



COMMONWEALTH OF THE BAHAMAS

THE HON. PHENTON O. NEYMOUR, M.P.

MINISTER OF STATE FOR PUBLIC UTILITIES

MINISTRY OF WORKS AND TRANSPORT

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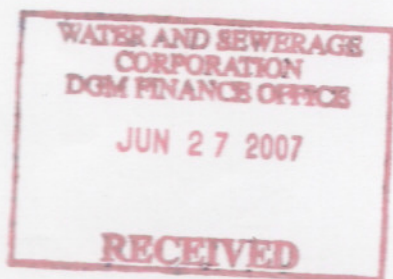
26th June, 2007

Mrs Sandra Edgecombe
Deputy General Manager Finance
Water and Sewerage Corporation
Nassau Bahamas


Dear Mrs Edgecombe

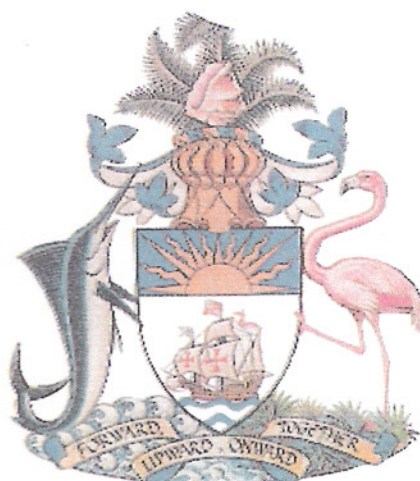
Re: 2007 Budget Speech

Enclosed please find a copy of the 2007 Budget Speech of
Minister of State for Public Utilities, The Honourable Phenton Neymour
for your records and necessary action.



Sincerely


Barbara Pinder
Secretary



COMMONWEALTH OF THE BAHAMAS
BUDGET COMMUNICATION
BY
THE HONOURABLE PHENTON O. NEYMOUR, M.P.
MINISTER OF STATE FOR PUBLIC UTILITIES
IN THE MINISTRY OF PUBLIC WORKS AND TRANSPORT
2007/2008 BUDGET DEBATE
JUNE 2007

Mr. Speaker, colleagues, this being my maiden delivery, I beg your kind indulgence as I take a brief moment to convey salutations and gratitude.

South Beach, in 2002 you clearly indicated the direction that you thought that I should take. I listened, I acted and you delivered. You have demonstrated through your overwhelming support that South Beach demands more than that which was given to you in the past by those of the other side. I know, with the Lords help, that I will demonstrate why South Beach must be an integral part in the proceedings of the Cabinet and this honourable House.

To the Kings, Queens, Lords and Ladies of South Beach, I sit here as the faithful and loyal servant. I am Your Voice. Your Majesties of South Beach, I am eternally grateful.

Right Honourable Prime Minister, Hubert Alexander Ingraham – Sir, I am most appreciative and emboldened by the charge and confidence expressed by way of my appointment as the Minister of State responsible for utilities. To the Senior Minister with portfolio in the Ministry of Works & Transport, the Honourable Earl Deveau, I pledge my unwavering support and commitment to the Way Forward and the Trust Agenda.

Mr. Speaker, whilst I serve in the Cabinet, the Executive Body of this nation, at the pleasure of the Right Honourable Prime Minister, I am not enamoured with the trappings of the office, nor am I forgetful to note daily that I sit in this Honourable House as the representative of the great constituency of South Beach.

To the Free National Movement, please note that I served as one of the first infant FNM campaign generals in the 1972 elections with my father who was the FNM candidate in Mangrove Cay. Mr. Speaker, Providence would have it that in 1990, prior to the passing of one of our greatest warriors and pathfinders, Sir Cecil Wallace Whitfield, I sat as a younger man, at his bedside in 303 East Sunrise Apartments, in Freeport, Grand Bahama, accompanied by one of his sons. Sir Cecil had been very ill – his eyes were jaundiced and his head was bald – but, on that memorable occasion, he had a visitor. Upon entry and sight of the visitor, Sir Cecil opened his arms and embraced the Rt. Hon. Hubert Alexander Ingraham on one side, and my brother and I on the next. His son Paul later sat alongside Sir Cecil giving him strength. My father, with eyes filled to capacity with tears, looked on.

So you see, Sir Cecil, I have listened, I have learned, my journey has been long, and I am again home, in this party, the Free National Movement!!!

Mr. Speaker, as I may never again have such a significant opportunity to reminisce as upon this my maiden political accession, I would like to thank the Governor General for recently forcing me to look back over my 35 year political journey. It was at the swearing-in of the Prime Minister, in the waiting room at Government House, when the Prime Minister began introducing to His Excellency the Governor General all of the recently elected FNM Members of Parliament. When they came to me, Prime Minister said nothing. His Excellency the Governor General then looked at me from head to foot and from foot to head and said “So you finally reach huh?”

