

ALL ABOARD - For Love of Country

Mr. Speaker Sir,

I stand before you....18 days since the good people of Barbados went to the polls and elected my party, the Barbados Labour Party, to office, with an overwhelming, indeed, an unprecedented mandate.

This mandate, Mr. Speaker, was to stop the hemorrhaging and decay, and return our beloved nation to a status of pride and enjoyment by residents and to the admiration of friends and nations, near and far.

18 days after a 30 - nil victory, Mr. Speaker, I would much have preferred to be still celebrating. To be out thanking the good people of Barbados for the tremendous confidence they have reposed in me and the government that I have the honor to lead.

But nothing discourages this more, than the first two paragraphs of the just released report of visiting mission team from the International Monetary Fund:

“Barbados is in a precarious economic situation. International reserves have dwindled to US\$220 million, while central government debt is unsustainable. The fiscal deficit has decreased over the last few years but remains large, at about 4 percent of GDP in FY2017/18. Meanwhile, the Central Bank of Barbados (CBB) is reporting a contraction of output of 0.7 percent in the first quarter of 2018 (over the same period last year).

The Barbadian authorities, in close consultation with their social partners, are rapidly developing a plan to address current economic vulnerabilities. We welcome the government’s plans to urgently address infrastructure problems, and its goal of seeking to support the most vulnerable during the economic adjustment process.”

I know, Mr. speaker, we have just emerged from a grueling campaign in which all manner of things were said and from which the people of Barbados could be forgiven, were they to assume that a change of government, passage of time and a few cosmetic changes would together be the panacea to our nation’s problems.

A change of government was needed, Sir, but that, in and of itself, will not be enough to bring us back from the precipice.

Irrespective of the outcome of the Elections, it was clear to the Barbadian electorate, Sir, that urgent action would be needed the very morning after. The people's vote was not therefore about determining whether hard decisions had to be made; it was about determining, in their own wisdom, who was best qualified, most able and most trusted to make those decisions in their name. That question was answered by the emphatic expression of the will of the people. My Government Sir, is humbled by their overwhelming vote of confidence, and acutely conscious of the solemn obligation it has placed upon us to bring Barbados back from the brink.

I pledged then, as I do now, that the first task of a new Barbados Labour Party Administration would be to halt the decline and the decay of the last ten years, to restore confidence and hope, and set clear guidelines and timelines for finding and applying solutions to our most critical challenges. I gave my word that a Barbados Labour Party Government under my leadership would respond courageously to the social and economic crises now facing the country, and that we would make the tough choices between what is essential, what is highly desirable and what is optional. And I

said that at all relevant stages of the process we would keep the Parliament and the people of Barbados fully informed.

Mr. Speaker,

In prioritizing that which is absolutely essential, the immediate task of my Government has been to confront, head on, the dire economic circumstances we have inherited. Our consultations with the Social Partnership and with the IMF have been the subject of brief public statements. So too have been our engagement of our advisors for our debt restructuring. Today I bring before Parliament and the people of Barbados a fuller assessment of what we have found, the course of action we have agreed upon and the budgetary measures that will be required in the first phase of our Economic Recovery and Transformation Plan.

Mr Speaker,

Barbadians may not all understand the intricacies of macro-economics but their astute, common-sense observation of everyday realities tells me that they already know that something far-reaching is now called for. As I move around this country, that is what they are telling me - from all walks of life. And if they were not yet quite convinced of this, when they heard the IMF chief of

mission whom I just quoted, they would be left in no doubt as to the need for immediate action.

And thus, today, the 11th day of June, 2018, I am here to say to the nation, Mr. Speaker, that Barbados no longer has the luxury of time. Dithering, procrastination and indecision are relics of a calamitous past that has brought us to the verge of economic collapse. The country cannot afford to wait another day. The economic medicine we must now prescribe is more bitter than it would have been, had its application not been so negligently and callously delayed. Instead we got 8 botched plans, 23 credit downgrades, and a horrendous accumulation of arrears. The medicine is now overdue. Failure to act would replace a calamitous situation with a catastrophe. It is vital that we act.

If we are to save our way of life and the value of our dollar, Mr. Speaker, action is both immediate and urgent.

Mr. Speaker, Sir,

Our Nation stands on the brink of the biggest battle we have had to face in our 52 years.

If we shy away from this battle now our debt will devour us.

Today, servicing the debt consumes more money than the entire central Government's wage bill. It consumes more than our education and health budget combined. It is a tight chain strangling our throat and has for a while. It is one reason why the previous government stood idly by as our roads sunk below sewage. Unsustainable debt traps you in an eternal descent, with no room to move, unable to grasp any opportunities to go forward and modernize. With no prospect of progress our young people will leave for greener pastures, our entrepreneurs will find no platform for their ideas, and our businessmen will show no appetite for expansion or new investment. Our economy and our country will fossilize.

Unless we get our debt down to sustainable levels it will grow and consume more and more of our budget leaving no space for anything else, and I mean anything else. With each passing year we will lose more and more of those vital, cherished aspects like our education, health, our public beaches, and our peace and security. Indeed the downward slide has already started. The previous Government tried to hide it with arrears and brave talk, but they could not fool Barbadians. In good old Bajan parlance, Mr.

Speaker, “you can hide and buy land but you cannot hide and work it.” The truth will always out.

Mr. Speaker,

Your Government must be an instrument of development for our people and country. For too much of our colonial history, Parliament and Government were instruments of oppression for our people. The promise of independence was for them to become instruments of development that would provide fair and ample opportunities for all citizens to prosper and grow to the best of their natural capabilities, and create a decent quality of life for every single Barbadian. The cruelest irony is that it was the last DLP Administration that robbed us of this promise of independence. Imagine that Mr. Speaker.

Once we see off this battle, Barbadians will be able to invest in our future once more, we will be able to take control of our fate, to make Barbados the best place to live, work, and enjoy life - in a country that is Green, Climate Resilient, that aims to be Fossil-free; a smart, technological nation, a digital nation, a culturally rich and diverse nation. A country that allows us, Mr. Speaker, to be whatever we want it to be. We must become a cohesive,

sustainable nation built on the principles of equal access to social justice and economic opportunity.

But to do so we first need to fight to regain control of our fate.

