

Senator Michael Halkitis & PLP Candidate for Golden Isles Budget Debate 2011-2012 June 22nd 2011

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Madame President; I want to talk about the future.

It seems like every debate that we have in this place goes something like this: from the other side; the PLP did not a single thing in five years, and the PLP only talks all the time; Hubert Ingraham is a man of action who can do no wrong.

No matter how many times we rebut these charges and clearly lay out all the accomplishments of the last Progressive Liberal Party administration; we come back to these very same arguments over and over and over again.

I will not spend much time engaged in that exchange in this debate because I believe that there are more important issues that the Bahamian people want us to debate and there are important policies and initiatives that the Bahamian people want us to implement now; to fight crime, and to generally make their lives better and their futures brighter.

I will say this though; it is an incontrovertible historical fact which can not be erased no matter how loudly some will yell; that the five year administration of the Progressive Liberal Party led by Perry Christie were progressive in many ways, and the Bahamian people throughout these islands were full of optimism for the future.

Perry Christie and his government engineered a turnaround from a shrinking economy in 2001 to a growing vibrant economy in 2007, government revenue increased from \$875 million in 2001/2002 to \$1.354billion in 2006/2007 (a 55% increase); foreign direct investment increased from \$234million in 2001 to \$834million in 2006 and unemployment fell from 9.1% in 2002 to 7.9% in 2007.

Bahamians were working, more investment was poised to come in, and Bahamians were making investments in equipment and businesses to take advantage of the economic boom.

That in brief, is the bottom line.

In an attack of conscience; or perhaps the speechwriter sneaked it in there, the Prime Minister and Minister of Finance, the Right Honourable Hubert Ingraham said the following in the 2011/2012 Budget Communication; on page 2:

“Three years ago, as the first waves of what was to become the Great Global Recession began reaching our shores; we decisively chose to begin using some of the fiscal headroom established through prudent economic policies.”

When this FNM administration took over in 2007, government debt as a percentage of GDP was 30% (table VIII). Now, depending on which statistics you use, it is north of 50% moving toward 60%. So, in case there was any doubt, that headroom of which the prime minister spoke, that enables him to spend money, was head room left in place by Perry Christie and the Progressive Liberal Party.

So what we have at the very beginning of the Budget Communication is the admission by no less an authority than the Right Honourable Prime Minister, that this administration could have done none of the things that they so liberally boast of; had it not been for the prudent, visionary and expert management of the economy by the Right Honourable Perry Christie and his government.

This same Perry Christie who they call waffling, indecisive and all other manner of evil, over and over and over; here we have the Prime Minister, Hubert Ingraham saying to him right here in this Budget Communication.

“Christie, I could not have done any of it without you.”

As I listen to the debate I wonder if we all live in the same Bahamas.

In the Bahamas that I and the vast majority of Bahamians live in we have violent crime threatening to bring our nation down, unemployment is at least 18% according to some estimates, underemployment is a significant problem, thousands upon thousands of Bahamians have become discouraged and have given up looking for work altogether, thousands of Bahamians have to suffer the indignity of lining up in some cases for hours in the hot sun to wait for food assistance from the Department of Social Services, the school drop out rate is through the roof, home foreclosures continue unabated, the cost of living continues to rise, the standard of living continues to fall, layoffs and the threat of further layoffs has become a fact of life , the cost of medical insurance puts it out of the reach of increasing numbers of Bahamians who were fortunate enough to have insurance in the first place.

We have universal education but we recognize that our education system is not preparing enough of our young people to excel in the real world.

These are the things we should be talking about. These are the issues that Bahamians want and need their government to address and addressed in a substantive way and not by putting a band aid on a gunshot wound.

I believe that if one were to ask Bahamians if we are on the right track we would get a resounding no.

So while we have the third highest per capita income in the hemisphere, we feel decidedly poorer.

We are more educated than our parents could have dreamed of, yet our problems befuddle us.

As we debate we have 60 murders for the year and we have not reached the halfway mark.

While everything is seemingly falling down around us, we debate yet another budget and appear oblivious to the realities of the present day Bahamas.

