

Alfred Sears,

HOUSE OF ASSEMBLY

BUDGET DEBATE 2011-2012

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CONTRIBUTION BY ALFRED M. SEARS, MEMBER OF  
PARLIAMENT FOR FORT CHARLOTTE

Mr. Speaker, as I rise to make my contribution on this Budget, my ninth (9th) consecutive Budget Debate, I seek your indulgence to speak directly to the residents of the Fort Charlotte Community to thank them for their support over these past nine years as their Member of Parliament.

While it has been a great privilege for me to serve you, our Party and our country, I have concluded that I will not serve in such manner after the 2012 general elections due to my personal obligations.

Dr. Andre Rollins has been nominated by the Progressive Liberal Party to carry the Party's banner in the 2012 General Elections. I ask that you support him in the same manner that you supported me in 2002 and 2007.

I am grateful for the support of my family, Marion and my children Ade, Ife and Nia, during these past ten years and to all of you who campaigned with me in 2002 and 2007, especially coordinators: Pedro Rolle, Henry Dean, Andrea Jenoure, Barrington Carter, Donna Moxey, Greer Cartwright, Shounda Woodside-Stuart, Inzolette Woodside, Antonio Steele, Andrew Edwards, Jr., Peter Curry, Clifford Rahming, Basil Longley, Rubie Sawyer, Sandra North, Alvin Sargeant, Effrain Jones, Betty Arnett, Harold Carter, Francis Bethell, Angela Simmons, Cecil Moncur, Sophie Dames, Patrick Johnson, Franko Brown, Michael Hanna and Christine Humes.

I am also grateful to the many teachers and volunteers in the After-School Programme and Summer Camp, especially the directors Mrs. Anastacia Sands-Moultrie, Mrs. Christina Johnson and Mrs. Sandra Sarjudas respectively and Mr. Peter Campbell who has taught computer classes to adults in THE Fort Charlotte Community Centre outreach programmes over the past nine (9) years.

I am especially grateful to you, the constituents of Fort Charlotte, of all political persuasions, who have supported me in two consecutive general elections. Your individual and collective generosity will always be the hallmark of my period of public service as the Member of Parliament for Fort Charlotte.

As your Member of Parliament, we have been able to improve the quality of life in Fort Charlotte through the successful launch of the following projects: the re-engineering of the Perpall Tract Canal to solve the flooding problems; the building of the new T.G. Glover Primary School (a state of the art primary school which the administrators, teachers, parents and school board had an opportunity to give their input); the construction of the Ardastra Gardens Subdivision; the Annual Summer Camps the Annual Music and Craft Festivals (I thank Ronnie Butler and all of the recording artists who performed for us and Zamar Group Ltd.); the Urban Renewal Project; and the construction of the new Magistrates Court Complex on South Street (started while I served as Attorney General). I thank Michael “Lonagan” Hanna, Barrington Carter and Franko Brown for organizing the many basketball tournaments over the past ten years.

I thank the Right Honourable Perry Gladstone Christie for affording me the honour of serving as Attorney General from 2006 and Minister of Education, Science and Technology from 2002 to 2007 in your Cabinet and general confidence that you have reposed in me.

I also thank the lawyers and staff at the Office of the Attorney General, especially the then Director of Legal Affairs, Ms. Rhonda Bain (as she then was), the DPP, Mr. Bernard Turner (as he then was), Mrs. Debbie Fraser, Ms. Anna Hall and Mr. Loren Klein. I am proud that we were able to have Bahamas removed from the Monitoring List of the FATF in October 2005; commence the construction of the new Magistrate Complex in South Street; and improve the terms and conditions of the lawyers.

