

# **NATIONAL ECONOMIC SUMMIT**

## **FINDINGS & RECOMMENDATIONS**

**Goal: Improve the country's current account by \$1 billion within 3 years.  
Current account – Exports (including tourism receipts) less imports**

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## NES ORGANIZERS & PARTICIPANTS

### THE NES ORGANIZERS

The NES organizers were:

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Norman Rolle  
Mark Turnquest  
Gevon Moss  
Clayton Gardiner  
Lynden Nairn

### THE NES PARTICIPANTS

The NES Participants were:

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\*: - Presented papers only

The recommendations contained in this report do not necessarily reflect the views of all of the participants and organizers.

## **PART 1: NATIONAL ECONOMIC SUMMIT RATIONALE**

The severity of the global economic slowdown is well documented as is its impact on The Bahamas. Just two points are proffered to support the seriousness of these times:

1. According to the Central Bank, during the months of October and November 2008, stopover visitors declined 24%. That result combined with aggressive hotel room rate discounting to yield a staggering decline in hotel room revenues. Fortunately, the employment retrenchment in the hotel sector has not kept pace with the precipitous decline in room revenues. However, one would be most optimistic to assume that that is sustainable.
2. The Prime Minister recently described Government revenues during the past 4 months as “disastrous”.

Notwithstanding those realities, this economic crisis presents us with an unprecedented opportunity to:

1. Bring our country together;
2. Address systemic weaknesses in our economy; and
3. Make tough decisions, which might be politically inexpedient, but are in the national interest.

It ought not be that our greatest aspiration is to emerge from the crisis unscathed. Instead, we should seek to emerge stronger than before, having instituted policies designed to make us less susceptible to external economic shocks. Surely, if the opportunity for that eventuality presents itself without putting at risk the prospects of ordinary recovery, it should be pursued.

This is a time of opportunity ... when we should take off the labels that divide us and come together to build a more robust, more resilient and a more diversified economy. Is that an easy proposition? Of course not. Is success guaranteed? Absolutely not. But we must try. We must leave no stone unturned in our endeavors to maintain the quality of life we have come to enjoy.

We might not have another opportunity in our lifetime to effect the transformation we need. Lest the world's economy improves while we retain the status quo, let us embrace this crisis now and convert it to the opportunity that it offers.

Considering the severity of our economic circumstance, and given the opportunities it presents, a small group of persons decided to facilitate a National Economic Summit (the NES) on March 2-7. Invitations were sent to a broad segment of our population, including private sector professionals, the Christian Council, the Prime Minister, Leader of the Official Opposition and several Government ministers. It is important to note that neither representatives from the Christian Council, the Prime Minister's Office, Official Opposition, or any Government minister attended any of the sessions.

Nonetheless, the NES proceeded as planned, with a single primary objective and four secondary objectives. The primary and secondary objectives of the NES as outlined were:

Primary:

Identify ways to positively impact the Bahamas' current account balance (current account is defined as the difference between imports and exports) in the immediate to medium term. Such opportunities when exploited will positively impact entrepreneurial and job prospects, and lead to an improvement in external reserves.

Secondary:

1. Once identified, promote the acceptance of the objectives (i.e. ways to positively impact the current account balance) in order to achieve national consensus.
2. Identify protocols, policies and other conditions, which, if put in place, would result in the exploitation of those opportunities.
3. Through its continuing efforts, promote the achievement of the identified goals.
4. Identify ways to help small businesses survive and thrive. We wish to underscore the importance of small businesses to our economy. While the Summit is intended to address the specific needs of small businesses during one session, it is our intention to convene a more comprehensive summit that focuses exclusively on small business.

The premise of the NES was that significant results are inevitable when all sectors come together and agree on important steps while maintaining the essential principles of capitalism, limited government and individual responsibility.

The NES answered the following questions:

- What might the government do?
- What might businesses do?
- What might aspiring entrepreneurs do?
- What might individuals do?

The following were addressed:

- Setting national goals
- Fisheries
- Fruit & vegetable farming
- Animal husbandry
- Energy
- Transportation

- Family Island tourism
- Small business issues
- Light manufacturing
- Consulate & trade opportunities
- Individual responsibility

### **The NES Shortcomings**

There were a number of deficiencies with the NES including but not limited to the following:

- Key invitees including Government ministers, Official Opposition representatives and many sector leaders did not participate.
- This report does not necessarily reflect the majority view of the NES Participants. In that regard, it is acknowledged that much of what has come out of the NES reflects the position of several of its organizers.
- Enough time has not been committed to this effort to ensure that the broadest segment of the public is consulted.

### **Common views**

At each of the NES sessions, several common threads emerged:

- The turnaround of our economy is dependent upon the actions of the private sector to a larger degree than the public sector.
- The educational system is weak and produces too many people who are not able to contribute as effectively as they would otherwise to the development of The Bahamas.
- The work ethic is entirely unacceptable, and the results of that reality are seen throughout the economy.
- There is too much dependency on Government.
- There is an absence of transparency and a sense that political leaders do not sufficiently engage the general public in meaningful ways.
- There is a need for genuine strengthening of various private sector associations.

### **Report Format**

This report is divided into sections as outlined above. Each section has three divisions as follows:

- Public sector recommendations
- Private sector recommendations
- Opportunities

## **Future**

It is hoped that the NES will become the springboard for a multi-decade National Economic Strategy that includes broad public and private sector input.

The NES is not only important for what The Bahamas might achieve in the area of economics, but it is also envisaged that it will soon become the model that is used to attack vexing national issues in education, crime, the administration of justice, immigration, national development and other areas.

## **PART 2: SETTING NATIONAL ECONOMIC GOALS**

### **PUBLIC SECTOR RECOMMENDATIONS**

The Bahamas does not have clear national goals and a strategic plan. Too much of what we do is done in an ad hoc manner, driven by the changing whims of the political directorate. Moreover, there is no system of ensuring that dissenting voices are heard and considered.

National aspirations should be clearly stated. In order to pursue any goal, it is necessary to first build national consensus in support of the goal. Secondly, employ high-level policy analysis and planning to outline the ways and means of achieving the goal in the most cost-effective and efficient manner, taking into account the relevant trade-offs that would have to be made in the economy. And thirdly, engage the public and all stakeholders in a continuous public education campaign informing them of the progress, or lack thereof, in the pursuit towards the stated goal.

Above all, the plan must have a built-in flexibility to permit adjustments in light of changing circumstances, in the local and global economies.

We recommend that broad national goals and a strategic plan be formulated to be achieved in specific time limits - short term, medium term and long term. The national goals and strategic plan should reflect the collective effort of people throughout The Bahamas. Once done, policymakers should obtain strong commitment from those responsible for formulating, implementing, monitoring and measuring progress of the strategic plan. In turn, the policymakers should create the environment and make available the necessary resources needed for successful implementation.

### **NES recommended goal**

The NES recommends a goal of improving the current account component of our balance of payments by \$1 billion annually within three years. It is the viewpoint of the NES that the recommendations contained in this report, if followed would result in the attainment of that goal. Notwithstanding the limited discussions that have occurred, the NES feels that the economic times are so challenging that this measure should be adopted now and refined over time.

### **Public/Private sector partnership**

It was a broadly held view at the NES that the private sector - not the Government - is responsible for creating jobs. However, the Government must create the environment for job creation.



