancy in 2014 and 2015, prior to feeling the impact of a much weakened Canadian economy compounded by its dollar being sharply devalued against the US dollar and by extension Bahamian dollar. This development dealt Memories a 30% decline in this past winter, i.e., December 2015 through April 2016. Sunwing Group's strong focus on the US markets, through its Vacation Express subsidiary beginning late May, is already resulting in business rebounding to last year's level and projected to exceed summer/fall of 2015. The Group expects to regain and maintain its 500 direct employees along with further indirect employment stimulation estimated as a further 100 jobs.

Sunwing Vacations and Vacation Express is projected to generate some 350,000 visitor nights and some 150,000 room nights, with a significant share to other resorts on Grand Bahama Island.

The company remains keen on expanding its operations in Grand Bahama in the very near term, which if plans are realized, will result in the expansion of its already strong air service network into Grand Bahama to include new USA, Canadian and mostly likely European gateways in 2017, along with increased direct and indirect employment their expansion would bring about.

Abaco

Baker's Bay Golf & Ocean Club

Passerine at Abaco Holdings Limited, owners of the Baker's Bay Golf and Ocean Club, recently completed its Phase I development of 28 employee housing units. Construction of the medical clinic, community centre and beach park is slated for completion in July 2016. Other amenities, including a new Club house and restaurant, are scheduled for completion in November 2016. Construction projects in excess of \$250 million are currently underway on development of 51 new home sites, bringing the total home inventory to 130. Following a dramatic surge in construction of custom homes in 2014/5, Starfish Construction Limited retained almost 850 construction employees from 75 different sub-contractor companies, ninety-eight percent (98%) of which are Bahamian owned and operated.

Starfish Specialties, an affiliate of Starfish Construction Company, has implemented an apprenticeship programme for 30-40 employees across all

divisions by end of this year which will greatly enhance the education and training of local Bahamian entrepreneurs and produce at least 50 qualified mechanical, electrical and plumbing contractors.

Over 1200 persons are now employed at Baker's Bay with hotel operations supported by some 415 full-time employees and an additional 50 new hires coming on stream later in the year. The company is projecting construction of another 45 homes next year.

Other projects on Abaco include the refurbishment of the Dolphin Beach Properties to provide for Baker's Bay Resort employee housing and home rentals. Work steadily continues on the Abaco Club at Winding Bay, which is investing \$225 million in phased home construction and infrastructure expansion and is expected to employ over 1300 construction employees over a 10 year period.

Eleuthera

Four Seasons Resort

The Cotton Bay Holdings, developers of a \$180 million resort at Cotton Bay, Eleuthera, successfully negotiated acquisition of lots in the Bayridge Subdivision of South Eleuthera and are now working closely with Four Seasons Hotels and Resorts on completion and execution of sixteen (16) agreements which will govern management and operation of the Hotel, Private Residences and the Golf Course. The planned development includes a 115-room, 5-star boutique hotel, 40 private

residences and renovation of the existing 18-hole Robert Trent Jones Golf Course, luxury spa and other amenities.

Cotton Bay Holdings has now indicated that they will be ready to proceed with breaking ground on the development at the end of 2016 and will provide 200 jobs during construction and 300 permanent jobs when the hotel is completed. The company is in the final round selection process for professional developers and the design and the permitting process is expected to take 12 months, with opening of the resort expected in the summer of 2019. Cotton Bay Holdings is estimating a 7,000 increase in the number of visitors to Eleuthera annually.

The Exumas

JMMC/Great Exuma Adventure Resort

JMMC Bahamas Ltd, a USA-based company, recently received approval to develop the multi-faceted Great Exuma Adventure Resort at a cost of \$311 million on 275 acres at Hooper's Bay Estates, Great Exuma. The development would include a 115 unit condo-hotel, marina, adventure theme park, equestrian centre, spa, farm, 45-unit bonefish lodge, event pavilion & restaurant and retail stores. The developers estimate that they will provide construction employment for 250 and on completion of build out, full employment for 155 persons.

Sandals Emerald Bay

Sandals Emerald Bay last year spent \$35 million in property-wide renovations and its sustained above-average occupancies support the contention that Sandals

continues to be an economic catalyst in Exuma. Future projects include \$6 million in expenditure on food and beverage outlets, a new beach bar and room renovations. Sandals continues to reinvest in employees with supervisory programmes aimed at increasing inward promotion, and support of six schools in Exuma, along with an annual offering of paid summer apprenticeship programmes for 25 high school graduates of LN Coakley High School on the island of Exuma.