I also thank the educational establishment for their support of my efforts as Minister of Education, especially P.S. Creswell Sturup, Deputy Director of Education Cecil Thompson, Patricia Collins, Betty Rolle, Alesha Hart, Charlene Reid, Mrs. Agatha Archer, Mrs. Carnetta Ferguson. I am proud of our accomplishments: we expanded the stock of classrooms by 385 from 2002 to 2007 and commenced the construction of T.G. Glover Primary School and Annotal Rogers Junior High School; establish the Education Leadership Training Institute in partnership with COB; increased the number of preschools in the public system from 28 to 58; established the National After-School Art and Craft Enrichment Programme, with Mr. Max Taylor as the master artist; increased subventions to private schools by \$2.3 million; launched a \$22.5 million Transforming Education and Training Programme in partnership with the IDB; launch of move to university status for COB, purchase and renovation of Bishop Eldon Building; establish the Education Loan Committee, under Dr. Keva Bethel, to administer the Guaranteed Student Loan; established the National Scholarship Programme, under Mrs. Willamae Salkey; established the Learning Channel for distance education; established National Commission on Special Education and built special education units at Palmdale Primary, Sadie Curtis Primary, Gerald Cash Primary, Garvin Tynes Primary (Mr. Alvin Forbes, a blind student who benefited from these initiatives is now a graduate student in theology in Canada).

The Prime Minister claims that the subvention to COB has been restored. However, the drastic cuts to the allocations to COB, the Department of Education and BTVI have not been fully restored. In 2009 the allocation to COB was cut by \$2,471,975 and by \$2,645,937 in

2010 for a total over those two years of \$5,117,912, at a time when the Guaranteed Loan Programme had been suspended and demand on COB would have been highest. There is an increase this year of \$2,471,975, leaving a net loss of \$2,645,937. The Department of Education's allocation was cut in 2009 by \$13,011,405 and by \$5,703,952 in 2010 for a total loss over those two years of \$18,715,357. The increase to the allocation to the Department of Education this year in the amount of \$8,960,478 will leave a net loss to the Department of Education of \$9,754,879.

## THE BUDGET: NO VISION FOR NATIONAL DEVELOPMENT – ELECTION BUDGET

The Prime Minister in the Budget Communication, on the 25th May, 2011, posited that in setting out its programme in respect of the economic and social priorities that it will pursue requires “. . . the making of difficult decisions, choices and trade-offs that are attuned to the economic and social needs of the country.” He stated that this process is not easy, “It is not a task for indecisive, complacency or procrastination.”

Five (5) days later, on the 30th May, 2011, the Prime Minister, in opening the Budget Debate, continued this theme that “. . . Budgets are about making choices and accepting responsibility.”

Unfortunately, Mr. Speaker, a careful analysis of this Budget shows that the Government rather than making the difficult choices to ensure a more sustainable future for The Bahamas has decided instead to improve the chances for the re-election of the FNM Party at sacrifice of pursuing a sustainable path of development for The Bahamas.

The Prime Minister claims in the Budget Debate that “Today we have cautious optimism that the economy is rebounding.” The Government projects a growth in recurrent revenue of 3.7% from \$1.640 billion to \$1.514 billion in current prices and a growth in GDP from \$7.856 billion to \$8.182 billion for an increase of 4.1%. The Government therefore expects that projected growth in the recurrent revenue will grow faster than the economy.

After three (3) years of negative growth, Mr. Speaker, what is there to justify the “cautious optimism that the economy is rebounding” to support giving away the candy store on the eve of a general election? It is clear that there is no science to the projections contained in the Budget.

The current macro-economic indicators show that this fiscal year, like last year's, should also have been an austere budget: an national unemployment rate of 15% and, inclusive of underemployed, would amount to 30,000 unemployed during the recession with 5,000 school leavers joining the ranks each year; a national debt of \$4.2 billion at the end of December, 2010; recurrent revenue is projected to grow by 3.% from \$1.4 billion to \$1.514 billion in current prices; non performing

loans held by financial institutions are not at \$1.1 billion in arrears for 30 days or more; construction is down by 34% only area that will show some improve in near future, but it is only 10% of GDP; we have the second highest GFS deficit of 5.6%; tourism stopover visitors have declined a mere 24% of the of total coming in to 1.4 million of 5 million, a 25 year low; a national deficit is projected \$314 million for this year, \$362 million for 2012/13 and \$315 million for 2013/14 (a three projection of \$991 million deficit). Given this trend in the recurrent and capital deficit, it is foolish to give away, while we will have to borrow almost \$1 billion.