The NES Participants were unanimous in their view that the primary issue with Government and even the private sector is not a lack of ideas or ability, but inadequate execution.

We recommend that in order to increase the likelihood that plans are well-executed, transparency, accountability and communication must be commonplace. In this regard, the NES intends to report regularly on the attainment of the recommendations contained herein.

One NES Participant's sentiments summed up quite well how we must approach national development together. He said, "Our competitiveness, or lack thereof, was not tied so much to signing or not signing a free trade deal but rather to addressing as a nation and as economic stakeholders those things we can control which have an overriding impact on our competitiveness. These we believe formed the basis for National Development Plan. They are: Education Achievement, Justice and Adherence to the Rule of Law, An Efficient and Productive Delivery of Government Services, and Privatization".

The same Participant lamented that despite any number of private sector recommendations, the country has not been galvanized to pursue any such suggestions. He said, "The reasons for that include: a lack of full buy in by all stakeholders; silos and defensiveness; inadequate resources; and a lack of commitment to better managing change and its attendant needs".

We strongly recommend the creation of a National Strategic Economic Council (NSEC) comprising persons from the public and private sector inclusive of representatives from both major political parties and the church. The NSEC would consider the current economic challenges and recommend ways to strategically diversify our economy. The NSEC would operate in a transparent way holding open meetings. This approach supports the proposition that ameliorating the pain of thousands trump political expediency.

## **PART 3: FISHERIES**

The vastness of The Bahamas' territorial waters suggests that The Bahamas' main source of sustenance should come from fisheries. However, the management, strategic planning and exploitation of this national treasure are immensely below optimum levels. Indeed, it is near tragic that this state of affairs has continued for as long as it has.

While one can easily fault national leadership for this result, we believe it is much more profound. It reflects a cultural and historical disposition that views fisheries exploitation as anti-progressive. There seems to be little tolerance for exploring the potentiality that fisheries and service can co-exist; and that those productively engaged in this sector deserve to have protocols, legislation and resources to maximize even their current efforts.

It should not be true that because the fisheries industry lacks the glamour of tourism and banking, for instance, that it should be relegated to substandard and disjointed national focus.

The changes that are required in Fisheries are profound. Unfortunately, the mandate that the NES has set for itself permits us to examine these matters peripherally, but with the hope that urgent and revolutionary attention will be given to this area.

### **PUBLIC SECTOR RECOMMENDATIONS**

#### **Restructuring the Department of Fisheries**

The absence of a coherent and comprehensive fisheries policy and the urgent need to develop this sector, have led some contributors at the NES to recommend drastic changes in the structure of the Ministry of Agriculture & Marine Resources. Among the recommendations are the following:

- Create a Fisheries Authority (BFA) that would provide greater autonomy and broader control of the fisheries sector.
- Privatize much of the activities that are being done by the Department of Fisheries and create substantive and transparent partnerships with industry participants.

#### **Security**

Several of the NES Participants said that their personal experience and those of many others to whom they have spoken, suggest that poachers are easily taking from The Bahamas' territorial waters more than Bahamians. They say that calls to the Royal Bahamas Defense Force are not responded to expeditiously, if at all, and that they face real dangers on the seas. Assuming that the observations made by the NES Participants are correct, it means that The Bahamas might be losing well over \$150 million annually to poachers.

Among the recommendations made in order to address this serious problem are:

- Drastically increase the number of Officers safeguarding the waters and provide them with adequate resources including high-speed boats and helicopters.
- Record and otherwise monitor calls going in to the Royal Bahamas Defense Force.
- Find ways to effectively utilize Google Earth to track and monitor poachers.

It is the viewpoint of the NES that not only will the above result in the curtailment of poaching and therefore result in a substantial net economic benefit to The Bahamas, but it might also serve to detect illegal migration and drug trafficking as well.

### **Education**

It was noted that insufficient emphasis is placed on research and tertiary level education in marine biology and management.

We recommend that The Bahamas develop a comprehensive research and university level program with the intention of being among the world leader in this regard. In addition to attracting international scholars, more Bahamians would become skilled in marine biology and management. In order to encourage the development of this area, land should be offered to universities and laboratories that specialize in marine management particularly if there is Bahamian interest.

### **Sustainability program**

It was observed that the Department of Fisheries' single strategy for ensuring the sustainability of marine resources is to close the season for selected species annually. The NES Participants were vociferous in their disgust that such measures benefit poachers who have no regard for the same.

We recommend that while closing the fishing season for certain species might be necessary, it should not be the single most important component of ensuring sustainability. We recommend that in conjunction with laboratories in Florida, efforts are undertaken to introduce fingerlings reared in labs into the ocean on a regular and consistent basis.

### **Resource exploitation**

It was noted that resource management emphasizes sustainability, but does not focus sufficiently on resource exploitation. This is evidenced by the a) limited data gathering; b) limited information regarding annual potential; c) limited value placed on the sector from a budgetary perspective.

We recommend that studies be undertaken to ascertain the potential earnings that might be derived from our marine resources and that sufficient timely data is gotten to determine the actual level of exploitation of those resources. Moreover, we recommend that a proper economic analysis be undertaken to demonstrate the significance of how a productive fisheries sector might impact our economy.

### **Duty concessions**

It was noted that fisherpersons do not enjoy duty concession on a number of equipment that are vital to their trade.

We recommend that consideration be given to expanding the range of products that are duty free in order to promote this industry.

### **Potters Cay landing complex**

It was noted that it was originally intended that a landing complex would have been created at Potters Cay to serve fisherpersons. However, the complex has been converted to administrative and other offices.

We recommend that the use of the complex be revisited to determine its best use.

### **Potters Cay Vendors**

It was noted that the vendor facilities at Potters Cay were initially created for fisherpersons to sell their produce. However, such facilities are now predominantly used to sell cooked food, fruits and vegetables.

We recommend that consideration be given to upgrading and extending Potters Cay while ensuring that sufficient space is made available to fisherpersons.

## **PRIVATE SECTOR RECOMMENDATIONS**

We recommend that various fishing communities create cooperatives for the purposes of training, processing, selling, and advocacy, among other things.

We recommend that the entire fishing community form a National Fishing Institute under the auspices of The College of The Bahamas and that membership be offered to various cooperatives and the Department of Fisheries.

## **OPPORTUNITIES**

Studies suggest that hundreds of millions of dollars of migratory fish travel through our waters annually. These fish are known to attract prices of up to \$1,000 per pound in Asia. We believe that tremendous opportunities exist for deep-sea fishing.

Most fisherpersons remove and discard the crawfish head. The crawfish head has a large quantity of meat. We believe there is an opportunity for development of a business that is targeted towards purchasing crawfish heads. Perhaps such opportunity would require the purchaser to buy fish head on the open seas. Once purchased, we believe the opportunity for the production and canning of lobster bisque is quite substantial.

We believe that there are opportunities for increased value added production generally even as it relates to packaging.

We believe there are opportunities to cultivate tilapia, conch, black snapper and other varieties of fish. In this regard, aspirants might wish to visit foreign companies that have successful operations in those areas. In addition, partnership arrangements might be prudent.

We believe that despite the number of operators in the sector, and the deficiencies noted above, there are opportunities for persons to become profitably engaged in fishing.

We believe there is a tremendous opportunity for red and black snapper fishing for export to the United States. It is noted that the value of those products is diminished if they are frozen.

