

REMARKS
By
The Hon. Curtis L. Dickinson, JP, MP
Minister of Finance
Throne Speech Initiatives
9 November, 2020

Good afternoon,

This past Friday, the Bermuda Government set out our legislative agenda, which continues our plan to deliver a better and fairer Bermuda, in keeping with our 2020 General Election Platform.

The main areas of focus of my remarks today, will be the Ministry of Finance Throne Speech initiatives. At the end of my remarks I will give an update on the Fairmont Southampton redundancies.

I will begin with the reform of banking laws to assist with the harmonization of the Bermuda base rate charged by local banks:

Interest rate benchmarks are a useful basis for all kinds of financial contracts such as mortgages, bank overdrafts, and other more complex financial transactions. In fact, most developed countries have some form of a base rate that is used by financial institutions in that country to price their own loans.

One of the challenges I have found, as the Minister of Finance, is that there is very little transparency or clarity around how our local banks set rate or even their base rate as each bank seems to have its own rate, with some having different commercial and retail base rates.

In order to bring clarity and greater transparency to the setting of lending rates I intend to introduce legislation that will require Bermuda banks to use the US Prime rate as their base rate. Bermuda banks will be required to set rates on loan products, such as mortgages and auto loans, based on the US Prime rate and customers will be able to easily compare rates from various banks before making a borrowing decision.

Once this legislation has passed through the legislature it will apply to new products purchased and sold after the commencement date of the legislation.

I would now like to discuss our plans to assist families in their homeownership aspirations.

Owning a home has given Bermudians a tangible stake in the country, something to protect and defend. Promoting home-ownership will therefore contributed significantly to the ongoing creation of an ownership culture. To assist with this objective the Throne Speech announced that Government will introduce further pension reform to allow for the use of a portion of pension

account balances to help to fund the down payment on the purchase of a home by first time homebuyers.

Since 2010, amendments to the National Pension Scheme (Occupational Pensions) Act 1998 and Regulations have allowed plan members in employer plans or individual local retirement products to be able to make hardship withdrawals, receive the entire balance of their pension fund if \$50,000 or below at retirement, as well as for others reaching the age of 65 to be able to receive 25% of their pension fund balance at retirement.

Furthermore, as a result of the recent COVID-19 pandemic, further amendments to the Act now permit a one-time refund of up to \$12,000 (up to 30 June, 2021) that may be received by a plan member of a defined contribution plan or local retirement product, if they are under the normal retirement age (normally 65). The Government has also introduced legislation to permit the full suspension of plan contributions (5%) by both plan members and employers, up to 30 June, 2021.

To progress this Throne Speech initiative I can confirm that the Ministry of Finance has already requested that the Commission undertake research and make recommendations to the Ministry on permitting plan members who are first-time home buyers to be able to borrow a certain percentage of the value of their pension fund balances to purchase a home.

Research has revealed that a number of other jurisdictions permit loans or pension assets to be used as collateral or security against loans taken out with financial institutions, such as banks.

The Government is mindful of the long-term implications on a plan member's retirement income in permitting such withdrawals. However, this must be balanced against the critical and urgent needs in our community.

Government's capital expenditure stimulus plan

On Friday, it was mentioned that during this Session, the House of Assembly will be invited to approve additional capital development spending to stimulate Bermuda's economy. Capital projects will be advanced to keep people employed while refreshing our infrastructure. A revised capital development plan will be produced setting out targeted project expenditure using a portion of the proceeds of the government's recent debt raise to keep Bermudians working while our economy recovers from the economic shock of the Coronavirus Pandemic.

I can confirm that the Government's Capital Expenditure Plan Technical Committee, which has been meeting to expedite public sector capital investment focusing on construction projects, has come up with a tentative Government capital expenditure stimulus plan of just over \$11 million thus far. There are approximately 40 projects in this stimulus plan with a number slated to begin imminently. Further information on the Government's capital expenditure stimulus plan will be provided by the Ministry of Public Works.

Tax Reform

The public will recall that in October 2017, the Government established the Tax Reform Commission (the “TRC”) by way of the Tax Reform Commission Act 2017. The mission of the TRC was to examine Bermuda’s tax system for the purpose of determining any measures that may be taken to best enable a system of taxation and revenue collection that is equitable, effective, efficient, competitive and transparent; and to prepare and submit its report and recommendations to the Minister of Finance. The TRC report was made available to the Government in October 2018 and included several recommendations.

The Government considered all of the recommendations in the Tax Reform Commission report and introduced some of their proposals in our 2019/2020 Budget.

As mentioned in the last Friday’s Throne Speech the Ministry will provide the legislative authority and a revised terms of reference for the Tax Reform Commission to update the recommendations made in 2018 that will reflect our current economic circumstances.

The Government will closely evaluate and consider all recommendations included in any updated Tax Reform Commission report, and as per this Government’s normal custom and practice, the appropriate consultation with the various stakeholders will be conducted before any major changes are made to our tax system.

Fairmont Southampton Hotel

In closing I would like to speak on the redundancies at Fairmont Southampton Hotel. These redundancies have had a searing impact on the workers and the people of Bermuda generally.

The Bermuda Government supported the redevelopment plan put forward by hotel owners Gencom in December 2019 when they purchased the hotel. At that time, it was clear that the hotel would need to be closed for extensive renovations. Additionally, it was known that redundancy payments would need to be paid to the hotel workers, many of whom have spent their entire working lives on the premises, making the tourism industry that we all rely on successful.

What no one foresaw was the interruption to the 2020 tourist season brought on by the COVID-19 pandemic. All Bermuda hotels, and indeed hotels worldwide, have seen their businesses closed, temporarily or otherwise, and their workers without an ability to support their families. It has been hard on everyone, but especially hard on those in our hotels and restaurants who rely heavily on gratuities to earn a living. However, the challenging operating environment does not remove the obligation on the hotel owners to make payments to employees, as they have elected to make staff redundant.

The Bermuda Government, through the Ministries of Finance and Labour, have been engaged with stakeholders to ensure that the hotel owners meet their obligations to the workers. It is clear that having missed the October 23rd payment deadline, these payments are in doubt. It is

unacceptable to leave the workers in the dark until November 20th as most, if not all, have financial obligations to meet today. Therefore, the Bermuda Government has put into action a plan to pay the workers directly through a program designed to see workers paid as soon as this week. These payments will be in the form of loans to employees equal to amounts due to them in redundancy, which will require repayment once sums are paid by Gencom. We will also take steps to ensure that the continuing obligations for payments to employees are given appropriate priority by Gencom.

The workers and management at Fairmont Southampton have done everything to bring this difficult phase of the hotel closure to a sensible conclusion, and we appreciate and recognize their efforts.

These are challenging times. We must take extra care of those in our community made vulnerable by the continuing economic downturn. The people of Bermuda have elected this Government to act on their behalf, and we will continue to be steadfast in doing so.

Thank you.