Children's Bay Cay And Williams Cay

The Heads of Agreement between the Government of The Bahamas and affiliate companies CB Commander Limited and CH Amiral Limited, executed on 1st February, 2016, for development a \$185 million residential community resort, marina and golf course on Children's Bay Cay and Williams Cay, Exuma, coupled with other developments taking place both in Georgetown and surrounding islands, will in all likelihood transform the landscape and continue to elevate the profile of The Exumas within the chain of islands of The Bahamas.

The sheer size and scope of the project will require tremendous human resources both in construction and operation of the facilities, thus providing a rationale for the return home of many Exumians, and solid future employment prospects for those currently in school there.

This exclusive resort will exemplify an environmentally sound development and management model and will comprise a fifty (50) pavilion room hotel; five (5) over the water pavilions; five (5) estate lots; numerous amenities including a marina

village, nature and environment centre and a managed marine park. The existing marina will be expanded to twenty (20) berths and four (4) slips and will accommodate vessels up to 120 feet.

The Williams Cay development will comprise an 18-hole golf course designed by Tom Fazio; fifteen to twenty (15-20) villas; three (3) over the water pavilions; a welcome center, a villa owner club house; nature trails; biking and jogging trails, a bridge linking Children's Bay Cay and Williams Cay and a helipad. The developer will contribute to the repair of the Government dock, and construct a police station and medical clinic for the benefit of the Barratarre Settlement and surrounding populations.

The targeted date to complete project build out is December 2020, however, the majority components of the Children's Bay Cay resort and Williams Cay golf course will be completed by December 2018 with Phase I utilities and road infrastructure works slated to begin in October 2017.

February Point

The National Economic Council, on 1st October, 2013, approved a \$40 million undertaking by FP Associates Limited and FB Parcel (815) Limited for re-development of the February Point Resort Estates on Great Exuma Island and the developer is currently in talks with three potential brands for resort operations. On its completion the upscale development will comprise a hilltop, boutique 5-star resort hotel, twenty (20) condo units and estate homes.

Work has already begun on an expanded marina and a new marina and marina village on the pond at February Point and construction will commence in 30 days on build out of twenty condo units. Development is nearing completion on a state-of-the-art Welcome Centre, Restaurant, Bistro Bar and Spa. Construction will begin shortly on 4 single family homes, each having an estimated value of \$3.5 - \$5 million per home. Also on the drawing board are six (6) over the water bungalows, each with a value of \$4 million to \$8 million per unit, and construction on these will commence as soon as the final permits are granted. Construction will begin on a 100-unit condo hotel by the 4th quarter 2016. Presently, there are 102 Bahamians employed on a part time and full time basis and the company is looking to double its staff within the next 60-90 days.

February Point has committed to the donation of a minimum 150 acres of land in Flamingo Bay to the Government for housing and other projects and will contribute \$250,000.00 for a joint venture project with Government for the transformation of Georgetown into a mini city centre with a state-of-the-art Government Administrative Complex, a primary and a high school, an Industrial Park, Community Sports and Recreational Centres, a hydroponic botanical farm, residential subdivision, and a commercial retail and entertainment district.

The developer has implemented a training programme for Bahamians in specialized skills for the construction industry in the areas of masonry, electrical

works, plumbing, carpentry and the installation of the renewable/alternative energy systems.

The Stocking Island Club

Stocking Island Development Ltd, was approved in September 2015 to develop the Stocking Island Club, a luxury \$600 million residential resort boutique hotel and villas on Stocking Island. The project, which already has 110 full and contracted employees, will be completed by 2018 and will consist of a 40-room, luxury, 5-star boutique hotel and 85 villas, a lifestyle spa and wellness centre, resort club, restaurant and bar, sailing school, swimming academy, boat, helipad and seaplane facilities. Mr. Speaker, the sailing school will provide Bahamians with instructions for mono hull sailing and dinghy sailing, both Olympic class crafts, and graduating to larger sailboats. During construction, the resort will utilize approximately 250 to 300 full time construction and associated skilled construction workers.