We believe there are opportunities to exploit shrimp and stone crab recourses.

We believe there are opportunities to provide fisherpersons with basic training in financial management.

We believe that opportunities exist for persons currently engaged in retail fishing to substantially increase their sales if there is consistency in quality and availability and if prices are reasonable. With respect to pricing, we believe that more persons are apt to buy fish if they are priced at a per pound rate and weighed.

We believe there are opportunities for persons to engage in sponging. We believe there are harvesting and sustainability measures that are underexploited.

We believe there are opportunities to create businesses that are intended to add value to harvested sponges.

It was noted that there is a need for ongoing on-the-job training for fisherpersons to ensure that they maximize the value of their catch. We believe there are opportunities for persons to develop businesses that offer training.

## **PART 4: FRUIT AND VEGETABLE FARMING**

### **PUBLIC SECTOR RECOMMENDATIONS**

#### **New Providence land policy**

It was noted that people who are granted farmland are not using them for agricultural purposes. The NES believes this is an abuse of taxpayer resources and hinders the progress of the agricultural sector.

We recommend that those who have been granted leased land for farming be made to demonstrate a minimum level of productivity prior to the renewal of such leases. Such minimum productivity level should be clearly delineated and all lessees informed of the same.

We further recommend that the Department of the Auditor General conduct annual reviews of the issuance and renewal of land leases. Such reviews should include physical inspections on a sample basis that is scientifically determined.

It was noted that the Government is intent on diverting a substantial portion of farming away from New Providence into the Family Islands, while converting previously designated farming areas into housing communities. While we recognize the growing need for houses in New Providence, we believe that the primary competitive advantage that a local producer has over one who operates outside The Bahamas or even in the Family Island should not be diminished, or taken lightly insofar as freshness and transportation costs are concerned.

We recommend that further studies be undertaken to map out sufficient suitable land for farming in New Providence.

#### **Packing houses**

Many of the NES Participants believe that packing houses are inefficiently operated. In addition, the facilities do not provide secondary processing opportunities, which are essential to support large scale farming.

We recommend that packing houses throughout The Bahamas including New Providence be privatized. As a prerequisite to privatization, the new owners should undertake to establish processing facilities within a defined period.

#### **Overall management**

It was noted that the level of enthusiasm and expertise resident in the Ministry of Agriculture & Marine Resources is relatively high. However, there is a need for clearer goals that are developed in conjunction with sector participants.

We recommend that an urgent meeting be convened between relevant people at the Ministry of Agriculture & Marine Resources, to develop a national policy on agriculture, including clear and measurable goals for the sector.

### **Raising tariffs to support local production**

It was noted that there is often a large cry by farmers and others to impose prohibitive tariffs or quantity restrictions on imports.

We recommend that before such measures are imposed, consideration be given to the economic impact of the same with regard being had for the following:

- i. Is the import cheaper because of dumping or government subsidy?
- ii. Are there prospects for further development of local industry and cost reduction?
- iii. Are the cost components mainly local?

### **Reinventing the Ministry of Fisheries & Agriculture**

During various sessions of the NES, it was suggested that the structure of the Ministry of Agriculture & Marine Resources needs to be improved. This is evident, it was offered, because even though the country's level of agricultural production has reduced to a fraction of what it was in 1973, the Ministry staff compliment has grown almost 1,000 percent.

The NES Participants made a number of suggestions with respect to the recommended restructuring of the Ministry, some of them conflicting. That notwithstanding, we have decided to list the suggestions in the hope that further discussions will be engendered. Among the suggestions made are the following:

- Downsize the Ministry so that it serves a policy and food inspectorate role only. The large number of highly skilled farmers currently employed with the Ministry should be provided with land grants and financing to start farms that serve not only private commercial purposes, but also training for current and aspiring agriculturalists. Such people should continue as consultants to the Ministry for a period of time, say five years, until their businesses are fully able to support them.
- The extension officers programme provided by the Ministry should be substantially scaled back as BAPA and others engage extension officers directly. The privately engaged extension officers might be partly subsidized by the Ministry for a defined period.
- Given the importance of agriculture and fisheries to the economy, employees within the Ministry should be paid bonuses for the achievement of specific production goals.

## **Immigration restriction**

At least two of the NES Participants talked about their challenges in getting work permits for labourers in a timely manner or at all. In one such case where a permit was declined for unexplained reasons, the result was a dramatic scaling back of local production, which in turn led to the termination of Bahamian workers.

While the NES agrees with efforts to ensure that Bahamians take up positions that are available, we recommend increased transparency and efficiency in the process of granting work permits.

## **Transportation**

It was noted that one of the major impediments to Family Island farming is inadequate transportation. It is felt that the mail boat system is archaic and that adequately equipped refrigerated vessels are required to move through the islands in order to minimize spoilage of fruits and vegetables.

We recommend that a study be undertaken to determine how adequately equipped vessels might be employed to traverse the islands on an ongoing basis. It is envisaged that such arrangement would have implications for existing mail boats that are partly subsidized by the Government.

## **PRIVATE SECTOR RECOMMENDATIONS**

We recommend the creation of the National Agricultural Institute (NAI) under the auspices of the College of The Bahamas. Farmers, Government entities and foreign entities that provide agricultural service in The Bahamas should be offered membership in the NAI. It should provide the structure for foreign entities such as the IDB, to provide technical and monetary support to Bahamian farmers. The NAI would set clear objectives and strategies for the sector, identify training and other needs and provide essential link between the private sector and policymakers.

We recommend that farmers develop small intensive farms, rather than large extensive farms.

We recommend that aspiring farmers consider investing in small greenhouses and seek to specialize in not more than four products.

We recommend that farmers pay particular attention to the seasonality of products and their availability locally in order to avoid excesses.

We recommend that aspiring farmers and those seeking to improve their farms visit the offices of BAIC to obtain the names of people who would be eager to help them. There is an abundance of resources and hands-on help available to farmers.



We recommend that people who are interested in farming consider specific internships at any number of local farms.

It was noted that because of climate differences, the seasons for fruits and vegetables do not completely overlap throughout the islands. We recommend that consideration be given to this reality by farmers to maximize product availability and minimize excesses.

We recommend that backyard farmers and commercial farmers explore the benefits of hydroponics, particularly in light of soil conditions, which might not always be feasible.

We recommend that business consultants work with BAIC and local farmers to develop business models that might be used by farming aspirants. A significant component of such plans should include costing, as it was noted that many farmers are deficient in this area.

We recommend that local producers promote their products not from a nationalistic perspective, but that they highlight their superiority to foreign-grown products in terms of nutrition, freshness and environmental impact.

We recommend that farmers seek to identify and grow specific niche products.

We recommend that farmers work with chefs to develop cuisines that use only Bahamian grown produce. Once this is done, we recommend that hotels and restaurants be encouraged to serve only Bahamian food once per month increasing to once per week over time. This might be pursued by the proposed NAI, or by Bahamas Agricultural Producers Association (BAPA).

The cost of shipping a container from Europe and Asia to The Bahamas is materially less expensive than shipping a container from The Bahamas to Florida. Also, a container being shipped from Mexico to Florida is comparatively low. In order for farmers to exploit the U.S. market, we recommend that discussions are held with shippers to see how freight rates for containers from New Providence and Grand Bahama to the United States might be reduced.