The revenue projections, based on the best-case scenario, are for \$1.5 billion and a growth rate of 2.8 % according to the Government and 2% by the IMF. However, this best-case scenario does not reflect the likely increases in the price of oil, the increasing cost of borrowed foreign currency loans and the likely increase of overall inflation in The Bahamas and a national deficit of almost \$1 billion over the next three years.

Mr. Speaker, the Government has been wronged in all of its revenue and expenditure projections over the past four years.

The United States projects that it would have to achieve a growth rate of 3% in order to get back to pre-recession levels. Using the same scenario, The Bahamas would have to achieve a growth rate between 4-5% rate to recover the pre-recession position. Therefore, with the

Government's projected growth rate of 2.8%, it would take The Bahamas at least ten (10) years to recover its pre-recession position.

Mr. Speaker, it is clear that we have reached the limits of the present model of development, based on tourism and financial services. This Budget will not grow the Bahamian economy by spurring growth through private sector expansion. In the absence of radical structural adjustment of the Bahamian economy, we will not significantly increase public revenues and stem the slide to unsustainable budget deficit and national debt thereby mortgaging the future of The Bahamas.

Mr. Speaker, it is our patriotic duty to stop, review and take an alternative path for sustainable.

## ALTERNATIVE VISION OF NATIONAL DEVELOPMENT

Former Prime Minister of Jamaica, in an article in the Sunday Gleaner of the 5th June, 2011, made the following telling admission:

“Independence did not bring such hardships to our regional sisters; Independence has failed Jamaica; it is Jamaicans who have failed Independence, and it is Jamaicans who must reset the course to return it to its auspicious start. A generational change is needed to return to the spirit of earlier pioneering years to start again to map a new course to avoid more distress. After 50 years, Jamaica is today facing the future without a credible vision. It is well that much of the achievement of the

post-Independence period, although they are few, still have the life to continue to contribute to nation building. But this perspective is mostly short-term.”

Mr. Speaker, it is my opinion that we, as Bahamians, have failed Independence by our failure to move our country beyond the limited model of development, reflected in this Budget.

This point was made eloquently by Professor of Economics at the College of The Bahamas, Dr. Olivia Saunders, in an address entitled “Diversifying the Bahamian Economy” at the Bahamas Business Outlook on the 13th January, 2011, who stated, in part, that:

“Our economic model perpetuates an economic apartheid. We operate in a world capitalist system and operate an economic model that hinders, nay restricts our general citizenry from owning capital in the key wealth generating sectors, while fostering capital ownership within The Bahamas by non-Bahamians!

It is now time for us to put aside our religious devotion to this economic model we have had in place for well more than a century. An economic model is only a model for how an economy functions. The Bahamas is more than an economy. The Bahamas is a nation. This nation comprises human beings. The entirety of focus for any policy maker has to be the evolutionary progression of the nation – the evolutionary progression of its people and those institutions which serve the people.’

First, we must base our models on utilizing the genius of the Bahamian people and those who call The Bahamas their home.”

## TRANSPARENT GOVERNANCE PROCESS: A CALL FOR POLITICAL CAMPAIGN FINANCE REFORM

Mr. Speaker, political corruption can be defined as the use of legislative and executive powers by government officials for non-governmental purposes.

We continue to allow our political process to be controlled by secret money from foreign and domestic special interest to fund candidates and political parties in the election process; thereby, undermining the principle of one person, one vote, sustainable development, transparency in the governing process and the rule of law.

When The Bahamas acceded to the United Nations Convention against Corruption on the 10th January, 2008, it accepted an international obligation, pursuant Chapter II, Article 7 (3) of the Convention, to make good faith efforts to improve transparency in the funding of candidates and political parties in elections. We continue to allow secret monies from special interests and foreign interests to fund and influence our political process.

We have been made painfully aware from the Commission of Enquiry on Casino Gambling in 1967 and the Commission of Enquiry on the Transshipment of Drugs through The Bahamas in 1984 how certain

transnational organized special interests can influence our political process.