The question that we must all ask ourselves is: Are we satisfied that this budget reflects the priorities of the Bahamian people?

If one were to list the issues of most concern to Bahamians today, I believe that list would look like this:

- **Crime**
- **The displacement of Bahamians in the economy and the feeling that they are , 2nd 3rd 4th and 5th class citizens in their own country**
- **The poor economy, lack of jobs and the skyrocketing cost of living**
- **Governments seeming detachment from reality and from the people's needs**
- **What do young people have to look forward to?**

In the Budget Communication there is scant mention of the crime issue. Almost as an afterthought, when observers almost universally expressed amazement that the Prime Minister would deliver a Budget Communication in the midst of a massive crime wave, and not address crime, the Prime Minister mentioned the issue in opening the debate.

What was even more amazing was with crime at record levels in almost every category, we have a Minister of National Security saying to the nation that crime is under control!

The Minister is quick to add that crime is not a political issue. The question that very many Bahamians have is; when did he come to this realization?

Was it a political issue when this same Minister of National Security, then in opposition, said at an FNM political rally on RM Bailey Park on April 26th 2007?

“As a trustworthy FNM government we will work tirelessly to greatly reduce and hopefully eliminate crime in our society. There are far too many murders, far too much criminal activity taking place in our Bahamas.”

Was it a political issue when the Member for North Abaco, the current prime minister speaking in that other place in 2007 said?

“I would hold my head down in shame. If at the end of my 5 year term there are 100 plus persons charged with murder who I could not cause to be tried within 2 years. I would be ashamed of myself. I would say to the Bahamian people I am a failure. And my punishment of being voted out of office is minor – I should get more major punishment than that”
At the time the Member for North Abaco was speaking to the Member for Farm Road and he described the “state of affairs then as a national disgrace” and all of the members on the other side as “wutless”.

And we now know that wutless has been ruled to be parliamentary language.

I sat right next to Senator Maynard Gibson who was then Attorney General when, earlier in 2007, the Current Prime Minister and then Leader of the Opposition stood on the floor of that other place and challenged the Attorney General to produce the number of persons on bail for murder. At the time he brandished a piece of paper and said make sure give me the right number because I have the information right here.

Was it a political issue then?

They even said Mother Pratt, Minister of national Security under the last PLP administration prayed too much!!

It seems as if their strategy is to blame the government when in opposition and absolve yourself of all responsibility when they became government

We know that Government cannot defeat crime and criminals by itself. It requires a national effort. However the government directs the national response to crime. It has the money and controls the nation’s resources.

When the government gives up, throws its hands in the air and starts constantly talking about what happened in the 1970s and 1980s and even the 1700s, we are conceding the battle to the criminals who are supposed to be a small minority of trouble makers.

Nassau, Miami, Atlanta, New York and other major cities were victims of high violent crime related to the drug trade in the 1970s and especially the 1980s. While others fight crime, implement innovative strategies and see reductions in their levels of violent crime, we in the Bahamas today feel content to sit down and curse our fate or look for people long dead to blame for the problems we have today.

Now we will supposedly have death penalty legislation on the way! This is interesting.

I want to quote from an article written by Candia Dames then with the Bahama Journal from January 30, 2006; reporting on an FNM rally in Salt Pond Long Island .

Last Thursday, the prime minister made it clear that he fully supports hangings. That comment drew reactions during the Free National Movement rally in Salt Pond, Long Island a day later with FNM Leader Hubert Ingraham accusing him of jumping on "the hanging bandwagon."

"He knows he is in trouble so he will jump on any bandwagon he thinks will get him some votes."

Speaking at the funeral of slain prison officer, Dion Bowles, Prime Minister Christie said he was in favor of capital punishment and he said he would be willing to fight those who oppose it.

"I am not in agreement with those who say capital punishment should not be in place," said Mr. Christie at the service at the Church of God Auditorium on Joe Farrington Road. "I am personally for capital punishment."

He added, "Prime ministers don't go around saying things like that, but I want to tell you all that and plenty people do not agree. That is what I believe and as long as I'm prime minister the brothers and sisters who don't believe it I will fight with them."

