

**REMARKS**  
**THE MINISTER OF FINANCE**  
**THE HONOURABLE CURTIS L DICKINSON, JP, MP**

**Ministry of Finance Update**  
**30 November, 2020 – 1 pm**

Good afternoon.

Thank you for joining the Minister of Labour and me today.

As the coronavirus continues to profoundly impact our lives, the Government of Bermuda remains focused on the necessary work to ensure that Bermuda remains safe. Additionally, we continue the work required to provide a safety net to those persons and businesses who are experiencing financial difficulties as a result of the pandemic.

In my remarks today, I will cover three areas. They are as follows:

- Redundancy payments at the Fairmont Southampton Hotel;
- Government's Supplemental Unemployment Benefit; and
- Our Economic Performance in 2020 and the outlook.

**Fairmont Southampton Hotel redundancy payments**

Let me start with the Fairmont Southampton Hotel redundancy payments. In particular, I would like to address a number of questions that have arisen over the course of the last couple of days in the media and generally surrounding payments in the absence of an agreement with Gencom or their subsidiary Westend Properties Limited.

First, some background information. As previously advised, the Government of Bermuda put into action a plan to pay the workers directly. These are people who had been made redundant, were due redundancy pay, and after not receiving these payments as promised, urgently required funds to provide for themselves and their families.

As of the end of last week, we advanced about \$9.7 million or 89% of the total amount due of approximately \$11 million. This included payments made to 552 or 82% of the 671 former employees that were due redundancy payments and offered advances by the Government.

The timing of any further advances is completely subject to any remaining employees submitting properly signed documentation.

Now, I would like to deal with the legal position surrounding our actions/decision. Section 33 (3) of the Employment Act 2000 (As amended) reads as follows:

*Subject to section 232 of the Companies Act 1981 (expenses of liquidation), but notwithstanding section 236 of that Act (priority of creditors) or any other enactment, on the winding up of an employer's business or the appointment of a receiver, the claim of an employee to wages and*

*other payments due under his contract or under this Act shall have priority over all other creditors, including the Crown.*

Prior to making payments to the employees, we took advice from leading UK and Bermuda Counsel on the impact of the Employment Act. The Agreements entered into by each Employee prior to their payment are likewise designed with the statute in mind.

Following expiry of the November 20th deadline that Gencom had provided for making the payments, and after a week of hearing no proposals from them with respect to effecting these payments, lawyers representing the Employees will issue a Statutory Demand requiring payments of the amounts outstanding from Westend Properties Limited. If no arrangements are made with respect to the payments, the Employees' lawyers are free to apply to the Supreme Court of Bermuda on the basis that the company is unable to make its payments when they are due. As we have demonstrated previously, the Bermuda Government is willing to use the full extent of the law to protect the interests of the People of Bermuda.

Considering the potential position we are in, we have begun work on how the project could proceed in the absence of a transaction with Gencom and have looked at the potential to partner with other equity and debt investors, including Bermudian investors and lenders, so as to get the project back on track. An additional option under consideration might be scaled-down renovation plans to reduce capital requirements and potentially the closure time. While we remain at a preliminary stage and nothing has been finalized, we are examining the options and will proceed in the best interests of Bermuda if needs be. What is clear from the steps we have already taken, however, is that the burden of that uncertainty will not be placed on the shoulders of Employees subject to redundancy, who are worst placed to bare it.

Some commentators have questioned whether the loan arrangements with the former Fairmont Southampton employees ushers in a new precedent where the Bermuda Government stands to make payments on the behalf of troubled companies. To be clear, it does not. The Fairmont Southampton is an iconic property and an essential component of the available beds and conference facilities that support Bermuda Tourism and the airlift that we as a country currently enjoy. We are committed to seeing this project through and are prepared to do so without Gencom if necessary, if they cannot stand behind the obligations they have.

On the issue of redundancy payments and Fairmont Southampton, let me conclude by saying that underlying all of the analysis that was conducted was an awareness of the painful impact the failure to pay the Employees would have on them and their families. In addition to being placed in the unenviable position of losing their jobs and not being paid the amounts due to them under the law, they would have had to pursue their rights through a legal system few could afford to navigate. Accordingly, the Bermuda Government decided to step in, pay the Employees, and then allow the legal process to follow its due course. Any funds paid to the Employees' lawyers would be directly remitted to the Bermuda Government in satisfaction of the loans each Employee receiving a payment has entered into prior to payment.

### **Supplemental Unemployment Benefit**

The public will recall that when the 18 week Unemployment Benefit concluded the Government quickly introduced a Supplemental Unemployment Benefit (SUB).

The purpose of the SUB was to provide payments to individuals who did not qualify for Financial Assistance, but for whom it had been determined through a means test that they required income assistance from the Government.

The amount is not intended to cover all living expenses. It is designed to be supplemental income. The intention is to prevent recipients from becoming reliant on the benefit long-term, but to provide temporary support that allows persons to be retrained, to seek employment and to transition into a new job.