This is a battle to save our dollar as I said earlier. It is a battle to defend our choice of free education for all, to preserve our choice of accessible healthcare for all. It is a battle to ensure our schools are vibrant and safe; that guns and lawlessness do not hijack our streets. Mr. Speaker, it is a battle to protect our very way of life, our passion for social justice, it is a battle over the essence of what is Barbados and who we are as Barbadians.

We are fighting today for our economic independence, which the last administration put at risk. This is no lesser a battle than the one 52 years ago for our political independence.

We will not surrender Barbados to become a failed state. Ours must not be a nation in which Barbadians live in despair and deprivation. We have already lived through glimpses of what that looks like during the recent past. That is why we act today now; and with all haste.

Mr. Speaker Sir, the stakes could not be higher.

In the last two weeks since being elected we have worked tirelessly. We asked some of the best and brightest to join with us and they have answered our call. We have worked hand-in-hand with a revitalized Social Partnership. In near forty hours of face-to-face meetings with them, we have agreed upon the mission and the steps to be taken as we go forward. We called in the International Monetary Fund to both: 1) assist us in providing liquidity support for our International reserves and; 2) to provide an independent assessment of our recovery and transformation plan for the benefit of all domestic and external stakeholders. We have moved to restructure our debt for the reasons I have already given. It is now my duty to call upon all Barbadians to play their part.

The state of affairs

Mr. Speaker Sir, we could not hesitate or wait to take difficult decisions. In one of the last acts of malice done to the people of Barbados by the Democratic Labour Party, they purposely dragged out the election date so that it fell only a few short days from the due date of international payments. Making these lumpy payments against the background of minimal foreign reserves, rising oil

prices, rising interest rates, and in the midst of a hurricane season which started within a week of taking office, would have put our dollar peg in serious jeopardy. This is why we had to take pre-emptive action to protect the value of our dollar and I dear say the quality of our life.

This is why I described the leaving of the elections to this last moment as a criminal act against the people of Barbados.

The electorate showed the DLP no mercy and frankly they deserved nothing less. When I think of what we once had, what riches generations of Barbadians toiled long years to build, what they frivolously frittered away, what they force us to do today, I am furious.

This last DLP administration was so bereft of honour, integrity and shame that they left Barbados truly on the edge of a precipice.

So Mr. Speaker, our actions in entering a debt restructuring gives us breathing space to repair our reserves, return debt to a more sustainable path and pull the Barbados dollar back to safety.

Largely as a result of the imposition of the NSRL and the consequential doubling of our inflation rate, the Central Bank of Barbados is reporting a contraction of output of 0.7 percent for the first quarter of 2018 over the same period last year.

Although the NSRL is a heavy drag on growth, the fiscal deficit remains large, near \$447 million during the last fiscal year. Indeed Mr. Speaker, this distortionary tax yielded 50% of what the previous Minister of Finance indicated that it would when he raised the rate from 2% to 10%.

Mr. Speaker Sir, let us be clear that we as a nation have lost a decade. Ten years of large deficits funding inflated contracts have resulted in an unsustainable level of debt.

The previous DLP administration has been defaulting against payments owed to Barbadians for the past five years. Today, these arrears amount to approximately \$1.8 billion as of May 31st, 2018 and we are still collecting data. \$460 million is owed to the NIS. \$345 million is owed to Barbadians and individual companies by the Barbados Revenue Authority.

We shall negotiate and settle legitimate arrears.

Mr. Speaker, Sir, I have already started to talk to the country about the many contracts signed in the dying days of an administration that had long seen the dissolution of Parliament. We must investigate how to get a better deal for Barbadians from these hastily concluded contracts and leases that the previous government signed off on, at lightning speed, even as the nation was days away from going to the polls.

We believe that the only way to restore the honour and word of the Barbados Government is to commit from this moment on to run the Government's finances in such a way that all current payments are done on time. This mini-budget and all future budgets must be based on doing so, ensuring that there are no ongoing arrears. To reinforce that commitment, I pledge that we will stop the accumulation of arrears. We must make all efforts to remain current in our payments and we must reflect the true cost of Government. We must not as the previous Government did, present to Parliament false figures that fail to reflect our total liability for goods and services.

When our arrears are added to contingent liabilities, like those the DLP committed the Government of Barbados to offer its friends in

business, the Government's debt-to-GDP ratio is close to 175 percent of GDP.

The reason why analysts compare debt to the gross domestic product or output of a nation is that the amount of output is a measure of the capacity and ability of a country to repay its debt. When debt rises so far above capacity to pay it becomes unsustainable and of questionable value.

The debt-to-GDP level the DLP left us with puts Barbados amongst the most indebted countries in the world. The only countries with higher debt-to-GDP ratios are Greece which has benefited from over \$250 billion US dollars of support from European Union institutions and Japan where deflation and a strong currency has meant that they can service their debts with very low interest rates. Neither option, Mr. Speaker, is available to the people of Barbados.

What We Must Do

Mr. Speaker, Sir, we the people of Barbados know these hard truths.

Our people did not give us this historic mandate because they imagined we possessed a magic wand.

We in turn were frank that we would not shirk our responsibility to take the tough decisions necessary. In making these difficult determinations we promised to follow two principles.

The first is that the burden must be shared by all of us.

Labour, the workers, cannot be asked to shoulder all the burden but neither must Capital bear all the pain.

And our second key principle is that we must always protect the most vulnerable in our society. Our collective humanity demands nothing less. Barbados once stood for social justice and fairness. It shall again.

We will reduce our debt to sustainable levels. We will follow a plan that will bring the debt to GDP ratio down from close to 175% to below 115% at the end of 5 years and, if we have a continuing mandate, to below 85% by the end of 10 years.

How will we get there? We will do so in three ways.

1) We will promote growth without the overuse of tax concessions or subsidies. Our belief is that Barbados has considerable growth opportunities in the renewable energy sector, in truly creating a Green Barbados, in technology and smart government, in developing creative and artistic industries, in reviving our sugar-related agro-industries, in better championing our international business sector and most fundamentally, by backing our ordinary people, facilitating their training and entrepreneurship, and providing high quality public infrastructure and services including broadband.