At the FNM rally, Mr. Ingraham told the crowd, "Don't wait for them to hang anybody. This is a shameless case of mouthing what some people want to hear – pure pandering, nothing more."

It was also a point former party chairman, Carl Bethel, made when he addressed the crowd.

He said Prime Minister Christie's statement was another sign that the PLP government is a "fell good, flim flam" government.

"The Attorney General Alfred Sears, and the Minister of Foreign Affairs Fred Mitchell, have in the past expressed opposition to the death penalty, and the last time that anyone was hanged in The Bahamas, the Minister of Transport, Glenys Hanna-Martin, was leading the demonstration against the carrying out of the law, at the barricades, He said that in PLP Cabinet, there are at least three cabinet ministers who are abolitionists, and who are opposed to capital punishment. "It seems that they will say anything just to make you feel good for just that moment in time," Mr. Bethel said. "While crime is almost out of control in Nassau and the government seems powerless to stem the tide, all they do is make pretty speeches." outside Fox Hill Prison," Mr. Bethel said.

"He is not likely to get their undivided support and at the end of the day the PLP will continue to do what they always do: talk loud and do nothing," he said.

So from as far back as 2006, the FNM held the opinion that they would have to bring laws to Parliament in order for capital punishment to be carried out. Yet here we are in 2011; five years later; mere months before an election and we are promised legislation to carry out capital punishment.

Who's jumping on the bandwagon now?

None of those persons mentioned by Mr. Carl Bethel is in the Ingraham cabinet; so what is the hold-up? Who's fighting capital punishment in this cabinet?

That is playing politics; knowing that there are other issues, outside the control of the government but yet still blaming the PLP government of the day to gain political mileage.

If that is not pandering, I do not know what is!

Someone used the word hypocritical earlier in this debate.

What can we do now to get a grip on this crime problem?

- 1. Restore the youth programme for at risk young men and expand it for females. This is the programme in North Andros being run by Jeff Lloyd working in conjunction with various government agencies.**
- 2. Amend the Firearms Act immediately to allow imprisonment of 25 years for possession of AK47s and other assault weapons and 10 years for high powered handguns**
- 3. Make the trafficking of guns for sale a specific offence punishable by long prison terms**
- 4. Establish a tipster programme whereby persons can anonymously report persons with guns (Success of cash for gold operations suggest that persons will be willing to report illegal guns for cash)**
- 5. Expedite all trials for violent crimes to the front of the line to ensure that those guilty of violent crimes will be taken off the streets quickly**
- 6. Enact three strikes legislation that would mandate life imprisonment for repeat violent offenders and make sure that life means life**
- 7. Fund the national crime prevention council/national neighbourhood watch programme with a line item in the budget so that the national crime prevention council can encourage, train, and connect neighbourhood watch programmes into a national crime prevention effort.**
- 8. Implement in the schools beginning in primary school a ten commandments/citizenship course to instill moral values and civic responsibility to try to fill that gap of what is not being taught in the home.**
- 9. Enact legislation to enable trial in the Supreme Court by a panel of judges, instead of a jury, to minimize or prevent jury tampering and witness intimidation. In those the panel of judges will hear the evidence and render a verdict.**
- 10. The government says that 44% of murders are drug related. Instead of resigning ourselves to this fact; we should enact legislation that makes organized crime, the carrying on of a continuing criminal enterprise, an offence punishable by lengthy prison terms. So we can target those drug gangs, break them up and imprison the leaders.**
- 11. To alleviate the case load at the Attorney General's Office, outsource some case preparation to private lawyers whereby private lawyers are paid to get cases ready for trial and perhaps even introduce the post of special prosecutor to assist with the prosecution of cases and to help to alleviate the case backlog**
- 12. Alternative sentencing community service for non violent and first time offenders to give them a chance to regain a clean record and to make room in prison for violent offenders. According to the 2010 report of Her Majesty's Prison 72% of inmates**

admitted in 2010 received a sentence of one year or less. Lets stop locking up people for vagrancy.

I believe that this would be a good start.