## PRIVATE SECTOR OPPORTUNITIES

We believe that opportunities exist for the production of the following crops: asparagus, beans, broccoli, cabbages, carrots, cassava, celery, corn, cucumber, garlic, lettuce, mushrooms, okra, onions, peas, hot pepper, potatoes, sweet potatoes, spinach, tomatoes, avocados, bananas, grapefruit, grapes, honeydew melons, limes, oranges, plantains, strawberries, tangerines and watermelons.

We believe there is an opportunity to create greenhouse parks in New Providence as well as the Family Islands. Such parks would include a number of greenhouses that are leased to entrepreneurs. Moreover, facilities might exist for lessees to create a Farmer's Market on weekends at the park site and also operate a joint distribution facility.

We believe there is an opportunity for a private group to develop a website that captures projected and actual production of fruits and vegetables as well as prices and availability of products. This would serve farmers, retailers and consumers considerably. Producers might be assessed a reasonable fee.

We believe there is an opportunity for the commercial cultivation and or distribution of tropical fruits such as mango, sapodilla, juju, guinep and tamarinds for the hotel sector and export. Consideration will have to be given to ensuring that products do not over-ripe before distribution.

We believe that opportunities exist for business consultants to provide services for farmers particularly in the areas of costing, pricing, distributing and marketing.

We believe those with large backyard space can erect small greenhouses and engage in hydroponics or soil farming profitably.

We believe there are opportunities for people to create commercially viable farmers' markets at multiple sites throughout New Providence.

We believe opportunities exist for distributors who are prepared to make it unnecessary for farmers to leave their farms.

We believe there are opportunities for cottage industries where products are made that are unique to The Bahamas.

We recommend that family members and church members consider engaging in backyard farming with a view to bartering excesses among themselves.

## **PART 5: ANIMAL HUSBANDRY**

### **PRIVATE SECTOR RECOMMENDATIONS**

#### **Privatization of Abattoir**

The wholly Government-owned and operated abattoir serves a vital role in our society by ensuring animals are healthy before they are slaughtered. The Government's responsibility to ensure food security is essential and is not here the subject of any recommendation.

We recommend that the abattoir be privatized with 100 percent Bahamian ownership and subsequently upgraded by its new owners to produce value added products. Such products may include various cuts of meat, which would yield higher prices than whole carcasses as well as cold cuts, sausages and other types of processed meats. The privatized entity would be responsible for product distribution. This would allow producers to concentrate exclusively on production.

As regards ownership of the privatized abattoir, we recommend that employees, as well as farmers, be invited to own shares in the entity.

If adopted, we believe: a) the abattoir would be more efficient; b) producers would serve a wider range of the market's requirements; and c) producers would enjoy a higher yield for their goods.

In the event the Government chooses not to accept our recommendation with respect to privatization, we recommend that the abattoir be substantially upgraded as it is currently well below acceptable international standards.

#### **Family Island Abattoirs**

Presently, Family Island farmers are required to bring their live animals to the New Providence abattoir for ante mortem and post mortem inspection. This is inefficient and serves as a disincentive to animal rearing on the Family Islands.

We recommend that consideration be given to establishing appropriate slaughtering facilities on selected Family Islands.

#### **Animal husbandry training**

Many Bahamians who are currently operating in the field of animal husbandry and those who wish to do so are often not sufficiently skilled. This leads to inefficiencies and eventual failure.

We recommend that on-site training opportunities be made available to farmers to travel to Caribbean and other countries that have successful sectors in rearing goats, sheep, poultry and pigs.

### **Technical and veterinary support**

The NES was informed by at least one farmer that his efforts to engage foreign help to provide veterinary help for his animals were being routinely frustrated.

We recommend that clear and transparent protocols be established with respect to what farmers might do in the area of obtaining foreign technical and veterinary support. Such arrangements should allow for people from the Caribbean and other foreigners to work in The Bahamas on work permits with substantially reduced work permit fees.

## **PRIVATE SECTOR RECOMMENDATIONS**

### **Bahamas Livestock and Farmers Association (BLAFA)**

There is a clear need for the development of a national strategy to for animal husbandry. We recommend that BLAFA take a proactive stance in this direction, by engaging consultants who, undoubtedly, would receive substantial support from BAIC and the Ministry of Agriculture & Marine Recourses. The strategic plan should include the following:

- Specific animals that will be targeted
- Provision for quality genetic materials
- Training requirements
- Funding availability
- Islands that will be targeted for production
- Provision and preparation of significant quality pastures
- Provision of veterinary services
- Thorough financial assessment
- Clear timelines

We recommend that BLAFA pursue a deliberate course to strengthen its association so it becomes a more viable advocacy and lobbying organization.

## **PRIVATE SECTOR OPPORTUNITIES**

### **Animal husbandry**

The high level of imports for the following products suggests that there are opportunities for the production of the following:

- Poultry
- Eggs

- Duck
- Goat
- Sheep
- Pork
- Cold cuts, sausages, etc.

We believe The Bahamas can become self-sufficient in these areas. A three year goal for this should be set.

### **Chicken hatchery**

At present, The Bahamas does not have a chicken hatchery facility. We believe there is an opportunity to start one, which would support large and small producers alike.

### **Feed production**

We believe there are opportunities to establish feed mills using imported and locally produced grains. Perhaps BLAFA and BAPA might consider embarking upon a joint project to do this.

## **PART 6: ENERGY**

### **PUBLIC SECTOR RECOMMENDATIONS**

The national cost of fuel imports to meet energy and transportation needs has been rising substantially since 2001. Import value peaked in 2008 due to the unprecedented rise in fuel prices but was followed by a dramatic and unanticipated decline. The level of imports presents The Bahamas with a tremendous opportunity to reduce energy consumption and to develop alternative energy sources, thereby substantially improving the country's current account deficit.

Energy and energy policy are essential components of sound economic policy as underscored in the Jamaica Energy Policy Analysis 2005 which states: "Energy is fundamental to almost everything we do. The Government of Jamaica fully recognizes its importance for economic growth and sustainability. Formulation and implementation of energy policies have been regular features of successive administration since the 1970s."

We recommend that the Government develop a comprehensive energy plan that incorporates the following, among other elements:

1. Appointment of Energy Conservation Czar.
2. Targets for reducing energy bill, say 25 percent in five years.
3. Formation of a committee comprising engineers and people from other disciplines, to comprehensively consider this subject and produce a report within six months.
4. Identification of alternative energy sources. Scientists confirm fossil fuel use leads to green house gases, carbon emissions and sea level rises. The Bahamas should not commit to a process or system that negatively affects the nation. A Green Nation Policy should also be developed, which sets out the country's plans to use and maximize green technology.
5. There should be a plan to consolidate and begin upgrading busing system.
6. Through The Bahamas Development Bank and the Venture Capital Fund, promote the granting of loans to individuals wanting to start or expand businesses that provide energy conservation benefits.
7. Clear guidelines for the public regarding which devices and product types are more efficient than others. (Anecdotally, Venezuela, a major oil producing country, under a programme called "Mission Energy Revolution" recently purchased 52 million energy saving light bulbs for free distribution to its citizens. These bulbs will replace incandescent bulbs. This initiative is expected to reduce Venezuela's domestic energy demand by 12.7 percent. In Barbados, it is estimated that 85 percent of the homes and businesses have solar water heaters.)
8. Use of the media to inspire Bahamians to join the battle as part of a coordinated national campaign.
9. Strategy to encourage banks to provide loans to upgrade homes and businesses with energy saving/producing devices.