Upon opening, the resort will be operated with approximately 250 employees. With all funding and brands currently in place, Mr. Speaker, the initial average daily rate (ADR) is projected to be around \$1250 per night with occupancies of 55% to 65% expected to be achieved.

South Cat Cay

South Cat Cay

A Heads of Agreement signed on December 24, 2015 has enabled mobilization of Phase 1 of the South Cat Cay resort project in February this year comprising a 53-

room, five-star boutique hotel, 29 marina condos, 37 estate lots, 137-slip marina, restaurants, beach club, and employee housing; helipad & seaplane facilities. Phase 1, at a cost of \$28 million, remains on schedule with completion within three years. There are currently 6 Bahamian workers on site working six days per week to establish a man's camp and install the spine road. A Bahamian 'utility crew' will be mobilized on completion of the spine road and at peak of construction next year an estimated 40 full-time Bahamian construction workers will be on site for vertical construction of the initial phase of the hotel, Back of House and Accommodation facilities. With an expenditure of \$16 million to date Phase 1 is estimated to be completed by December 2018.

Cruise Product

Mr. Speaker,

2016 is proving to be a watershed year for the Bahamas with the establishment of new cruise ports by Carnival and Mediterranean Shipping Company and expanded cruise port operations by Norwegian Cruise Lines at Great Stirrup Cay and by Royal Caribbean Cruise Lines at Coco Cay.

Mediterranean Shipping Company

The Bahamas' share of the cruise market will increase by 3% or by 96,000 additional passengers annually with the establishment of the new cruise port at Sandy Cay. Mediterranean Shipping Company (MSC), the world's second largest global shipping company and fastest growing cruise Line Company headquartered

in Geneva, Switzerland, has developed a fleet of twelve cruise ships now carrying 1.7 million passengers to 45 countries on its global itineraries.

MSC recently placed an order for seven (7) new ships capable of carrying 5,300 passengers and 1,600 crew and has committed to an investment of \$50-\$100 million over a two year period in the construction and environmental management of a private Cruise Port and Marine Park at Sandy Cay for its 369,000 annual guests on Bahamas itineraries. The Company has committed to the establishment of a MSC Seafarers Technical School on Grand Bahama. This will lead to the training of future employees of MSC Cruises.

MSC also envisions forging a strong and mutually rewarding partnership with the Northern Campus of the College of The Bahamas. Additionally, MSC has agreed to recruit and train Bahamians as mariners on their cargo ships. The targeted date for complete project build out is November 2017, with Phase I dredging and utilities infrastructure works slated to begin in August 2016.

It is projected that 542 Bahamians will be employed for construction works and 200 Bahamians will be hired for operations of the cruise port, and, Mr. Speaker, some 100 young Bahamian seafarers will be hired on board MSC's cruise ships by mid - January 2017.

The cruise port at Ocean Cay will comprise a cruise ship berth, a 10 – 15 slip mega yacht marina, with future plans based on demand, for a 45-slip marina. The development will include heliport, small harbor, welcome centre and Bahamian village as well as numerous retail and food and beverage outlets, amphitheater, land and water sport activities. Other projects to come on stream include staff housing, safety, security and emergency medical stations, Bahamas customs, immigration and police offices. I will be joining the Chairman of MSC at Ocean Cay next month for an official ground breaking which will be filmed by the BBC for a BBC documentary of the development process.

Norwegian Cruise Lines

NCL Bahamas Ltd will commence Phase II expansion of its cruise destination at Great Stirrup Cay, The Berry Islands, comprising an additional twenty-two (22) ocean villas, several new food & beverage outlets, day spa complex, new employee housing, expanded attractions and utilities allowing for an additional 40 ship calls per annum of 100,000 passengers. The current 180 calls per annum deliver a guest count of 550,000. The project is expected to be completed in early 2018. Construction employment is estimated at forty persons, with an additional 10 permanent staff added to the current 55 employees and 25 straw vendors at the location.

Royal Caribbean Cruise Lines

Coco Cay has been used by Royal Caribbean Cruise Lines (RCCL) since 1988 for day visits by its cruise passengers. RCCL has announced plans for installation by April 2016 of a fixed pier at a cost of \$47 million for passenger disembarkation at the private RCI cruise ship destination. This is expected to circumvent the frequent ship cancellations which occur due to berthing inability during inclement weather and to provide for stops by Oasis class ships carrying 5,400 passengers. RCCL expects to increase its staff complement from 180 to 214 when the 12 month development timeline is completed and estimates that 20 construction employees will be hired for completion of the project.