We believe we can partly capture these opportunities through a quicker Town and Country Planning process. The rest of government must be quicker at processing permits and licences; we must have more investment –friendly, predictable, transparent, legal and fiscal regimes without give-aways; and Government should set examples for others to follow. My government will move rapidly to adopt electric vehicles, solar powered buildings, 24x7 online services and digital payments. Done smartly, none of these transformational things will have lasting impact on our budgets other than giving it a positive boost. My Government will be

announcing several measures behind our growth and Green Barbados strategies in Ministerial statements in the coming weeks.

2) Public debt will be restructured to bring us to more sustainable levels. Negotiations with our creditors have started. These negotiations will be carried out in the same spirit of fairness and protection of the most vulnerable as all other negotiations. We are asking our creditors to walk with us. All must share the burden.

3) Mr. Speaker, this means we must consolidate our fiscal position in a significant manner.

Through the combination of debt restructuring and fiscal consolidation we aim to overturn 10 long years of large fiscal deficits. We must be able to pay for our day to day expenses out of our revenue like many of our households aim to do.

Mr. Speaker, we will run fiscal surpluses. We will close the fiscal deficit completely this year. We will achieve this more comfortably in year 2 of our plan and we will be running surpluses in excess of 3% beyond from year 3.

Let me be clear, Sir, these surpluses will be used to buy back debt and repay arrears. These percentages that I just mentioned can underplay the significance of what must be done. This is a 1.2 billion Barbados dollar adjustment plan that we intend to execute within three years. This is tougher than anything we have ever attempted before but it is necessary due to our current circumstance.

Together we can do it Mr. Speaker.

The Barbados Economic Recovery and Transformation Plan will be done in three phases. Our announcements today represent the first phase which we will largely execute within the first three months of our Government. It focuses on the imposition of user fees on domestic and International players to take three Statutory Corporations completely off and one partially off of the Consolidated Fund which will account for a reduction in expenditure of almost \$215 million in a full fiscal year (Barbados Tourism Marketing Inc and Barbados Tourism Product Inc - \$96.3 million; Sanitation Services Authority - \$65 million and a \$50 million contribution to the Queen Elizabeth Hospital). Phase 1 also focuses on a review of our tax revenue to impose more effective taxes, increase compliance, broaden our base between domestic

and those visiting our shores. This will better allow us to reduce the fiscal deficit in this the first year of our plan.

Phase 2 (month 3 to 12) will focus on expenditure reduction through a review and analysis of Central Government and State-owned enterprises focusing on the merger of potentially affiliated entities such as Corporate Affairs and the Financial Services Commission; both of which currently receive subventions from Central Government. We will also review the framework within which International business sector must operate given the blacklisting by the OECD and the greylisting by the European Union. We will embark upon measures to boost growth. We will address the proposed growth measures in a comprehensive statement in the coming weeks.

Phase 3 will see a continuation of the review of all remaining state-owned enterprises and departments of Government. We will determine what expenditure is essential, what is highly desirable and what is optional. We have said over and over that Government is not only about taxing and spending but how to use its other powers such as legislation, facilitation, empowerment in the allocation of limited resources. Many of the state-owned enterprises are not currently in a position to provide the quality of

information that is needed for us as a Government to review their performance. Similarly, we must engage in a comprehensive dialogue not just with the social partners, but with all Barbadians to determine how best their Government must cater to their needs.

We will also have received by then, a report on a comprehensive reform of our tax policy, looking at all of our taxes. The last such reform was undertaken more than 25 years ago.

Phases 2 and 3 will generate a further \$200 million of additional revenues and reduced expenditures.

We are not leaving the heavy lifting for later. We are not kicking the can down the road as the last administration did for years. In this first step, we narrow our focus on Mission Critical expenditures to support the most vulnerable in our society and revenues that can be raised promptly. The net impact of this mini-budget is to reduce the fiscal deficit in a full year by \$182 million representing a current account surplus. The combined effect of this budget and Phases 2 and 3 will be to reduce expenditure and raise revenues by approximately \$330 million once fully in effect. Over the course of three years this will improve the fiscal position by almost 1.2 billion Barbados dollars.

Mr. Speaker Sir, the first phase of the Barbados Economic Recovery and Transformation Plan will work, principally because it is not my plan. It is our plan, it is the people's plan. It is the plan that emerged from many long hours of discussions and agreement with all of our Social Partners. It is a plan of solidarity. It is a plan that profits from something uniquely Barbadian, our willingness to empathize, to carry each others' burden and to live harmoniously together. It is a partnership plan based on a partnership of Barbadian pride and industry.

Mr. Speaker Sir, there are four ways in which this plan departs from the previous plans of the last Government.

Firstly, all of the burden does not fall on any one group as it did previously on Labour under the last administration. We are sharing the burden with Labour and Capital through our intention to pursue debt restructuring. The last Government refused to address our debt even though they were exhorted to do so from within and without.

Secondly, we are sharing the burden of taxation between Barbadians and International players. The reality Mr. Speaker, is

that three times our population visits us on an annual basis and utilizes our services and infrastructure. We are merely asking them to share some of the costs.

Thirdly we believe that a plan that is owned is a plan that is followed, is a plan that succeeds. Consultation and ownership for us is the bedrock of our success.

And finally Mr. Speaker, we believe we must be faithful and true to the numbers. As I said earlier, “you can hide and buy land but you cannot hide and work it.” The true cost of running a Government must be reflected in the numbers that we present to Parliament.

Measures

Mr. Speaker Sir, I will now introduce the individual measures of this mini-budget starting with the revenue measures:

1. NSRL

As promised, we will repeal the National Social Responsibility Levy (NSRL) from July 1st. This will cost the government approximately \$145 million of revenues. When the NSRL was put on, many prices

rose by double digits, depressing retail sales and economic activity. Mr. Speaker Sir, we are conscious that the Central Bank of Barbados reflected that there was a doubling of inflation in 2017 caused predominantly by the astronomical increase in the rate of the NSRL. My Government expects that the removal of this distortionary levy will lead within two months to a reduction in prices for the average Barbadian. The Social Partnership has agreed to help us monitor this situation. In addition Mr. Speaker, the Fair Trading Commission will be asked to monitor developments to ensure that producers and retailers reduce their prices appropriately including the related reduction in VAT.