10. Utilization of Customs tariff to make the acquisition of energy efficient devices, vehicles, etc. more attractive.

The absence of a comprehensive energy policy does not suggest a prudent economic strategy given the wide fluctuation of oil prices and its negative effect on non-oil producing countries like ours. *(Adapted from newspaper article written by L. Nairn)*

### **Alternative Energy Proposals – BEC**

The Government, through Bahamas Electricity Corporation, has invited companies to provide proposals for the provision of alternative energy.

Given the long-term significant potential impact of energy generation on our economy, we recommend the following:

- Majority Bahamian equity interest must be part of any solution. It will not be beneficial overall if we are simply transferring our energy purchases from a foreign-owned company doing business outside The Bahamas to a foreign-owned company doing business in The Bahamas.
- We recommend that there be transparency in the process to ensure that the best solution is selected. This should include public hearings and reviews.
- We recommend that the process be reopened to allow companies that might not have submitted proposals to do so.
- We recommend that multiple solutions be accepted.

### **LNG**

There has been a tremendous amount of debate with respect to LNG over three administrations. A number of environmental and safety concerns were raised by citizens opposed to LNG. We believe that all of the environmental concerns raised have been sufficiently addressed. Meanwhile, the potential annual revenue generated from LNG would be between \$30 and \$85 million. Moreover, a number of construction jobs would be generated during the development phase of the project.

We recommend that LNG be approved with Bahamians being offered a minimum of 30% interest in the project on terms negotiated prior to approval. Moreover, we recommend that efforts be made to determine how The Bahamas might benefit from LNG directly.

## **Solar Energy Industry**

The Bahamas is well suited for solar energy year round. The savings from the installation of a solar water heating system could save a household up to 33% on their energy bill.

We recommend that banks be encouraged to allow homeowners to add the cost of energy saving devices to their mortgages.

### **PRIVATE SECTOR OPPORTUNITIES**

We believe that there are opportunities for the exploitation of bio oils technology to produce bunker oil.

We believe that Family Island resorts in particular would find renewal energy solutions attractive. We also believe that mega resorts in New Providence should explore the prospects of generating energy from renewal sources.

We believe there are opportunities for the commercial exploitation of solar and wind technologies for energy production.

We recommend that homeowners and businesses consider the following with a view to reducing energy consumption:

- Conduct energy audits.
- Install solar water heater systems.
- Replace incandescent light bulbs with florescent light bulbs.
- Convert electricity dryers to gas powered dryers.
- Replace electrical stoves.
- Upgrade air conditioning units.
- Insulate attics.
- Track energy usage not by cost, but by kilowatt hours.
- Ensure vehicles are properly maintained.
- Ensure vehicle tires are inflated at optimum pressure.
- Car pool, if possible.
- Take public transportation, where practical.



## **PART 7: PUBLIC TRANSPORTATION**

### **PUBLIC SECTOR RECOMMENDATIONS**

#### **Public busing**

The dysfunction of public transportation in The Bahamas is well documented. Therefore no effort will be made here to highlight those deficiencies. It is perhaps universally agreed that an effective transportation system could address a myriad of concerns including social, psychological, economic and environmental factors. Deteriorating air quality, lost man hours, high stress level, elevated traffic fatalities (pedestrians and drivers), a sense of disorder, and the lack of discipline created by this climate and excessive vehicle and fuel imports are some of the reasons for the urgent need to address the public transportation problem. Few national or private initiatives have the potential to impact our standard of life more comprehensively than a properly operating public transportation system.

At the outset, it is acknowledged that for one reason or another, a significant segment of the population will never take public transportation. It is an unrealistic goal to pursue universal patronage. Increased, yes, but not total.

In 1995, the Government commissioned and received a report, known today as the Dillon Report, to consider ways to alleviate congestion on our street. Since then two other studies have been commissioned by the Government and finalized. Consequently, there is no question that we know what to do; it seems that we lack the political will to do what is necessary.

Instead, the Government's approach has been to build roads, which by themselves will not solve the congestion problem. There simply are not enough roads.

It really would serve little useful purpose here to restate the recommendations of the various reports paid for by taxpayers. Instead, we will focus on a few practical measures, which might form the basis for an effective private transportation system.

We recommend unification of public transportation owned by the private sector.

During school breaks, traffic flow is much better than normal, which points to an obvious potential stand alone remedy to traffic congestion. If the Government is not minded to encourage the unification and improvement of the overall system, we recommend that a comprehensive school busing system be implemented.

We recommend that the Government finance the infrastructure cost of the improved system up to a predetermined amount.

We recommend that consideration be given to cancelling dormant licenses.

We recommend that full listing of license holders be made public.

### **Tariff - motorcycle**

The rate of duty on imported motorbikes is 75 percent although they consume comparatively less fuel. We recommend that consideration be given to substantially reducing rate of duty for motor bikes.

### **PRIVATE SECTOR RECOMMENDATIONS**

We urge public bus drivers to continue their efforts to make public transportation safe and reliable as this could only result in increased confidence and ridership. We believe the various interests have historic differences that make collaboration difficult. We have formed a committee that is willing to meet with key representatives to work out the details of unification. We would urge industry leaders to address this issue from a business perspective, as a united front would certainly cast them in a more favorable light with the public, Government, lenders and potential investors.

There has been insufficient public discussion surrounding road construction particularly in light of what an improved public transportation system would offer amidst limited resources. The mere scope of current and proposed road works is staggering, particularly in the prevailing economic environment. No substantive discussion is being promoted relative to the economic, environmental and social impact of the infrastructural work, not to mention the reasonableness of the cost of construction. We believe the media have been deficient in this regard and therefore recommend that some focus is paid to this subject.

## **PART 8: FAMILY ISLAND TOURISM**

*“Our Family Islands are like the last Bahamian frontier...and present tremendous tourism opportunity. Unlike Nassau and to an extent Grand Bahama, with its large resorts, the Family Islands present us with the greatest opportunity for Bahamians to be fully engaged, from an ownership perspective, in our nation’s number one industry. The data demonstrates that is already happening. Likewise, we know the risks and failure rates are high. Our challenge is to plan effectively and have in place the support mechanisms to help those, and only those I must underscore, who sincerely want to help themselves operate as efficiently and cost effectively as possible in order to maximize profitability.”* **Frank Comito**

### **PUBLIC SECTOR RECOMMENDATIONS**

#### **Privately Managed Airports**

The airports in many Family Islands need to be upgraded and adequately maintained.

We recommend that consideration be given to allowing private entities to manage several Family Island airports, especially Abaco and Exuma. Efforts should be made to ensure that the airports reflect a unique characteristic of their Island. In addition, more inviting retail and eatery options should be considered.

#### **Duty Free Exemption**

While hotels in the Family Islands qualify to receive duty free exemption for their purchases, many of them do not enjoy the same because it is non-feasible to purchase directly from the United States.

We recommend that where purchases from local vendors that would otherwise qualify for duty free exemption occur, and where the amount of such purchases exceed a certain amount, individuals be allowed to apply for duty refund.

#### **Freight cost**

One of the reasons for the high operating cost of Family Island hotels is the high cost of freight. This is true despite the fact that the mail boats transporting the freight are partly subsidized by the Government.