Disney Cruise Lines

Disney Cruise Line is expected to make more than 375 calls in The Bahamas to Nassau and Castaway Cay in 2017, which is expected to bring more than 1.25 million guests to the country. Disney also expects to make significant investments on Castaway Cay. In addition to ongoing operations, new projects on the island include crew housing and crew mess (dining and galley) a warehouse, expansion of wastewater treatment plant and fiber optic replacement, among other projects. Disney has indicated that it will continue to explore other projects with The Bahamas that could ultimately result in further significant benefit.

Mr. Speaker,

Of particular significance for the two largest centres of population are major strategic initiatives relating to the review of the expired tax concessions under the

Hawksbill Creek Agreement as well as related matters to revitalize the economy of Grand Bahama and the Baha Mar project in New Providence.

In my recent Communication to this House on 9th May, 2016, I indicated that the review of the expiring concessions under the Hawksbill Creek Agreement has afforded my Government the opportunity to conclude arrangements, after extensive negotiations with the Grand Bahama Port Authority and key investor/stakeholders, aimed at strengthening and expanding the economy of Grand Bahama. These arrangements follow upon an in depth and comprehensive study carried out by The Hawksbill Creek Review Committee, the first of its kind in 60 years, which involved wide consultation.

Mr. Speaker,

I feel it necessary to reiterate and re-emphasize for purposes of clarity the actions taken by my Government as it relates to the expiring concessions.

Mr. Speaker, as an outcome, the Government has

- (1) entered into a Memorandum of Understanding (“MOU”) with the Grand Bahama Port Authority Limited, and key entities controlled by GBPA, Hutchison Ports, CK Property Holdings Ltd. and the Port Group, namely GBPA, Freeport Harbour Company Ltd., Grand Bahama Development Company Ltd., and Freeport Industrial & Commercial Ltd.

(2) executed a Waiver of Exclusivity Agreement with Freeport Harbour Company Ltd. with respect to the operation of cruise ports on Grand Bahama.

The MOU sets the stage for specific agreements which must be entered into with licensees with the aim of fundamentally shifting the investment climate and economic prospects in Grand Bahama in a dynamic and positive way for all concerned. Through our negotiations, we have sought to create a new economic development framework that can jumpstart and sustain growth in Grand Bahama. The result is an MOU that sets the parameters for the development of a framework which will enable the Government to engage with the private sector on delivery of a wide range of economic and social gains for the residents of Grand Bahama and The Bahamas as a whole.

Specific opportunities that will emerge from the MOU include:

- immediate investments in strategically important industries;
- the commitment of the GBPA to seek an injection of new equity capital into its Group of Companies through new globally respected shareholders or equity partners and project specific investors who will further the development of Freeport and Grand Bahama;
- historic changes in the governance, transparency, and regulatory framework that governs Freeport;

- Government ownership stakes in prime landholding companies which will allow for enhanced public/private commercial and residential real estate development;
- a commitment to social and infrastructure improvements to enhance quality of life;
- development of a new framework for performance-based development concessions that will replace the expiring tax concessions of the Hawksbill Creek Agreement;
- a focused and collaborative strategy to reshape the approach to attracting, retaining, and expanding investment in Grand Bahama;
- and a commitment to resolve longstanding issues related to Government deficits in Freeport in a way that protects the Government's rights but creates a path forward in Freeport.

In the short term, these arrangements will drive new investment projects that will retain and expand key industries in Grand Bahama. There is indeed now a clear path to the expansion of the Freeport Container Port through Phase V and VI, with Phase V scheduled to commence in the second half of 2016. \$260 million is being invested in the Container Port Phase V expansion. The Freeport Airport runway is being resurfaced at a cost of \$13 million. Freeport Harbour Company is spending \$14 million on the refurbishment of berths 3, 8 and 9.

Mr. Speaker,

PharmaChem has already broken ground on a \$150 million extension. The MOU and Waiver of Exclusivity Agreement with the Freeport Harbour Company has cleared the way for completion of negotiations with Carnival Cruise Lines for the creation of a major cruise port with compelling attractions in East Grand Bahama. When coupled with ongoing discussions with MSC to consider home porting, a container repair facility, a logistics center, creating a maritime training center, and opening up employment for large numbers of Bahamians on their ships, Grand Bahama is poised for significant expansion as a hub for cruise operations.