I believe that at least 90% of Bahamians are law abiding citizens. Those law abiding citizens should not be held hostage by a minority of criminals and thugs who have no regard for the law or anyone else.

We have repeatedly said in this debate that Bahamians should be first in The Bahamas. It is not xenophobia or hatred for foreigners when we say that Bahamians feel like they are being displaced in their own country. That is how many Bahamians genuinely feel. Last evening when we suspended I listened to news story on ZNS about the numbers of people registering going up. The reporter asked a young man why he went to register and his answer was: uncontrollable crime, the high cost of living and Bahamians being shut out in their own country. Many others nodded in agreement.

So when we say put Bahamians first we do so recognizing that Bahamian college graduates now routinely spend 2 to 3 years looking for a job upon returning home to the Bahamas. This after parents have spent tens of thousands of dollars, perhaps mortgaged the home and sacrificed in many other ways to educate their children only to have them return home and discover that there is no place for them in the economy of the Bahamas.

They see others coming here enjoying the good life while Bahamians are on the sidelines saddled with student loans and other bills.

By the way I note that the interest subsidy on student loans is to be restored; unbelievable. This was supposed to be done in 2007. The PM said he thought it was done.

I spoke with a young teacher who very bluntly told me that she is preparing her children to survive in a global environment and sees absolutely no future for them in this country. She wants more for them than the promise of a government job or the hope of a job in a hotel.

What to do to address this issue?

- **No work permits should be issued for jobs that Bahamians are available and qualified to do**
- **We should systematically Bahamianize the work force by identifying areas of the economy where Bahamians are underrepresented and ensure that we have the necessary training programmes to enable Bahamians to become qualified for these positions**
- **Have a limit on the amount of times a work permit can be renewed and enforce the requirement that a Bahamian should understudy a work permit holder to eventually take over that position.**

We are aware that there are cases where permits will be required over the long term but those cases should be well defined and every effort should be made to keep these cases to a minimum.

We welcome international persons who have and continue to help us build our nation; but we cannot tolerate a situation where Bahamians feel displaced and alienated in their own country. We would be letting out people down if we do not address this very frustrating issue.

The Economy

The prime minister in the Budget Communication said:

“Successful budget-making is the hallmark of effective Government. It is not a task for indecision complacency or procrastination. My Government has, over its three terms in office, been consistent in its pursuit of effective budgets that meet the needs of Bahamian society.”

I want to take a look at one area in the budget that I believe sums up the effectiveness or in this case ineffectiveness of government in matching its spending priorities to its revenue.

There is a line in the budget called Financing Required. It is the amount of money that the government expects to have to borrow after all its revenue from all sources; including loans already in place and being disbursed are accounted for.

In 2007/2008 the government estimated that it would have to borrow \$166 million, the government ended up borrowing \$265million in that year; in 2009/2010 the estimate was a need to borrow \$207million and the government ended up borrowing \$392mil; in 2009/2010 the estimated amount borrowing required was \$309million and the government ended up borrowing \$524million. Last year they estimated financing required of \$234mil and we await the actual numbers. This year they are estimating financing required of \$220mil.

If we go by the history of this administration, the numbers will be way off yet again and the national debt will continue to escalate.

I believe that these consistently large errors represent a fundamental misunderstanding of the Bahamian economy. These errors are just too great!

If we look at another item, Real property tax

	Est.	Actual
2007	\$ 85mil	\$72mil
2008	\$95.6mil	\$84.5mil
2009	\$105mil	\$91mil
2010	\$106mil	
2011	\$116mil	

It is very curious that virtually every year, the estimate is increased by \$10million and every year the estimate is wrong. Looks like a guess to me. Just plug in a number; \$10million sounds good.

I point out these examples because when you are consistently wrong in your estimates of revenue and therefore do not adjust the amount you spend, you run deficits and you will have to continually borrow more and more money to fill the gap. It is like an individual wishing against all odds that a big raise will come through for them so that they can pay their bills instead of managing their finances better.