We recommend that in light of generous subsidies provided to mail boat operators, Family Island hotels are afforded discounts within clearly defined parameters.

## **Free Travel**

It is a regular occurrence that Bahamasair travels to a Family Island at less than full capacity.

We recommend that people who stay in Nassau four nights or more be offered a free flight on Bahamasair to a Family Island of their choice provided they spend at least one night.

## **Tourism Advertising Budget**

It was noted that Bahamians are best able to tell the story about The Bahamas.

We recommend that Bahamian advertising firms be invited to prepare ads for the Ministry of Tourism. If it not feasible to commit the entire ad budget to Bahamians, then we recommend that a certain minimum, perhaps 10 percent, be given to Bahamian firms.

## **Cultural tourism**

Cultural tourism is the fastest growing component of tourism in the world, however, we do not maintain statistics of this important segment. In addition, no strategy has been developed to create products that would provide travelers with the kind of cultural experience they are looking for.

We recommend that statistics be kept on cultural tourism. Furthermore, we recommend that specific products that cater to this market segment be developed.

## **PRIVATE SECTOR RECOMMENDATIONS**

The cost of vacationing in the Family Islands is often higher than traveling to Florida. We recommend that efforts are pursued by Family Island hotels to create packages that are more attractive to Bahamians.

We recommend that Family Island hotels consider positioning themselves around a cultural element that would cause them to be distinct.

We recommend that Family Island hotels seek to arrange packages that include short stints at Nassau based hotels.

We recommend that Family Island resorts encourage their guests to explore the island and connect with locals in meaningful ways. That would heighten the likelihood that visitors have experiences that cannot be replicated.

It was suggested that mandatory gratuity of 15 percent is having the unintended consequence of service personnel delivering less than stellar service. It was also felt by an NES Participant that workers would receive larger tips if there was no forced gratuity.

We offer no specific recommendation here other than to suggest that perhaps this is an opportune time to revisit this matter and test it.

## OPPORTUNITIES

We believe there are opportunities for travel agencies to arrange regular multi-destination flights from the United States and other countries.

We believe there are opportunities for entrepreneurs to work with Family Island hoteliers to develop themes that are peculiar to their hotels. This would include exterior and interior work as well as cuisine and activities.

We believe there are opportunities for people to develop short excursions to Family Islands from Nassau. These might be for a few hours only or overnight. Furthermore, in view of the potential impact on Family Island tourism, there might be opportunities to partner with Family Island businesses.

We believe there are opportunities to develop exotic tours.

We believe that there are opportunities to develop multiple annual festivals and themed events on Family Islands, catering to Bahamians and non-Bahamians. Many such activities like homecoming, Crab fest, fishing tournaments, now occur, but these can easily be expanded.

We believe there are opportunities to create heritage vacation packages, whereby people would be invited to tour, become familiar with, and document aspects of their ancestry.

We believe opportunities exist to develop specialty tourism particularly in the following areas: healthcare, education, sports and religion. We believe the fastest and certainly most beneficial structure for specialty tourism would be for Bahamian entrepreneurs to partner with foreign service providers. The Bahamian contribution might represent land and other benefits including custom duty exemption. We believe that the recent contribution of Senator Jerome Fitzgerald states the vision and opportunities from specialized tourism sufficiently to be incorporated herein:

**“Medical Tourism** Madam President is another area where we can strive to build sustainable tourism which directly impacts our National and social development. The best example I have seen of this is the city of Houston Texas where I accompanied my wife as she underwent surgery to remove cancerous cells. 100,000 fly in there everyday to receive medical treatment and care. 250,000 persons are employed in the various hospitals and medical facilities. Madam President that is basically the whole of the Bahamian population employed there. We could build a new city around medical facility and employ thousands of properly trained Bahamians. Another example of Medical tourism at its best is what I recently heard

about is where a hospital in England advertises on the internet and they will give you a quote for travel and the operation once you put in your country of origin and the operation you require. This particular hospital specializes in the removal of hernia's, but what I found particularly interesting was that they suggested that you stay for 2 weeks to recover and they suggested various place in the countryside where you could relax in comfort and gave quotes which were discounted to encourage patients to recover in England. Could you imagine how many people would love to travel to the Bahamas for medical treatment and procedures and also stay here for their recovery. Imagine the FDI, construction, jobs, inexpensive medical care for Bahamians who won't have to travel great distances for specialized medical treatment. The potential for repeat visitors after they are healed and if we are lucky some second home ownership.

**Sport Tourism** Madam President is another area which has huge potential to attract athletes from all around the world to train here in the off season. This would attract high school athletes, College and University athletes and of course professional athletes. We would need to invest in facilities and market them. The Betty Kenning pool is a prime example of the potential here where you can often find American college students training here during the off season or on one of their school breaks. In doing this we would be developing world class facilities for our own athletes while giving our kids the opportunity to see world class athletes train. It would contribute to increasing our hotel occupancy rates. Imagine the construction jobs, maintenance jobs and a steady stream of athletes running to our shores.

**Religious Tourism** Madam President is something that has been discussed for years and we have only touched the iceberg on this one. We have many world renowned Bahamian religious leaders, the two best known are probably Rev. Neil Ellis and Dr. Myles Munroe. We need to engage them and others to get this right with the goal of making the Bahamas the number 1 spot for religious Conventions and conclaves in 10- 15 years. What do we need to do to achieve this lofty objective. As we all know religion is big business. Let's make it big for the Bahamas and the Bahamian people. Who knows maybe an extra 250,000 prayer warriors coming to our shore annually may save some more souls here. God knows we need it."

## **PART 9: SMALL BUSINESS ISSUES**

Before the NES commenced, it was envisaged that a more comprehensive summit geared towards small business only would be convened. During the NES it was easily apparent why that was essential. In light of what is being planned, we have decided to reflect only a small portion of what emerged from the session in order to allow for details to be fleshed out during the future event.

### **PUBLIC SECTOR RECOMMENDATIONS**

#### **Government guaranteed loans**

The impact of the current economic events on small businesses has not been scientifically determined; however, information from The Chamber of Commerce and casual observation suggests that the pain has been most severe.

We recommend that the Government provide loan guarantees of up to an aggregate of \$10 million and not more than \$100,000 for any single company, for small businesses who a) require to restructure existing loans; and b) need new financing to support operating challenges as a result of the economic fallout. Financial institutions participating in the scheme would be required to reduce interest rates to prime and forego bank loan origination and other fees.

#### **Expedite payment to creditors**

The slow pace at which the public sector pays its debts is legendary.

We recommend the Government immediately put in place a mechanism to ensure that during this period of economic challenges in particular, all credit accounts with the private sector are settled within 30 days.

On a related note, through the invocation of compulsory land acquisition mechanism, the Government has seized land from private owners, or expressed its intention to do so, both with the effect of disadvantaging individuals and crippling many businesses who have not been compensated

We recommend that payments to such individuals be made in cash or the kind within 60 days.

#### **Bahamas Development Bank (BDB)**

It was evident from discussions during the NES that BDB lacks the resources to provide ongoing oversight as implied by its own loan commitment documents.

We recommend that BDB increase resources to ensure that companies receiving financing are supervised as required by their own policies. We also recommend that BDB require that companies receiving funding in excess of \$100,000 have properly functioning boards comprised of suitably skilled people.