Most significantly the MOU contains an overall Public Private sector Partnership commitment to recruitment and training of Bahamians to meet present and future diverse manpower skills.

Mr. Speaker,

Beyond specific short-term investments, we have secured historic commitments to change the governance paradigm in Grand Bahama, and a mechanism to enhance transparency into the GBPA's financial affairs. The MOU provides a mechanism for the Government to play a meaningful role in steering and overseeing critical infrastructure and development via seats on the Boards of the GBPA and land development companies.

The MOU also provides the licensees with the opportunity to participate in governance by nominating a member to the GBPA Board. We have also come to

agreement in principle to align the regulatory functions of the GBPA with the national regulatory framework and policies of The Bahamas Government, and to establish a process for licensee appeals. These changes will allow increased public understanding of and dialogue about the inner workings of Freeport that have long been opaque and inaccessible to Freeport stakeholders.

The changes will also help to mitigate conflicts associated with GBPA and its affiliates operating simultaneously as licensor, licensee, and regulator as well as participation in governance at the Board level. By having equity participation, and Board level transparency into the affairs of the prime landholding companies, the Government can play an active role in accelerating development in Freeport. Among other things, this new structure opens up significant new opportunities for public / private partnerships to facilitate larger development projects.

The MOU very significantly provides a commitment to social and infrastructure investments in Grand Bahama that will deliver tangible contributions to the quality of life for the residents of Freeport. We intend to seek to work with the GBPA to create an ongoing “Grand Bahama Development Fund,” which would make investments that can help to carry Grand Bahama forward. Measures to be undertaken could include, reopening important portions of West Sunrise Highway, upgrading airport facilities, making available residential lots to expand affordable housing, construction of modern medical facilities, refurbishing and expanding athletic facilities, and making contributions to support critical social services. I will

more fully address this in my closing remarks to the budget debate. Suffice it to say, rather than a “one shot deal”, we will seek to create an ongoing mechanism for infrastructure investments that are aligned with our development strategy, and can evolve as the economy grows and the needs of the population of Freeport change.

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.

We are also taking steps to address an important inhibitor to development in Grand Bahama. The lack of any taxes or carrying costs of undeveloped land mean that property holders can simply sit on undeveloped land without recourse. To address this situation, and enhance the revenue base in Freeport, we intend to create a new framework where real property tax would be payable on undeveloped land held by non-Bahamians owning more than five acres.

A Bill will be presented for consideration by Parliament to give effect to these new measures. My Government will during the next fiscal year work to implement these bold initiatives with the objective of ensuring that Freeport and Grand Bahama realizes the full economic benefits for many years to come.

Mr. Speaker,

I would now like to address the issues relative to the Baha Mar project. Members and all Bahamians will recall that it was, without notice to the Government of The Bahamas, on the 29th June of last year that the Baha Mar Group of Companies filed a Chapter 11 Bankruptcy motion in the Bankruptcy Court for the District of Delaware by Northshore Mainland Services Inc. The Court in Delaware heard the Baha Mar Debtors' first-day motions and, without any of the creditors or interested parties in attendance, granted two main orders on an interim basis. Mr. Speaker, Baha Mar then sought to have the Chapter 11 Orders recognized in the Supreme Court of The Bahamas, which my Government vigorously resisted. We wanted to ensure that any determinations in a matter of this magnitude and with a possible

impact on the sovereign rating, the economy and the people of The Bahamas be made by a court in The Bahamas. Mr. Speaker much has transpired since that date, including:

- i. the winding up petition filed in The Bahamas by the Government, together with related government agencies and statutory corporations, as the second largest creditor of the Baha Mar Group of companies and the largest unsecured creditor;
- ii. the appointment of Joint Provisional Liquidators by the Supreme Court of The Bahamas;
- iii. Mr. Raymond Winder of Deloitte and Touche (Bahamas) and two Hong Kong based partners of Deloitte and Touche being appointed as the Receiver Managers by the China Export Import Bank, the secured creditor; and
- iv. The global sale process initiated by the Receiver Managers for sale and realization of the Baha Mar assets.