When we look at this budget we have a very interesting item; \$107 million from the sale of shares and a total of \$124million in Capital Revenue. (In the Budget Communication it says \$132million in Capital Revenue {page 34})

According to the Communication this will result from the sale of another nine per cent of the Government's holdings in BTC, ten per cent of the Arawak Cay Port, the Cecil Wallace-Whitfield Building and bonds of Nassau Airport Development Company held by the Government.

In a weak economy, who is going to buy these shares and bonds?

Or will we again call on the National Insurance Board to take them up? Like the government did with the Commonwealth Brewery offering? I will return to this.

What is the effect of the recent revaluation of the assets of BTC on the value of the Governments forty nine per cent holding?

Notwithstanding the exuberance of members on the government side, the Bahamian economy remains weak and vulnerable.

If we look at the revenue, and we subtract the proceeds from the BTC sale \$210 million and the stamp tax from the sale of the oil facility which has been reported to be at least \$60million, we would have been looking at a deficit of \$476million.

So there is no underlying strength to the economy.

Even when we include these items, we have a total deficit of \$206million.

So the BTC money went to pay bills, it is already spent; it gone.

Other evidence that economy remains weak:

- Borrowers continue to struggle to meet their commitments particularly their mortgages as reported by the Central Bank

- No jobs are being created and unemployment remains high. The Budget Communication admits as much.
- Our foreign reserves are over a billion dollars but they consist largely of borrowed funds and special drawing rights from the International Monetary Fund.
- National Debt continues to grow and now commands the single largest chunk of the budget surpassing education, health and national security.
- Construction activity remains very weak and new mortgage commitments have slowed down significantly.

So we are by no means out of the woods and exceptional care is necessary to ensure that we do not plunge further into recession.

Why does our economy continue to struggle to emerge from recession? A part of the problem is that, in the middle of a recession, this administration adopted a schizophrenic approach to managing the economy. On the one hand they undertake the so-called stimulus spending to inject some money into the economy and on the other hand they raise taxes in the middle of a recession and effectively defeated the purpose of the so-called stimulus spending.

Bahamians remember well the massive tax increases in 2008 when the rate of tax on a myriad of items from sweaters to underwear to car tires was rounded up when the stamp tax and import duty were combined to form the excise tax.

In 2010 as part of austerity programme, taxes and fees were raised and spending was cut.

These actions served to choke off the economic recovery by taking money out of the hands of consumers.

What would the PLP have done differently?

- Scale down the road project
- Divert some of the money to public transportation by giving busses to schools to transport children
- Give the roadwork contracts to Bahamian companies
- Negotiate with the IDB to do this. Demonstrate bold decisive action oriented leadership and do not waffle and procrastinate; do it! If he could tell the Chinese to up the

Bahamian participation from \$200mil to \$400mil in BahaMar; surely he could tell the IDB we will give the road works to Bahamians.

- Support people staying in their jobs by subsidizing the wages just like the FNM is doing now but laughed us to scorn when it was first suggested by the PLP when Atlantis was about to lay off (BTW what are those workers doing now one a security guard and one not working)
- Companion fly free, I agree with this a necessary programme along with aggressive marketing; what is the cost BTW
- Not cancelled or delayed \$80million in contracts; it undermined confidence and took money out of circulation
- Continued the government housing programme to support the construction industry instead of spending all your time looking and searching for defects do both

On April 18th of this year, the Right Honourable Member for North Abaco tabled a revised national investment policy that removed the restriction of non-Bahamians getting involved in the restaurant and entertainment business. This segment of the economy had been previously reserved exclusively for Bahamians. Subsequent to this I read an internet posting by a minister of government to the effect that this revision would allow entities like the Hard Rock Café to come and set up in the Bahamas without restriction. I am advised that this assertion was repeated on a local television programme.

When the Four Seasons came to Exuma, they had a need to transport their guests and luggage to and from the airport. A group of native taxi drivers had the idea to band together, form a company and provide this service. They approached the then Prime Minister Perry Christie with their vision. Mr. Christie determined that the government must help those people. It would have been easy to allow one of the big transportation companies to come in and provide the service. Prime Minister sent me and a very senior official from his office to ensure that they were able to put together their plan, present it to the Development Bank, purchase their equipment, and service the contract. They continue to do so today; the name of the company is Exuma Transit Services.