In order to reduce the cost of BDB loans, we recommend that new cheaper funding sources be identified.

## PRIVATE SECTOR RECOMMENDATIONS

The number of small business failures, the level of bad loans and the pervasiveness of legitimate complaints against small businesses have caused small businesses to get a bad name.

We recommend that the small business community adopt a new posture by first acknowledging its own short-comings and seeking to pursue systematically a sustained public relations program that would change its overall image.

We recommend the creation of a Better Business Bureau. In this regard, we were happy to learn that one of the NES Participants, Mr. Wilfred Marvin Smith, indicated that he is part of a group that is creating such a system.

We recommend the formation of a Small Business Association (SBA) that has short, medium and long-term objectives. It was noted that many such entities have been formed, but have been short-lived. It is vital to the development of the sector that the SBA is vibrant and sustained.

We also recommend that the SBA engage in discussion with the Bahamas Chamber of Commerce and BAIC to determine how they might collaborate and avoid unnecessary duplications. Membership in the SBA should be renewed annually and should require members to observe defined code of conduct.

We recommend that the SBA give serious consideration to providing consistent visible community service.

It was noted that there is no strong consistent voice that leads small businesses. Leadership and strong advocacy is sorely lacking.

In order to increase the likelihood of success for small businesses, we recommend that financial institutions require business owners and or key personnel to go through management training.



## **PART 10: LIGHT MANUFACTURING**

### **PRIVATE SECTOR RECOMMENDATIONS**

We have observed that the Government buys a substantial amount of its goods and services from non-Bahamian companies.

We recommend that except for national security reasons, or in accordance with a loan covenant, the Government purchase 100 percent of its goods and services locally.

### **PRIVATE SECTOR RECOMMENDATIONS**

We recommend that a National Economic Diversification Committee (NECD) be created that would be comprised of people from the private sector mainly, and also people from the public sector, including The Ministry of Finance, Ministry of Agriculture & Marine Resources and The Ministry of the Environment. While public sector participation, as noted, would be preferred, we recommend that the NECD be formed without the initial involvement of the public sector as this might create delays. The NECD would have the following mandate: a) drafting legislation; b) developing policies; and c) promoting The Bahamas for investment purposes, with emphasis on partnerships.

With respect to the promotion of The Bahamas, we recommend trade missions to certain countries and sectors as well as the featuring opportunities in The Bahamas.

We believe opportunities exist for Bahamian manufacturers to enter into arrangements with foreign producers of competing products to manufacture their products locally for local and foreign consumption.

We believe such opportunities exist mainly where there is a high tariff on imported goods and where a significant component of the product might be produced locally and thereby reduce shipping costs.

We believe the opportunities described immediately above might be exploited by new entrants as well.

Among the items that might be manufactured are: paint and related products, cleaning products, bottled water, drinks and juices.

The Freeport Container Port presents manufacturers with many opportunities for export as well as import of raw materials at attractive prices. This is clearly underexploited.

The advantages of manufacturing in The Bahamas are quite compelling, including: a) an abundance of land; b) no corporate taxes; c) proximity to the United States; d) access to Freeport Container Port; and e) stable democracy.

We believe multi-national companies operating in Florida in particular might be interested in exploring opportunities in The Bahamas.

## **PART 11: CONSULATE & TRADE OPPORTUNITIES**

### **PUBLIC SECTOR RECOMMENDATIONS**

#### **Trade attaches**

Bahamas Embassies have not been used to advance trade opportunities to any meaningful level. Moreover, The Bahamas is not represented in many strategically significant areas around the world.

We recommend that major commissions be staffed with trade attaches. Given that this is an expensive proposition, we recommend that this be pursued incrementally and that cost benefit be closely monitored.

We recommend that consideration be given to establishing Missions in the following places:

- Continental Europe -This would be in recognition of the level of service we provide individuals and companies from Europe.
- Brazil - This is the largest country in South America, and has a strong track record in renewal energy.
- South Africa - This is the largest economy in Africa and potentially represents substantial new trade opportunities.

We recommend that opportunities for The Bahamas to share consulate offices with other Caribbean countries be explored.

#### **Trade agreements**

The best trade agreement means nothing if it's just on paper. It is a widely held view that not enough effort is spent trying to identify ways to maximize trade agreements for the benefit of Bahamian businesses.

We recommend that a clear strategy with respect to how new trade agreements should be rolled out in order to ensure maximum benefit is developed. Such strategy should include meetings with existing businesses that are perceived as being poised to pursue trade under the agreements, trade goals, projected effects and adequate budget.

#### **Technical exchange agreements**

The Bahamas has technical exchange agreements with a number of countries. However, there is little evidence that these are being exploited.

We recommend that all technical agreements be fully disclosed and that various private sector associations be empowered to take advantage of them. In addition, we recommend that annual reports of the exploitation of those agreements be reported in the media and tabled in Parliament.

## INDIVIDUAL RESPONSIBILITY

During these challenging economic times, the role that individuals might play to ensure our country's economic strengthening cannot be understated. We have listed below a number of things individuals might do:

1. *Save* – Consistent savings of an increasing amount is encouraged.
2. *Energy conservation* – Efforts to conserve energy at place of employment, home and even while driving should be pursued. See Energy section for specific actions that might be taken.
3. *Buy Bahamian* – Citizens are encouraged to be deliberate in their efforts to buy Bahamian-grown and manufactured goods.
4. *Ongoing training* – Bahamians are encouraged to pursue ongoing training, and training in new areas should be considered, if necessary.
5. *Improve work ethic* – The level of productivity in The Bahamas needs to be improved. During this period especially, everyone who works harder and more efficiently contributes in real ways to our overall economy.
6. *Educational emphasis* – Perhaps the most consistent message that came out of the NES was the failing of our educational system. Parental involvement is vital to ensure that children get the most from their school careers.
7. *Consumer debt* – People are advised to be prudent with respect to obtaining new debt, particularly consumer loans.
8. *Loan restructuring* – The recently enacted amendment to the Stamp Tax Act allows mortgagors to consolidate loans and transfer mortgages of up to \$500,000 without incurring stamp tax. Mortgagors are urged to consider one time debt consolidations and negotiate interest rate reductions, which would reflect their new empowered position.
9. *Domestic vacation* – In order to give our Family Islands an economic injection, Bahamians are encouraged to take vacations within The Bahamas. Cultural and heritage vacations should be considered.
10. *Budgeting* – Budgeting is always important, and more so during periods of economic challenges.
11. *Investing* – Despite the economic slowdown, or perhaps because of it, there are many opportunities for those with cash to invest.

**REMARKS BY LYNDEN NAIRN  
AT PRESS CONFERENCE  
NATIONAL ECONOMIC SUMMIT - INTERIM REPORT  
THURSDAY MARCH 12, 2009  
BAHAMAS CHAMBER OF COMMERCE**

Before we outline the major recommendations of the National Economic Summit (NES), we wish to make a few critical observations. First, it would appear that this economic crisis is far from reaching bottom, and it will be deep and painful for Bahamians. Unfortunately, there is no panacea. While we believe the recommendations emanating from the NES should be adopted, their pursuit will not mean that we will not experience pain. It will mean, however, that we ameliorate the sting and set our country on the path to economic diversification and historic structural strength.