Mr. Speaker,

The Baha Mar project is of such significant importance to the people and economy of The Bahamas and to our sovereign rating. Its early remobilization and completion is an important matter that must be addressed by my Government in the presentation of this Budget Communication.

At all times, the Government has upheld the interest of the Bahamian people and, as Members and Bahamians will be aware, I have been personally involved in every effort to achieve the early remobilization and completion of the project, which remains a very high priority for me and my Government. From day 1, I have remained resolute and made it abundantly clear that a solution, i.e. the early remobilization and operation of the project, must provide for the satisfaction of the legitimate interests of Bahamian sub-contractors. Nothing will distract my Government from providing for jobs and entrepreneurial opportunities for the Bahamian people.

There is no doubt that all of the stakeholders have suffered losses as a result of the unfortunate actions taken with respect to Baha Mar. We also appreciate that, legally, there is but one secured creditor, which is the Eximbank. However, the Government must, in advocating for its citizens, seek to protect their interests. That, Mr. Speaker, is the reason why we sit in these hallowed halls.

The third and final aspect concerning the remobilization of the Baha Mar project relates to the status of the global tender process that is being carried out by the Receiver Managers on behalf of the Eximbank. My Government has been advised that the first round of bids has just closed and that there are a number of good and reputable investors who have shown interest in the project. These investors will be evaluated.

It must be borne in mind that this ongoing process is being carried out under the supervision of the Supreme Court. Therefore, these matters are subject to confidentiality and, as such, only limited information may be shared. It is hoped that the selected investor could be determined shortly and submitted for the necessary Government approval.

Mr. Speaker,

The Receiver Managers have confirmed that CSCEC and CCA Bahamas are still under contract to finish construction of the project, and, EXIM, CSCEC and CCA Bahamas have committed to continue to work closely with the Bahamian Government with a view to seeing the Baha Mar resort project through to 100% completion, opening and successful operation, so that Baha Mar can achieve its true purpose. The Bahamian Government is fully committed to providing all necessary assistance and cooperation required for the early remobilization, completion, opening and successful operation of the project -- which includes the establishment, out of the Office of the Prime Minister, of a task force to enable proper coordination between Government agencies.

Late last week, the Government was invited by the Eximbank to Beijing, with a view to resolving pertinent issues to enable the early remobilization and completion of the project, including addressing the legitimate interests of Bahamian creditors. Therefore, Mr. Speaker, given the importance of this matter, I sent a delegation to Beijing, led by Sen. the Hon. Attorney General Allyson Maynard-Gibson and Sir

Baltron Bethel, Senior Policy Advisor in the Office of the Prime Minister, with a view to accomplishing these objectives.

Mr. Speaker,

I am pleased to inform this Honourable House that the discussions were successful and, in this regard, I wish to read and then lay on the Table of this Honourable House of Assembly a joint statement that was issued by the Export-Import Bank of China, China State Construction Engineering Corporation and the Government of The Bahamas.

[STATEMENT TO BE READ]

Mr. Speaker,

I am satisfied, based on the statement and the assurances given in Beijing, that every effort is being made to enable an earliest possible remobilization and that adequate funding is in place to provide for the completion of the Project and the satisfaction of legitimate claims of Bahamian contractors and suppliers.

VIII. REVENUE MEASURES

Mr. Speaker,

In this Budget Communication, I am also announcing a number of fiscal measures designed to:

- Provide relief to consumers and businesses through customs duty rate reductions and provide for the further rationalization of tariff rates on similar items;
- Increase compliance and efficiency in Custom operations and reduce the potential for fraud; and
- Enhance administration and compliance in respect of our major taxes.

The details on these various measures are set out in an Annex to the Budget Document.