Will the next Commission of Enquiry disclose that the leading investors of our country gave secret monies in exchange for certain pro quid quos? The findings in both Commissions were that there might be a correlation between transnational organized crime, special interests and political corruption; thereby, creating a perception that The Bahamas is for sale. Can we afford this perception that The Bahamas is for sale? The only solution, I suggest, Mr. Speaker, are campaign finance reform, stricter monitoring of government contracts and more effective disclosure obligations for public officials.

Since the right to vote is not secured by the Constitution, I call on colleagues to agree a bipartisan agreement to consider entrenching the right to vote in our Constitution, enacting transparent campaign-finance laws to ensure one person, one vote, to combat political corruption, to protect political parties from tainted money and to preserve our national security.

## A CALL FOR A NATIONAL STRATEGIC DEVELOPMENT PLAN FOR THE BAHAMAS

Sol Kerzner and Sarkis Izmerlian cannot save The Bahamas. It is the patriotic duty of every Bahamian and those who make this place their

home, in a public/private partnership, to craft a national development strategy that draws upon the collective wisdom of our people.

Most of the countries in the developed and developing world have crafted medium to long-term strategic development plans. In 2009 Barbados launched its Medium Term Development Strategy 2010 – 2014 setting out a broad framework of policies and programmes. The Jamaican Government launched Vision 2030 Jamaica National Development Plan, based on seven guiding principles. Singapore, led by the sovereign wealth fund, Temasek, has pursued a strategic path focused on knowledge intensive companies, the development of the Singapore Science Park as part of its drive to become a globally competitive knowledge based economy. Botswana is now in its Tenth National Development Plan, entitled Vision 2016, in pursuit of its long-term vision

Mr. Speaker, Bahamians have the talent and intellectual capacity to vision its own path into the future. Now is the time for the Government, Official Opposition, Third Parties and Civil Society to begin a public conversation on the crafting of a national development strategy, with targets to grow the economy over the next 50 to 100 years. What kind of Bahamas are we seeking to build? What new sectors of our economy are we seeking to create and grow? What kind of new values, attitudes and behaviour are we seeking to instill in our citizens to nourish creativity, hard work and discipline?

This process will require the marshaling of the intellectual capital of The Bahamas to research areas of potential.

It is in this context, Mr. Speaker, that the value of having a national university. The University of The Bahamas, in addition to striving for a tradition of excellence in teaching, should establish excellence in research on solutions to national challenges, create new knowledge, provide a sound basis for public policy formulation and provide technical advisory services to national, regional and international clients.

## DIVERSIFICATION

Mr. Speaker, the primary challenge for The Bahamas, I believe, is for The Bahamas to grow its economy through a process of diversification.

Agriculture/Marine Resources Mr. Speaker, the Budget does not provide any real incentives to create better linkages between tourism and financial services, on the one hand, and agriculture and fisheries, the indigenous craft and souvenir production, on the other hand. Targets should be set to ensure that agriculture and fisheries, for example, achieve a greater share of GDP, from 5% now to 10% by 2020.

## Cultural Industries

The cultural industries are one of the fastest growing sectors of the global economy. We have seen the impact of the music industry on the economy of Jamaica. The impact of artists such as the Mighty Sparrow, Kassav, Celia Cruz, Ruben Blades, Juan Luis Guerra and Bob Marley has all demonstrated the crossover appeal of Caribbean music. Many of

these artists have made millions of dollars and some of their recordings have generated billions of dollars. According to Dr. Keith Nurse, “. . . there is little recognition by the region’s national policy-makers of the economic importance and export potential of the industry. . . It is estimated that reggae sales in the US between 1992 and 1993 were US\$270 million dollars. . . Another estimate suggests that the overall earnings for the Jamaican recording industry could be as high as US\$300 million – 25% of the worldwide income from recorded reggae music. This figure does not include income from concert performances, sales of ancillary product, tours and reggae music festivals which is estimated to be another US\$50 million. . . ”[1]

Bahamian musicians, visual artists, writers, actors, dancers and designers have the same potential, as was demonstrated by Tony McKay, the Beginning of the End, Bahamen, T-Connection, Sidney Poitier; provided that the policy makers of this country ensure that the necessary institutional framework, legislation, incentives, education and training, adequate financing are available to facilitate product design and innovation.