Next, we urge the Government to reconsider its capital works generally and its plans to spend almost \$600 million on road construction and upgrade to the airport specifically. With respect to the construction of the roads, no evidence has been offered to support the proposition that that is the best use of public money at this time. That is true especially because it is hardly likely that the proposed roads will have a material impact on traffic congestion, certainly not to the extent that a)staggering work hours; and b)unification and drastic improvement of public transportation would.

The Government is urged to consider the possibility that a protracted recession might require the need for borrowing beyond what is now projected. Needless to say, borrowing for roads that we do not need might put at risk our capacity to borrow later when we need to.

Let me say that I was not of that view in September 2008 when the effects of the economic crisis became clear to me. I did not realize then that the recession would be so deep. I make that point because it is important to realize that the events we face are dynamic, and all of us must be prepared to adjust our thinking in the face of changing circumstances.

We believe that Government spending should flow into areas that would have a genuine stimulative effect. Regrettably, there is no evidence that the term “economic stimulus” is understood in our context. It is not true that every dollar spent by Government, no matter how well intentioned, is stimulative. In our context, Government spending that has the effect of reducing the current account deficit is stimulative.

Given that many persons are closely watching the efforts of the U.S. Government to stimulate its economy and believe The Bahamas should follow suit, permit us to offer two observations. First, the intent of the U.S. Government is to inject stimulus into the economy in order to fill demand not being met by the private sector in the U.S. and thereafter create confidence in the economy. They expect that the end result of their efforts will be the reinvigoration of the economy on a sustained basis and without ongoing Government inducement. John Maynard Keynes developed that approach to addressing economic challenges during the Great Depression in the 1930s.

Regrettably, no amount of money we spend on infrastructure will cause us to emerge from this recession nor will any amount of money spent to provide part-time employment for Bahamians. That's just the nature of our economy. We are not in a recession because Bahamians have lost confidence and have decided not to spend. Our economy is in recession because tourists are coming in fewer numbers. Yes, the drop in demand is driven by persons outside The Bahamas.

However, some would argue that the Government is seeking to provide a bridge until the U.S. economy turns around and tourists return. That strategy is not altogether unmeritorious, but it is not a stimulus strategy in the Keynesian sense and, more importantly, in today's context it is quite risky. It is a gamble because it would strain foreign reserves if Government borrowing to fund such initiatives is in Bahamian dollars; or increase U.S. dollar debt otherwise. Moreover, should the U.S. economy not recover in the time period that we expect, or if U.S. consumer spending changes dramatically even after their economy recovers, we would have exhausted our capacity to borrow without having achieved an appreciable improvement in tourism. With respect to a change in U.S. consumer spending, one can reasonably expect the U.S. consumer to use credit more prudently and to save more, at least in the short-term. That means we should expect impulse travel to decline and travelers to exercise a greater level of thrift. Furthermore, improvement in unemployment will lag behind the economic recovery, which means that even if, and that's a big if, the U.S. economy recovers during 2009, U.S. unemployment will still be high throughout 2010.

The second point we make with respect to this matter is that the Bahamas' reliance on imports places it in the highest percentile of all nations in that regard. Some have argued that that accounts for our level of wealth vis-à-vis other countries. We would argue that that presents us with an unparalleled opportunity to reverse that result by producing more of what we consume and hence become even stronger economically.

We are spending billions on energy and other imports. Is it really that foolish to imagine what we might become if we came together as a country and decided to produce more of what we consume? We are cognizant of the historical, cultural and ideological impediments that militate against what we suggest. Surely though, in the face of

incredible economic downturn we can muster the wherewithal to eclipse those challenges. Can't we? We say quite simply: pump stimulus money into areas that would reduce our imports and increase exports. We would create jobs in pursuit of those objectives and generate even more jobs because we would be a much wealthier nation. We argue that there is no other realistic way, apart from increased tourist expenditure, for The Bahamas to follow the Keynesian model of economic recovery.

Notwithstanding the foregoing, we accept the notion that our economy is linked to the world's, particularly the U.S. economy and that our recovery is more likely if the U.S. economy turns around. However, we simply do not believe we should be solely reliant on a U.S. rebound for our economic advancement. The reality is that the vast majority of countries around the globe would be thrilled beyond description to have The Bahamas' current level of per capita foreign earnings on which to build a strong economy.

Let's turn now to the NES. We went into the NES seeking to achieve one primary objective: To identify ways to positively impact The Bahamas' current account balance in the immediate to medium term. Such opportunities when exploited will positively impact entrepreneurial and job prospects and lead to an improvement in external reserves.

As a result of our intensive discussions with Bahamian agriculturalists, tradesmen, businesspeople, economists and other professionals, we have identified ways to improve our country's current account by \$1 billion. This would float directly into our country's national wealth, if you will. To put that figure into perspective, \$1 billion represents the following:

- 13% of GDP
- 2 times foreign reserves
- 6 times the amount spent by cruise visitors annually
- 53% of the amount spent by stopover visitors annually
- 38% of Baha Mar's proposed investment
- 50,000 persons can be paid \$20,000 each.
- What industries would generate \$1 billion?
  - Fisheries
  - Energy
  - Food production
  - Trade and manufacturing

Other:

What would achieving an annual improvement of \$1 billion in the current account mean?



Full employment  
Less reliance on tourism  
Increased entrepreneurial class.

How do we achieve the goal of an annual improvement of \$1 billion in the current account?

First, agree on the above as a national goal.  
Second, agree that we will achieve it in three years.  
Third, pursue the following:

Fisheries:

Improve marine security to reduce poaching dramatically.  
Develop world-class marine management including high technology laboratories and long range strategic planning.  
Pursue targeted training.  
Pursue value added product development rather than being primary producers only.  
Reinvent the Department of Fisheries.

Energy:

Employ new technology for energy generation, owned primarily by Bahamians.  
Unify and dramatically improve public transportation.  
Approve LNG with partial Bahamian ownership component.  
Pursue aggressive and sustained energy conservation for homes and businesses.  
Promote the growth of solar energy solutions for households and businesses.

Food production:

Achieve 100% sufficiency in poultry, goat and lamb production.  
Privatize and expand the Abattoir to diversify services and distribute products.  
Achieve 100% sufficiency in selected fruits and vegetables.  
Increase export of fruits and vegetables through strategic foreign alliances.  
Create the National Agricultural Institute under the auspices of C.O.B.  
Privatize packing houses and increase processing.  
In the main promote small and intensive farming.  
Ensure that lands leased for agriculture in N.P. are being used for that purpose.

Trade & manufacturing:

Increase emphasis and exploitation of Freeport Container Port.  
Seek to manufacture foreign competitors' products for local consumption and export.  
Aggressively promote The Bahamas as an excellent jurisdiction for light manufacturing.  
Create an Economic Diversification Committee.

Other:

Define, develop and promote new Family Island product.

Pursue specialized tourism particularly sports, education and medical.

Track, develop and promote cultural tourism.

Various other recommendations.

As we move into phase 2 of the NES, we expect further refinement of the above goals through conversations with the public and private sectors as well as with members of the Government and the Official Opposition.

We stand at a time that is pregnant with change and possibilities. Business, political and other leaders would do well to listen to the many voices around this country that scream for prudent yet decided economic diversification. We might not have another opportunity in our lifetime to effect the transformation we need. Lest the world's economy improves while we retain the status quo, let us embrace this crisis now and convert it to the opportunity that it offers.