2. Fuel Tax

From July 1st, we will abolish the Road Tax and replacing it with a Fuel Tax. The Fuel Tax will be levied at a rate of 40 cents per litre of petrol, 40 cents per litre of diesel and 5 cents per litre of kerosene. The public must be told that the NSRL was levied to the tune of 12 cents per litre on gasoline and 11 cents per litre on diesel. Accordingly, the net increase on gas and diesel will only be 28 cents per litre. Mr. Speaker, let us remember that the road user is no longer paying the lumpy Road Tax any more. This is a Road Tax that ranged from \$400 to \$1,600 per year. To put this in perspective, under the existing road tax, car owners paid effectively

from \$33 per month up to \$133 per month. Many taxpayers do not have that amount of cash to spare. Enforcement is difficult with limited Police resources. The average motorist is unlikely to pay more under this new Fuel Tax than they paid in Road Tax. Improved collection means that the Fuel Tax is likely to raise \$80 million while the combined Road Tax brought in \$65 million. Mr. Speaker Sir, there is still need for registration of vehicles on the road. The new fee from July 1st, 2018 for registration upon purchase of new or second hand private vehicles will be \$400. All persons purchasing commercial vehicles whether new or second hand will pay a registration fee of \$1,000. These commercial vehicles will still be required to register on an annual basis but will now pay 50% of the previous fees paid as Road Tax. This is expected to yield \$5 million.

3. Income Tax

Effective from July 1st we will introduce a new upper income tax band of 40%. Accordingly, the first \$25,000 will remain tax free. Income above \$25,001 to \$60,000 will continue to attract a rate of 16%. Incomes between \$60,001 to \$75,000 will attract a rate of 33.5%. To improve the progressive nature of our tax system to share the burden fairly, we will introduce a new higher rate band of 40% on those whose incomes are greater than \$75,001. These

new tax rates will raise \$41 million in a full tax year. Once the debt-to-GDP falls to our target we anticipate returning to the old rates.

The Barbados Revenue Authority (BRA) is carrying on its books amounts due and owing since 1968, most of this is now clearly uncollectable. The BRA has recommended to the Ministry of Finance and the Ministry has accepted that it write off all taxes owed from tax years 1968 and 2000. Further, that between 2000 to 2017 as long as outstanding payments are made or a payment plan is agreed to with the BRA, it will waive all interest and penalties due and owing. From 2018 interest and penalties will be applicable for all taxes due and owing. However the Government will amend the law to move from the use of compound interest to the use of simple interest. This should ease a tremendous burden on Barbadian taxpayers.

Further, our Government recognizes that very often persons are willing to make themselves right with the payment of taxes but cannot secure the lump sum that may be due and owing. In the circumstances, the BRA has advised the Ministry of Finance that it will seek to enter into arrangements with defaulting taxpayers. These payment plans will include a compliance clause requiring that the taxpayer honours the payment.

All interest and penalties will only come into effect if the taxpayer does not live up to the agreement reached with the BRA. These terms are currently being reviewed and discussed with the private sector to ensure fairness and a recognition of fluctuating cash flow and business cycles.

4. Corporation Tax

In order to restore parity between income and corporation tax we will raise the highest corporation tax from 25% to 30%. This will raise \$57 million in a full year.

5. VAT

Mr. Speaker, a large number of Barbadians now engage in online transactions for both goods and services, be it Amazon, EBay or Netflix. They currently do not pay VAT on these transactions.

I am advised that the technology now exists for us to capture these transactions for the purpose of taxation.

I announce the intention of my Government that effective October 1st, 2018 we intend to make all online transactions for the

purchase of goods and services by Barbadian residents subject to the Value Added Tax.

6. Health Service Contribution

Given the demographics of the Barbados Population where there is a higher number of elderly persons than persons entering the workforce and given the significant increase in the incidence of Chronic Non-communicable diseases, the cost of public health care continues to rise at an unsustainable rate.

We have to complete the appropriate review of all relevant studies. As a result we will not be in a position to settle the sustainable long term financing of our healthcare system until Phase 3 of our plan. In the interim, we will raise a 2.5% Health Service Contribution. 1.5% of insurable earnings will be paid by employers and 1.0% of insurable earnings will be paid by employees and self-employed persons.

This measure will come into effect on October 1st and is expected to raise \$45 million in a full fiscal year. This will meet more than 25% of the Budget of the QEH and we will make amendments to the appropriate legislation to ensure that the NIS may forward the

collected funds to the QEH directly for the purpose for which it has been collected.

7. Departure Tax

Mr. Speaker Sir, as it stands today, the Barbados Government pays fully for the collective marketing and product development of our Tourism sector. The Budget which we apply to these functions for this fiscal year and on average is \$96 million.

It is our contention that given the maturity of Barbados' Tourism sector, the BTMI and BTPI are ready to transition into a public private partnership. The Government of Barbados will accordingly review the Governance arrangements so as to ensure a transfer of lead responsibility to the private sector for the ownership and management of these entities. It is a partnership because the Government will retain minority shareholding and a golden share. It is anticipated that this transition will take place between now and October 1st. In order to facilitate the new Governance arrangements, it is intended to isolate the revenue that will be necessary to manage these institutions in the early years.

Accordingly, my Government has decided from October 1st, 2018 to introduce an Airline Travel and Tourism Development fee. The

fee will be paid by passengers flying outside of CARICOM will be US\$70.00 and for those within CARICOM US\$35.00. This fee will be in addition to the Departure Tax.

It is anticipated that this measure in a full fiscal year will realize \$95 million. \$75 million of this amount will go toward the BTMI and BTPI and the remaining \$20 million will go towards regulation of Tourism, Civil Aviation and our shareholder responsibilities to LIAT.

8. Room Rate Levy

As I indicated earlier Mr. Speaker, three times our population visits our shores every year. We welcome them. Indeed some are like family.

We are satisfied that many of them are willing to make a small contribution to the cost of maintaining our infrastructure. Currently our hotels charge VAT for accommodation at a rate of 7.5%. It is my Government's view that the fair sharing of the burden of adjustment requires a review of this rate to 15%. We however accept that to introduce this without a sufficient lead period will cause harm to our hotel sector. In our discussions with the Social Partnership, we have agreed that any such rate adjustment should

be applicable from January 1, 2020. This will provide more than adequate notice for them to plan and adjust their marketing efforts accordingly. In the interim, Mr. Speaker, my Government will introduce a Room Levy to be applied to our hotel rooms as follows:-

“B” Class and Apartments	U.S. \$2.50 per room per night
“A” Class	U.S. \$5.50 per room per night
Luxury	U.S. \$10.00 per room per night

In addition, we will apply a 2.5% Product Levy on all Direct Tourism Services. This will be collected on Government’s behalf by the providers of these services.