Tax Relief and Rationalization Measures

Mr. Speaker,

As for the tax relief and rationalization measures, we are proposing to:

- extend the City of Nassau Revitalization Act for another year to June 30, 2017;
- extend the Family Island Development Encouragement Act for another year to June 30, 2017;
- provide Customs duty exemptions and Real Property Tax concessions to owners of derelict buildings in New Providence who intend to demolish and/or renovate these buildings for commercial, educational or social purposes;

- allow the Real Property Tax concessions granted to residential properties last year to be extended to commercial properties with the exception of properties which are now subject to collection;
- allow for the waiver of Real Property Tax arrears for owner-occupied properties with values less than \$250,000, which could potentially benefit over 41,000 homeowners;
- expand the tariff concessions available to light manufacturing by allowing items not on the approved list to be granted full duty exemption on approval of the Minister;
- allow churches to import air conditioners duty free;
- reduce or eliminate the duty on a number of household and grocery items, including appliances and parts, prepared turkey, ham, beef and chicken meat, macaroni, spaghetti with meat and the like, ice cream, biscuits, waffles, cakes and pastries among others;
- eliminate the duty on baby clothes and reduce the duty on used clothing;
- eliminate the duty on costume jewellery, perfumes and certain leather goods;
- reduce the duty rate on computer peripherals, routers and related items;
- replace all remaining rates of duty of 7 per cent with a 5 per cent rate;

- reduce or eliminate the duty on various building materials such as plywood, sheet rock, cement, roofing tiles and shingles, electrical wiring, marble and granite and other stones among others;
- reduce the environmental levy on used tires to reflect the low value cost of such imports;
- exempt from VAT ancillary fees paid along with tuition fees; and
- we will develop a framework to allow the Minister of Finance to take steps through the Tariff Act to protect Bahamian agricultural and manufactured products.

Increasing Compliance and Reducing Fraud

Mr. Speaker,

We are proposing measures to enhance compliance and reduce the potential for fraud at Customs, which will have minimal impact on businesses that are fully compliant. Specifically, we are proposing to:

- increase the Customs storage charges for vehicles;
- implement a licencing regime for cargo couriers;
- institute a fee to amend cargo manifests;
- institute a fee for the Parcel List used by cargo ships;
- allow for a processing fee to be levied on the shipper if prohibited or restricted goods are found on-board their vessel;

- charge a higher processing fee for the late submission of manifests and the loading list; and
- make electronic submission of Customs entries mandatory as of July 1, 2016.

Administration and compliance for Major Taxes

Mr. Speaker,

As well, we are introducing measures to improve the administration of, and compliance with, our major taxes. Namely, we are proposing to:

- adjust the requirement of the Tax Compliance Certificate to cover major shareholders with over 20 per cent of the shares as well as companies with similar shareholders;
- increase the enforcement provisions under the Excise Stamp (Tobacco Products) Control Act to allow for the compounding of penalties and for Customs officers to better monitor tobacco manufacturing;
- amend the Stamp Act to clarify the meaning of transaction values such that stamp tax can be properly assessed;
- adjust the date for the submission of VAT payments to 21 days after the end of the month, with effect from January 1, 2017;
- allow for the waiver of Stamp Tax and VAT on Deeds of Exchange because of errors in property description;

- amend the Stamp Tax Act to reduce the rate of tax to 2.5 per cent on marina slips, as with other conveyances;
- allow stamp tax concessions/exemptions to be granted to first-time homeowners who may have missed the opportunity due to non-submission of documents for stamping;
- provide a full amnesty on the surcharge which is now applied for late stamping of conveyances and other documents for 90 days and the application of a fixed penalty of 10% of the applicable stamp duty thereafter;
- require that non-profit entities and charities be designated as such by the Registrar General or the Attorney General before qualify for duty-free concessions;
- amend the Stamp tax Act to adjust and eliminate a number of the fees.

IX. CONCLUDING REMARKS

In conclusion, Mr. Speaker, I want to assert unequivocally that the past four years of our current mandate have been a period of determined, decisive and dedicated action. We came to office with a clearly formulated and enunciated agenda for a modern Bahamas to secure a better future for Bahamian citizens. Despite a persistently difficult global economic environment, we have eschewed the short-term and opportunistic fixes that inevitably prove illusory and we have remained

faithful to our vision for the future. And, based on the actions that we have taken to date and the very healthy level and scope of investment activity across the nation that we have successfully promoted and supported, I am confident that a brighter future is before us, in terms of both a stronger and more prosperous economy and enhanced employment opportunities for our citizens.

The forthcoming National Development Plan, whose development my Government initiated last year, will build further on our agenda of change and set the course of action going forward for the next 25 years. That, Mr. Speaker, unquestionably speaks volumes about our unwavering commitment to the attainment of the ambitious economic and social goals that we have pursued during the course of this mandate. May Almighty God continue to guide us along this path.