The means test is administered by the Department of Financial Assistance while the Ministry of Finance's team administer the payments via the UEB direct payment system. DFA provide a monthly list to the Ministry of Finance.

The SUB would be paid once a month and the programme will run until 31st March 2021. Recipients must immediately notify Government when they commenced any form of employment as they would no longer be eligible.

The SUB pays recipients with health insurance \$1,520 per month and \$1,950 per month to those without health insurance. All persons without insurance have been placed on the Government operated Health Insurance Plan.

Thus far, just over \$267,000 has been paid to about 60 persons in the programme. In addition approximately \$50,000 has been paid on insurance premiums.

We want to ensure that those persons in our community that need assistance receive it. Therefore if members of the public who have been laid off, lost their job or are working substantially reduced hours due to COVID-19 require financial assistance, I encourage you to reach out to the Department of Financial Assistance so that an officer can assist you with the application process.

## **2020 Economic Performance**

The economic impact of the pandemic public-health measures required to suppress COVID-19 caused severe reductions in the Bermuda economy during the first half of 2020 and beyond. However with the reopening of the economy and the borders, the Ministry expects economic activity to increase during the second half of 2020. With the resumption of greater levels of commerce, there is now increased focus on sustaining the economy and building on the ongoing work to stimulate the economy.

As previously advised, considering the impact that COVID-19 was having on all sectors in the Bermuda economy and the projected level of unemployment, the Ministry of Finance, working with the Caribbean Regional Technical Assistance Centre (CARTAC) and another consultant firm revised our original GDP growth forecast for 2020 from 1.0% to 2.0% per cent to -7.5% to -12.5%. This was a preliminary projection, based on reasonable assumptions and was primarily dependent on how long, the intensive, but very necessary, suppression measures remained in force.

Summary Economic Indicators for 2020 are as follows:

- The year to date (July) average inflation as measured by the Consumer Price Index (CPI) was 0.2% and the 12 month average rate was 0.5%. This compares to an average CPI of 1.0% for both the year to date and the 12 month periods for July 2019.
- Imports decreased by 27.5% over the first two quarters of the year to register at \$437 million.
- Air arrivals during the first two quarters of 2020 fell by 81% while the number of cruise passengers fell by 96% over the same time period. Total visitor arrivals were down by 91% versus a year ago.
- Total air visitor spending in the first six months fell by \$152.8 million or 82% settling at \$32.7 million.
- The estimated value of construction work put in place was \$58.0 million, a reduction of 57.5%.
- Based on preliminary estimates from the Office of the Tax Commissioner, employment income for the first 9 months of 2020 fell by \$194.2 million to \$2.528 billion, a decrease of 7.1% when compared to the first 9 months of 2019.
- Total retail sales for the first seven months of 2020 decreased by 6.4% or \$45.3 million to register at \$657.9 million.
- 503 new international companies and partnerships were registered in Bermuda during the first nine months of 2020 representing a 5.7% increase when compared to the 2019 registrations of 476.
- Bermuda's Balance of Payments over the first two quarters of 2020 recorded a surplus on the current account of \$453 million, which was \$100 million greater than the corresponding surplus in 2019. The increase in the current account surplus was due in large part to a \$167 million reduction in the deficit of the goods account.

The above mentioned economic data clearly illustrates the severe economic shock that COVID-19 has had on the Bermuda economy and the economic performance for the first 6 months of calendar 2020 was as expected. Based on preliminary estimates it is estimated that GDP contracted by about 9%-11% during this period.

However, as previously advised the Government's COVID-19 - Fiscal Plan has provided timely and targeted fiscal stimulus to various components of our economy, as needed. The government has taken urgent, and appropriate, action to reduce hardship and prevent business failures. Without these stimulus measures the overall economic contractions in 2020 would be a lot worse.

We are still facing much uncertainty, and in particular, there is the risk that the economic impact of the pandemic may be even more severe and longer lasting than currently anticipated.

With contraction in many of the key economic data such as visitor arrivals and spending, imports, construction activity, consumer spending and employment income expected to continue, but at a lesser level of contraction than in the first 6 months of this calendar year, the Ministry of Finance expects GDP in 2020 to be in the range of negative 7% - 9%.

Throughout the economic disruption caused by COVID-19, the Government has and will continue to make a concerted effort to stimulate domestic spending and maintain employment levels in Bermuda through the implementation of timely and targeted measures, with some of these measures being recently announced in our Speech from the Throne.

In closing, I want to encourage everyone to please take this pandemic seriously. The past few weeks are a reminder that we must all continue to be vigilant. This recent uptick in cases means that we cannot be complacent. Please follow the guidelines and make every effort to protect our health, and the health and well-being of this island. I remain confident that we will come out of this crisis stronger, and the team at the Ministry of Finance will continue to work very hard to strengthen our community.

Thank you.