That is putting Bahamians first.

If we could do it in Exuma, there is no reason why we can not do it all over the Bahamas.

I have said on more than one occasion on the floor of this Senate that we have a tremendous opportunity with the redevelopment of Downtown Nassau and the Lynden Pindling International Airport to ensure that we create some big businesses or turn some small businesses into big businesses. Bahamian taxpayers' money is being used for these developments and Bahamians should get the lion's share of the benefit.

We should not simply let big business; those who already have plenty become even bigger while the small man stands on the sideline and watch their tax dollars make the rich richer.

I urge the government to use its influence to ensure that Bahamians are not shut out of opportunities to become successful big business owners as a result of these developments.

Commonwealth Brewery Initial Public Offering

The investment by the Government through the National Insurance Board in the Commonwealth Brewery Initial Public Offering amounts to the Government of the Bahamas underwriting a private offering.

Commonwealth Brewery recently offered shares to the public in a \$62million share offering. In a highly unusual and questionable move, the Government of The Bahamas guaranteed that they would buy all the shares in the public offering not bought by the public.

There has been a lot of talk during this debate about transparency.

I have several questions as it relates to this transaction.

- **If another private company decides to sell share to the public, will the government of the Bahamas agree to underwrite the issue and provide a guarantee that they will pick up all of the remaining shares that the public does not buy?**
- **How did the government of the Bahamas come to the conclusion that this was a good investment and therefore make the declaration that they take up all the remaining shares that were not sold to the public?**
- **Was an analysis of the investment done before the government declared that they would buy all remaining shares?**
- **Who did the investment analysis?**
- **Does this investment and the process by which it was done comport with all stipulations off the National Insurance Act and Regulations with respect to investments?**

- **How does the investment fit into the planned asset mix of the National Insurance Board.**
- **I am advised that the government of the Bahamas through the National Insurance Board has invested close to \$30million in Commonwealth Brewery; first by subscribing for shares in the offering and then by taking up the remainder of the shares not subscribed for by the public; would the government please advise the public of the total amount invested by The Government of the Bahamas in Commonwealth Brewery?**
- **Is Sir William Allen, the Chairman of Fidelity Bank (Bahamas) Limited still engaged as a senior advisor to the Government of The Bahamas in the Ministry of Finance?**
- **What role if any did Sir William Allen play in arriving at the decision for the government of the Bahamas to invest in Commonwealth Brewery and in guaranteeing that the government would take up all remaining shares?**
- **How much money did Royal Fidelity Merchant Bank make as a result of the governments participation in this issue?**
- **Who was paid the fees related to the Government's underwriting that portion of the share issue?**
- **Will the National Insurance Board by virtue of its substantial share holding have a seat on the Board of Commonwealth Brewery?**
- **Who will occupy that seat and is it a paid position?**

- **Are there any other imminent offerings of securities that the Government of The Bahamas is involved in and which firm is the underwriter?**

These are very important questions that need to be answered. As I said we have had the word transparency bandied around throughout this debate.

Alcohol is perhaps the single greatest contributor to social decline in the Bahamas today. It is in complicit in family breakdown, violence and illness including high blood pressure, diabetes, liver disease, diseases of the pancreas and the list goes on.

Many pension funds around the world have stipulations that they must not invest in tobacco, alcohol or gambling and in the days before the end of Apartheid, no investment in South Africa.

Here we have a government that is smarter than the professional fund managers. A government that will make a commitment that they will pick up the remainder of the issue that was not sold to the public.

What this government has done is they have made every single Bahamian no matter what their convictions are, a shareholder in a liquor company; every single Bahamian from the preacher to the party animal.

The National Insurance Board is all over the place promoting healthy living yet in one act, all of those efforts are undermined.

In conclusion, there should not be two Bahamas's one where life is easy and one where people struggle daily just to eke out an existence. We are all contributors to this country and all Bahamians deserve to partake equally of all our country has to offer.