Mr. Speaker there is one gaping omission in the collection of revenue from our Tourism product. This relates to the shared accommodation sector namely AirBnB, Home Away, and others. Mr. Speaker Sir, we are aware that the technology now exists for us to collect Barbados taxes due on these online transactions. Accordingly, we will introduce a 10% shared accommodation levy on all fees charged for the shared accommodation. It should be noted that this sector does not pay VAT on accommodation services and it is our belief that most providers fall below the threshold for VAT hence we believe this to be the fairest solution.

It is anticipated that these combined measures will raise as follows:-

Room Rate Levy	\$47 million
DTS Product Levy	\$3.9 million
Shared Accommodation Levy	\$8 million

Mr. Speaker, this will allow all of us to share in bringing Barbados back to safety.

Our international business sector has been under-threat from active pressure by the OECD and neglect from the previous government. I will champion and defend the industry. I will support the private sector task force's recommendations which we expect to receive by the end of July this year. In return we are working on ways in which the industry may make a greater contribution and financial impact to Barbados as we go through this period of structural adjustment. Given the uncertainties surrounding the OECD initiatives, we anticipate that we shall be able to address this matter before October 1st. We are aware that we will have an improved performance in our Corporation Taxes as a result of the redomiciling of many companies from the United Kingdom as a result of Hybrid Mismatch rules. Our investigations suggest that

this activity is likely to result in an increased tax revenue over a full year of approximately \$60 million.

All Ministries and Statutory Corporations will be required to identify new revenue streams and to review existing fee structures and business models. Phase 2 will allow us to enhance our revenue earning capacity with respect to user fees in those areas where the fees have not been increased for decades.

Combining these revenue measures, including the abolition of the NSRL and road tax, will raise approximately \$303 million in a full fiscal year. We have more than fully funded the abolition of the NSRL and road tax and done so only partly through taxes on Barbadians.

Expenditure Measures

Mr. Speaker, Sir, I now turn to expenditure measures, starting with those measures that increase expenditures before announcing those measures that reduce expenditures.

Over the past ten years, workers have played a major role in bearing the brunt of the economic challenges currently besetting us. Immediately on taking office I mandated that meetings be held

with workers' representatives to consider a new wages and salaries accord for public workers. Labour representatives and Government literally worked without rest. Today we can report that together we have agreed that any union demand for settlement regarding previous periods is not in the best interest of Barbados. My Government cannot agree to any increase for those previous years. Consequently, **we have reached an agreement for a five percent, across the board, increase in wages and salaries for the period April 1, 2018 to March 31, 2019.** This will cost the government approximately \$60 million. It is the single biggest expenditure measure. It represents our commitment to labour and their unflinching commitment to working through the challenges our country faces together.

As promised in our Manifesto, we will raise the minimum non-contributory pension from \$155 to \$225 per week. Protection of our pensioners will cost approximately \$18 million. The relativities will be maintained for minimum contributory pensions and survivor benefits and invalidity benefits within NIS. The NIS will treat to this expenditure separately.

We know that the measures announced today will impact all. Some people will need extra support. As such, I also announce today a

temporary increase in our poverty alleviation and welfare initiatives to the tune of \$5 million.

We will abolish undergraduate tuition fees for those attending the University of the West Indies with effect from the next semester. In return we will require each student to contribute to the development of social capital by giving back a minimum of 100 hours in approved service to the country. We will introduce safeguards against the explosion of enrolment and estimate that this measure will increase expenditure by \$22 million directly.

Again, in keeping with our Manifesto, we are committed to introducing a Trust Loan programme where we will offer up to \$5,000 loans to those entrepreneurs without collateral on presentation of a viable, basic expenditure plan. We will seek to work with the relevant financial institution on implementing this program. This Trust Loan program will cost \$10 million in a full year.

Our children are the nation's lifeblood and we must take steps to improve their safety at school, on school buses and at bus stops. This includes the hiring of school safety officers, social workers, and guidance counselors. Given financial pressures the scheme will

initially cover seven schools. In addition we will introduce a new designation of Master Teachers so that we may allow our best teachers to remain in teaching and to be compensated in so doing. The same applies to our nurses. We will create senior specialist nurses to ensure that our best nurses do not have to be promoted into administration to be paid well. These small but vital initiatives in education and among teaching and nursing professionals will cost approximately \$6 million.

The pressure on our Accident and Emergency department of the Queen Elizabeth Hospital is tremendous. Patients have to lie in corridors awaiting attention for inordinate lengths of time. To ease this pressure we will first extend the opening hours of 2 polyclinics, Randall Phillips and Sir Winston Scott to a 24 hour basis. This will cost the taxpayer approximately \$3 million.

Secondly, the quality of conditions within the A&E department is not fit for patients nor their loved ones and certainly not for the staff. Therefore we shall upgrade the A&E department and its equipment to raise the standards to deliver the highest quality of health care Barbados can provide. This expansion is expected to cost \$11 million.

Barbados has a backlog of 10,000 criminal cases. This is not acceptable in a society which prides itself on fairness and efficiency. We will move swiftly to add three temporary judges to eliminate this backlog. This measure will cost \$700,000.

Mr. Speaker, we owe our sugar farmers \$14.5 million. My Government will seek to settle this matter over the next three years. We will provide sugar farmers with a partial settlement to the tune of \$5 million in this financial year.

I have already indicated that we will remove the cost of the BTMI and BTPI from the Budget saving \$96 million. I have already outlined how this will be achieved. We are working strenuously with the industry on the finer details of these changes to BTMI with a pressing deadline of October 1st of this year.

We will also remove the expenditure of the Sanitation Services Authority from the budget by funding it through a new Garbage and Sewage Contribution (GSC) to be levied through BWA bills as of August 1st. Households will pay the equivalent of one dollar and fifty cents per day. One dollar and twenty five cents will go to the SSA for garbage collection and twenty-five cents will be retained by the BWA. In the case of Commercial Entities, their contribution

will be 50% of their water bill with half of that amount going to the SSA towards the garbage collection, and the other half remaining with the BWA to offset the cost of the offset the operational costs of the sewerage systems. It is our view that it is unfair for only residents of Bridgetown and South Coast who are connected to these systems to bear all of the costs. Accordingly we will review that fee. It is expected that these collections will lead to a budget saving of \$65 million.