I therefore propose that College of the Visual and Performing Arts, named after a Bahamian artist, be established along the path of the Edna Manley College of the Visual and Performing Arts in Jamaica to provide professional and technical training in music, dance, visual arts, drama, recording arts, arts management and continuing education, at the Bachelor, Diploma and Certificate levels. This institution should be the repository of the rich cultural heritage of Bahamian and wider Caribbean experience. Based on the transformative nature of the arts and a

commitment to life-long learning, the creation of new knowledge in the visual and performing arts, this institution should promote the highest quality of study, research, scholarship and the pursuit of academic excellence in the arts.

Quinton “Barabbas” Woodside has demonstrated, through the creation of the Junkanoo Museum on Farrington Road, that an art form from the belly of the Afro-Bahamian community can be preserved and presented museum-style for the appreciation of an international audience.

Arawak Cay, equidistant between Atlantis and Bahamar and accessible to the Bahamian community, has the potential to become a centre for Bahamian performing arts, cultural and heritage display and local cuisine, which is owned and operated by Bahamians to showcase the Bahamian culture.

## TAX REFORM

The current custom duty system of taxation on goods in The Bahamas is unfair and places a disproportionate burden on the poor on the poor and middle class who spend most of their income on food and other goods. Since services are not taxed, the more affluent members pay fewer taxes because they spend more on services. In a service economy, about 80% of the value being produced in The Bahamas, it means that the poorest section of the society is generating most of the public revenue.

In spite of the urgent need to increase public revenue, in the face of a mounting national deficit, the Prime Minister merely says in opening the Budget Debate, with respect to tax reform, that “. . . discussions of tax reform for figure prominently in public discourse in period ahead.”

The International Monetary Fund in its 2010 Article IV Consultation during each year of the FNM administration recommended that the Government broaden the domestic tax base to deal with revenue shocks and rising public debt. The IMF stated “Staff noted that cross-country evidence suggests that a successful implementation of a VAT could yield additional revenues of about 2-3 percent of GDP, an amount similar to the additional fiscal effort needed for significantly reducing the debt-to-GDP ratio. To ensure the success of the reforms, staff highlighted the need for early preparations, such as the roll out of public campaigns, to gain social support.”

Mr. Speaker, this is a polite way of saying that we have been late again, while the deficit and national debt are growing and likely to grow compromising the future stability of this country.

Standard & Poor’s in its 2010 Rating Report on The Bahamas, again noted: “Revenue vulnerability stems from the reliance on taxes on goods/customs (that account for about 50% of tax revenue), which in turn depends on imports and tourism. Introduction of a broad-based consumption VAT could mitigate vulnerability, but is not on the government’s agenda.”

What explains this lack of action in an area of critical importance to The Bahamas? What is it that the Government knows that the IMF, Standard & Poor's, the Official Opposition and the civil society do not know? Why is the Government acting like a borrowing junkie, when the sustainability of the Bahamian economy is being eroded?

Mr. Speaker, I suggest that the failure of the Government to begin a public consultation on this critical issue from 2007, which they communicated to the international agencies, make this Government unworthy of to continue governing this country.

Now is the time, Mr. Speaker, for us to demonstrate the national resolve to begin a national conversation on the appropriate alternative tax regime, whether income tax, value added tax, sales tax or some other form of direct taxation to reverse the trend of mounting deficit and unsustainable borrowing.

## CONCLUSION

The Budget, based on improper assumptions and projections, will not lead to the sustainable development of The Bahamas. The Government is mortgaging the future of The Bahamas, with no clear national strategic plan to grow the economy, increase revenue; alternative sources of renewable energy, improve the competitiveness of The Bahamas.

The proposed expenditures, while socially laudable, are to meet short-term expediency of improving the chances of the re-election prospects of the FNM, with no strategic plan for the sustainable development of The Bahamas.

End