Government will allocate \$2 million to strengthen the revenue collection capacity of the Customs Department, and enhance the compliance unit at BRA.

Those who have a greater capacity are paying more across all of our measures. But everyone has a role to play, everyone is called to the rescue.

In sum, even after we deliver on our Manifesto Promises to ease the burden of those Barbadians who are vulnerable, those who have had no wage increases for 8 years or those who need to be empowered, there is still a reduction in our recurrent expenditure of approximately \$23 million given the user fees that will see the

relevant statutory corporations removed from the financing out of the Consolidated Fund.

Our current revenue and expenditure measures will reduce the deficit by \$183 million over the next twelve months. Our primary surplus will rise from an estimated 4.0% to 6.0%. Along with our debt restructuring this will bring us to fiscal surplus.

Mr. Speaker, Sir, we have reduced the economic impact of these measures in two ways. First, we have broadened the tax base so that approximately \$200 million of revenue increases come from taxes on non-residents, through the departure tax, higher taxes from IBCs, room and product development levies. This is not costless as higher taxes may impact our competitiveness, but these sectors do not compete on price but on quality. This is why it is essential that we raise the funds to spend on our infrastructure. By so doing we will safeguard our reputation for quality that has been so endangered by the last government's neglect of the sewage and sargassum crises and failure to treat with public workers.

Secondly, we have a \$131.5 million capital expenditure program that is led by the investment in fixing the south coast and Bridgetown sewage plants. The immediate remedial work will cost

approximately \$15 million for the South Coast and \$12 million for Bridgetown.

We also critically need to repair and buy new garbage trucks, public buses and purchase equipment for MTW. Barbados starts each day with about 15 garbage trucks and ends up at the end of the day with 7 or 8. We need a minimum of 35 garbage trucks to service Barbados on a daily basis. This situation is untenable. We will seek to acquire 15 second hand trucks within the next six to eight weeks out of Europe. The remainder of the trucks to be acquired will be new but will take as long as 8 months to be delivered. The previous Government ordered 7 in April and we will not take delivery of those until November. In addition we will complete the purchase of a D9 tractor and a compactor for just under \$3 million. The SSA has been paying the princely sum of approximately \$33,000 a week for the rental of these two pieces of equipment for over four and a half years to a private company. They could have purchased this equipment three times over.

I do not need to remind Barbadians that there are not enough buses on the road. The discussion we are having today is not a \$5 bus fare but the need to give Barbadians a regular and reliable bus service while we cannot renew the entire fleet at once, my

Government has allocated the sum of \$25 million for the purchase and repair of buses. It is anticipated that all new buses to be acquired should either be electric or use clean energy. \$5 million of the \$25 million will be used to repair as many buses as possible since there is a timeline for the buses to be delivered.

Almost two thirds of the 600 MTW workers are unable to function due to the absence of the critical equipment they need. This is scandalous. My Government will address this situation through the allocation of \$10 million for the purchase of equipment for the MTW.

Barbadians have equally been complaining about poor state of the roads in the country and the increased cost of purchasing tyres and shocks for their vehicles. We all know that the potholes are not transitory inconvenience but permanent holes in your pockets. Therefore we embark on an essential road repair and debushing program that will cost \$25 million.

Equally, there are still approximately 5,000 pit toilets in Barbados. Nobody has a pit toilet by choice in this country. My Government believes therefore my government will commence a programme to eradicate this scourge from our landscape over the next 7 seven

years. \$10 million will be allocated to commence these works during the current fiscal year.

Our aim is to make ourselves more climate resilient ahead of the most dangerous months of the hurricane season including the establishment of a rapid roof replacement program. This will cost a further \$5 million.

The worst example of the last government's failure to maintain buildings has been the closure of the Supreme Court which is just over 10 years old. My government will allocate the \$2.5 million that we are advised is required to remedy this unacceptable situation such that residents of Barbados can once again fully access our justice system.

Mr Speaker, there is no clearer sign of the neglect of the people by the previous DLP administration than its refusal to address the problems associated with faulty electrical wiring in a number of NHC Housing Units across the country. Whether you live in Haynesville, Silver Hill or Wotton, the fear of losing one's possessions or worse one's life is the dreaded reality of everyday life for thousands of Barbadians in these housing areas. This Barbados Labour Party government will start to address these

issues by first allocating \$2 million for urgent electrical upgrades to ease the fears of Barbadians.

Amidst all that we are going through we must never lose sight of our ambitions of where we must take our country. Our aspirations must never be tempered as a result of poor decisions. We must transform Barbados such that our people, particularly our young people can engage the world with confidence. Therefore, even now we will embark on making our capital city, Smart Bridgetown by investing in an initiative to provide free WiFi for all those living and doing business within the Greater Bridgetown area. \$2 million will be allocated to start this programme which will be the precursor to the development of Smart Barbados.

When interest savings from the debt restructuring is also added, we are likely to have no funding requirement this year. Next year, because these capital expenditures are one-off, we will have growing fiscal surpluses allowing the Government to lower its debt-to-GDP ratios as I described earlier. In reality these expenditures in our public infrastructure should not be seen as a cost but an investment in a higher GDP.

<<Large insertion here.>>

The Barbados Economic Recovery and Transformation plan is carefully balanced. It reduces the fiscal deficit in a full fiscal year by \$183 million, raising the primary surplus from 4% to almost 6%.

When we add the results of debt restructuring the Plan reduces our debt to sustainable levels in 5 years. Yet it protects the most vulnerable in society. We have held to our campaign promises. It brings us to fiscal balance from this year, but it does not extinguish the potential for growth. Growth is supported through shifting the balance of revenue increases to the overseas sector and a fundamental re-orientation of our economic policy away from tax and spend, to providing the space to transform our economy into a Green economy, a skills economy, a culture and technology economy.

My team and I have shepherded this plan. But it is the people's plan.

I repeat it is the Plan that emerged from deep discussions at a Social Partnership reborn and revitalised. It is a plan of broad solidarity. It is a plan that profits from something uniquely Barbadian that restores our pride and industry. It is a fearless plan. I

want to thank the members of the Social Partnership for their love of country - for their commitment and their selflessness. I am humbled to lead this country at this defining moment when despite our trials Barbadians can still find the will and strength to pull together in this our greatest hour of need.

My Government is aware that these measures will impact on all Barbadians and those who visit or do business here. But let us not forget what is the social compact that we are seeking to safeguard by asking you to share in the sacrifice in this adjustment. We will take care of your children's education, the emergency and basic healthcare needs of your family, your roads, gullies and beaches, your safety, and your public health. We cannot do everything else on our own. We need All Barbadians, we need All Aboard - For Love of Country just as our grandparents and great grandparents faced great trials and tribulations and rose above them; so too shall we. We will do it together.

Conclusion

Mr. Speaker, in the next 48 hours, the world will watch to see how our compatriots respond to this call to national duty.

Our brothers and sisters in the islands of the Eastern and wider Caribbean are rooting for us. They too would like to see a restoration of the Barbados brand. Because recovery in Barbados, brings new opportunities, vigor and vitality to the wider Caribbean.

I shook my head a few days ago, when it was suggested, by some, that only persons resident in Barbados felt and experienced the pain and shame of the last 10 years. Mr. Speaker, I am here to say to them, through you, Sir, that the entire world felt and experienced the shame of a decaying Barbados brand.

You don't have to be a Barbadian to love Barbados. The naval strings of some of our greatest patriots were not buried here. But Barbados is the land they loved. And like us, they shook their heads in total bewilderment by what became of this beautiful country, under the last dispensation.

Wherever you went in the region and around the world in the last eight years, the constant refrain was 'but what's happening to beautiful Barbados?'

I am here to say to all and sundry this morning, that the bleeding has stopped. The patient is now in intensive care, but the prognosis for recovery is good.

The conclusion I drew from the results of May 24th, is that no longer shall Barbadians remain passive observers to the decay of this fair land. No longer shall we take comfort in the fact that what's happening here, happens elsewhere.

As of May 24th, Mr. Speaker, we have set minimum standards. The Barbados brand may be broken, and together, we shall fix it. As proud Barbadians, it behooves us all to stand and be counted, in this, our country's hour of greatest need.

The time for finger pointing is behind us. The jury returned its verdict on May 24th and the accused was duly convicted. It is now time for each and every one of us to roll back our shirt sleeves, bend our backs and put our hands to the wheel. Barbados has got to be rescued and it has got to be rescued with Barbadians leading the charge.

That is why I have sent a clear message in this presentation this morning, that each and every Barbadian shall play their part in the

rescue, recovery and rebuild exercise. We have set up an e-mail for all persons wanting to share their ideas with this Government. The address is ideas4barbados@barbados.gov.bb.

Everyone who loves Barbados and who cares about this fair land and wishes it well, will be called upon to play some small part in its rescue and recovery. That is why we have invited visitors to the island to contribute to the rebuilding exercise. That is why we have asked our international creditors to hold strain for a while. That is why we have involved persons at the highest level of International financial institutions to walk the mile with us. That is why I want today to call upon Barbadians living in every corner of this earth to stand and proclaim, with confidence, that 'Barbados is back'.

On May 24th, Mr. Speaker, we turned the vehicle around. Today, we placed it in the service bay and we have done the diagnostics. Pretty bad prognosis, but salvageable nonetheless.

We shall today fuel up and move Barbados from reverse mode to four wheel drive. We are embarking today on an arduous journey.

Unlike in the recent past, everyone is being asked to contribute, based on their means. If you work for a little, you contribute a little.

If you drive a small, fuel efficient car, you pay less than the person with the eight cylinder big ride.

With this package, Mr. Speaker, you can pace yourself. Housewives and Heads of households can sit and plan their spending, because the NSRL is no longer there to stump you at the door.

It was suggested that our seniors, who worked hard to build this land, could not be accommodated this time around. Mr. Speaker, as bad as the situation is, we have established in this presentation that none shall be left behind. There is a basic minimum which I am determined no one in this country shall fall below or beneath.

I am optimistic about our future, because once again we can aim to produce a graduate in each household. Tuition fees have been removed from the backs of those who could not afford it. To that we now add an entrepreneur in each home.

So there is some sacrifice, Mr. Speaker, but we cannot promise to serve omelette down the road, if we refuse at this time, to crack the eggs.

The sacrifices I am asking Barbadians to make in this series of measures are considered by our Social Partners to be reasonable, for the most part, and by international observers, as highly responsible. They send the message that Barbados needs to be sending, if it is to be taken seriously, as wanting to emerge from the abyss of depression and desolation.

Flat on the mat is not where we belong, my fellow countrymen. Flat on the mat is not where our founding fathers willed for us to be. I draw strength today from the title of Nelson Mandela's signature works, Long Walk to Freedom. Yes, it will be long, and yes, it will be winding, but if we all put our hands to the plough, we can and shall make it back to the Promised Land.

Barbados needs us, my fellow countrymen and women. This beautiful country has been good to us. It is now time for us to rally to the cause.

Many years ago, the late Dame Olga Lopes Seale sang lustily..."let's join hands and show how much we love Barbados, Let's join hands and show how much we care. Young and old...together."

That's my plea to my fellowmen and women. Many hands make light work. Let's join hands today and show how much we love Barbados.

Stand today for Barbados and let's embrace the prospect of a tomorrow, with Barbados once again punching beyond its weight division.

Mister Speaker, All Aboard for Love of Country. I am obliged.

FISCAL MEASURES & IMPACT

- i. Effective July 1, 2018 the National Social Responsibility Levy (NSRL) will be repealed. The Fair Trading Commission will be asked to monitor developments to ensure that retailers reduce their prices appropriately;
- ii. Effective July 1, 2018 the road tax will be abolished and replaced with a Fuel Tax. The Fuel Tax will be levied at a rate of 40 cents per litre of petrol and diesel and 5 cents per litre on kerosene effective July 1, 2018;
- iii. Effective July 1, 2018 the annual registration fee for commercial vehicles will be reduced by 50%. Also, with effect from July 1, 2018 there will be a fee of \$400 charge on the transfer/sale of a private vehicle and \$1,000 on the purchase of a new or second hand commercial vehicle;
- iv. Effective July 1, 2018 in an effort to improve the progressive nature of our tax system to share the burden fairly, we will introduce a **new** higher rate band of 40% on that part of income greater than \$75,000. The fiscal year costs will yield \$41M while the remainder of this year will yield \$31M;
- v. Government is prepared to waive all interest and penalties payable on Income Tax, Land Tax, Corporation Tax, Value Added Tax owed to the Barbados Revenue Authority for the tax years 2000 to 2016 on condition that:
 - applicants have made arrangements with the Barbados Revenue Authority (BRA) between July 1, 2018 to December 31, 2018 to facilitate an agreed payment plan which will include a compliance clause; and
 - failure to meet the conditions set out in the payment plan will result in all interest and penalties becoming payable to the Crown immediately.
- vi. Effective October 1, 2018 government will introduce a Health Service Contribution at a rate of 2.5% with 1.5% of incomes being paid by employers and 1.0% by employees. This measure will raise \$45M in a full year;
- vii. Effective July 1, 2018 the highest percentage of corporation tax will increase from 25% to 30%. This will raise \$57M in a full year;
- viii. On-line transactions undertaken by Barbadian residents will be subject to Value Added Tax effective October 1st, 2018.

- viii. Effective October 1, 2018 an Airline Travel and Tourism Development tax paid by passengers flying outside of CARICOM of USD\$70. Passengers flying within CARICOM will pay US \$35. The revenue gain from this measure is \$95M, with \$75M going to BTMI and BTPI and the remaining \$20 million to central Government ;
- ix. Effective July 1, 2018 government will introduce a Room Levy on hotel rooms. The rates will now be US\$2.50 for the B Class and apartments, US\$5.50 for the A Class and US\$10.00 for the luxury hotels per room per night;
- x. Effective July 1, 2018 the levy will be 2.5% Product Development Levy on Direct Tourism Services;
- xi. Effective August 1, 2018 there will be a 10% tax on all shared economy such Airbnb, Homeaway, Expedia etc;
- xii. Government has reached an agreement with the Unions to allow for a zero percent increase in wages and salaries for the period April 1, 2014 to March 31, 2018 and a five percent, across the board, increase in wages and salaries for the period April 1, 2018 to March 31, 2019;
- xiii. Government will from July 1, 2018 raise the minimum non-contributory pension from \$155 to \$225 per week at an annual cost of \$20M. For the nine months beginning July 1, 2018 this would cost the treasury \$13.5M and a full fiscal year \$18M.
- xiv. There will be a temporary increase to the Welfare Department and our poverty alleviation initiatives to the tune of \$5M per annum until poverty rates fall back;
- xv. The undergraduate tuition fees for those persons attending the University of the West Indies will be abolished. This will cost the treasury an additional \$22M annually.
- xvi. A Trust Loan Programme will be introduced within 3 months to offer up to \$5,000 loans to those entrepreneurs without collateral on presentation of a viable, basic expenditure plan. The interest rate will be the same as earned on Barbados government securities. (This Trust Loan Programme will cost \$10M in a full year and will be established as soon as possible.);

xvii. Safety Officers and additional Social Workers and Guidance Counselors for 7 secondary schools will be hired for the next school year; A system, of Master Teachers and Senior Specialist Nurses will be established at a cost of \$5M;

xviii. The opening hours will be extended to 24 hours for two (2) Polyclinics:

- Randal Phillips; and
- Sir Winston Scott

This will be at a cost of \$3 million.

xix. Three temporary Judges will be assigned to the Supreme Court in order to eliminate the backlog of cases at a cost of \$700,000;

xx. Sugar Farmers will be provided with a partial settlement in 2018-19 costing approximately \$5M;

xxi. Government will remove the costs of the Barbados Tourism Marketing Inc. and Barbados Tourism Product Authority from its budget by entering into a Public-Private Partnership between government and this sector. The BTMI will be funded through the proceeds from the Airline Travel and Tourism Development tax which the Government will collect and handover to the BTMI/BTPI. The BTMI will now be led and managed by the private sector;

xxii. From August 1, 2018 Government will also remove the expenditure of the Sanitation Service Authority from the budget by funding it through a new Garbage and Sewage Contribution (GSC) to be levied through Barbados Water Authority bills. The GSC for households will be \$1.50 per household per day. Commercial premises will pay a Garbage and Sewage Contribution that will be set at 50% of their existing water bills, with 25% going to SSA and 25% remaining at BWA; we will review the existing sewerage and connection fee being charged to South Coast and Bridgetown Sewerage Plants.

xxiii. Fix the South Coast and Bridgetown sewage problem with an allocated budget of \$27M;

xxiv. \$20M to purchase new buses for the Transport Board and \$5M for repairs;

xxv. \$15M to purchase garbage trucks and tractors for the Sanitation Service Authority;

xxvi. \$10M to purchase equipment for the Ministry of Transport, Works & Maintenance;

xxvii. Introduce an essential road repair and debushing programme that will cost \$25M;

xxviii. Commence a programme to eliminate pit toilets and at a cost of \$10M;

xxix. Aim to make Barbados more climate resilient ahead of the most dangerous months of the hurricane season including the establishment of a rapid roof replacement programme. This will cost a further \$5M;

xxx. Expand the Accident & Emergency Department of the Queen Elizabeth Hospital at a cost of approximately \$10M;

xxxi. A \$2M investment in Smart Bridgetown;

xxxii. \$2.5M to fix the Supreme Court;

xxxiii. The sum of \$2M will be provided to strengthen revenue collection at the Customs Department, strengthen the Compliance Unit and revenue collection at the Barbados Revenue Authority, create an Arrears Unit and to cover payments of experts;

xxxiv. Given the change in the OECD regulations with regard to the residency of corporations, it is expected that a number of companies will now fall into the tax net as a result of the anti-hybrid mismatch rules and thus now make a contribution to corporation tax. This is expected to yield \$60M; and

xxxv. Government will allocate \$2M for the electrical upgrade of National Housing Corporation (NHC) housing units.

These measures will give a surplus of 1.8% of GDP (\$182 million) to the end of March 31, 2019 and going forward will reduce government's recurring expenditure since these entities will no longer be on governments books. Recurrent expenditure will decline by \$23 million by the end of the fiscal year. New capital expenditure for this fiscal year is \$134.5 million. The net revenue for this fiscal is \$150 million.