Mr. Speaker, I was forced to recall my political Journey, with the now member for Bain & Grants Town, beginning after the death of Sir Cecil Wallace Whitfield in 1990. **Mr. Speaker**, I was forced to recall how the member for West End and Bimini did not use a long knife but figuratively a Samurai sword to “jook me up” in 1997, at the PLP Convention. In fact, I still remember what I was wearing. I never wore that suit again, but I still have the suit! This brings me to emphasise to all the members of this Honourable House, the old Chinese Proverb:

“He who causes pain is quick to forget, but he who feels pain never forgets”.

Mr. Speaker, I bled profusely but I survived. In fact, it was not the last time that the member for West End & Bimini demonstrated such great carving skills on this son of Steventon,

Exuma - Yes, the Home of Pompey. In fact, the last time, the job that he did on me was done even more masterfully on the Member for Bain and Grants Town.

Mr. Speaker, that is why I find this moment somewhat strange. As I look across the floor, I see my former political mentor, and in his seating to his left, closest to his heart, is the crude surgeon whose deep cuts gave birth to the CDR. **Mr. Speaker**, I see to his right is seated the "undercover" CDR. The one who use to hide in his car. I see to his immediate right the former CDR that abandoned Bain & Grants Town. In fact as I look at the other members across the floor, the remainder never supported him, and probably never will, but I was always faithful.

Mr. Speaker, this brings to mind the **last sentence** of my speech at the 1997 PLP Convention, when, after quickly recovering from the extreme blood loss, I closed out with the Biblical quote:

"The rejected stone shall be a cornerstone in a great Mansion".

Mr. Speaker, then there was the last paragraph of my speech at the last CDR convention in 2002. When I reminded everyone of the journey of the children of Israel out of Egypt. How God sent them along the hard road and not the easy road, so that they would not turn back. In fact my promise was, and I quote:

"I will not turn back".

Mr. Speaker, I never finished the story of the journey of the children of Israel, but I would like to quickly remind all, that **of the all** the children of Israel that left Egypt only two of them and their families ever reached the promise land. It was Joshua and Caleb. It was because they remained faithful... Oh yes! After journeying in the wilderness with the vipers and the scorpions. **Mr. Speaker**, Sir Cecil! I have listened, I have learned, my journey has been long, and I am again home, in this party, the Free National Movement!!!

Mr. Speaker, we are all abundantly aware that we cannot spare moments to reminisce. We must look onward with the welfare of our citizens in our minds and hearts.

We have heeded The Speech from the Throne, we are committed to our Manifesto 2007, and we intend to restore discipline and trust in government. More so, we intend to achieve the objectives outlined in our Trust Agenda.

Mr. Speaker, in recognition of such, I offer remarks on this most commendable and fundamentally firm Budget Document for the fiscal period 2007/2008.

Mr. Speaker, the Right Honourable Prime Minister and Minister of Finance, The Honourable Minister of State for Finance, and the staff of the Ministry of Finance should be lauded and appreciated for their dedication, thorough analysis and technical competence on this work of national import.

Mr. Speaker, it is a fundamental tenet of any responsible Government to undertake its fiduciary obligations in a prudential manner, and within the context of the country's economic realities.

Mr. Speaker, accordingly, I have every confidence that this Budget is reflective of those tenets, inclusive of maintaining, within fervent view, the demands for crucial social expenditures.

Mr. Speaker, this Budget brings due focus to bear on those most vulnerable groups of society, and on those islands and communities that our predecessors chose to allow to languish in the mire of neglect.

Mr. Speaker, the creation of the enabling environment for domestic development and/or foreign investment must be properly sequenced and structured with relevance and sensitivity. In particular, we must ably prepare for and act to reduce the consequences of such investment, environmental, cultural or socio-economic.

The provisioning of basic infrastructure, and therefore, utilities should be given due forethought rather than afterthought.

The Essence of Fiscal Discipline

Mr. Speaker, this budget seeks to introduce measures that attend to matters of fiscal discipline, and to the closing of avenues that require the exercise of constraint. For far too long, Contingency Warrants and, to a certain extent, Treasury intra Ministerial Virements have been used as implements of financial manipulation, void of accountability and transparency. Others have presented one Budget to the Bahamian people, only to then turn around, after approval by Parliament, and move to reallocate resources and/or exceed approved appropriations.

Contingency Warrants were used to circumvent the system of Parliamentary approval, to finance activities veiled in deception or to cover previously foreseen events without proper approval.

Mr. Speaker, it is that subjectivity, and those personal liberties taken, that depart from good governance and fiscal prudence. Those actions border on misrepresentation to Parliament and to the Bahamian public. Those actions are certainly consistent with smoke and mirrors, and are often referred to as bait and switch tactics.

Should we undertake a forensic evaluation of the expenditure amounts of some of those contingency warrants and virements over the last five years, I suspect we may well see expenditures for increased travel, crony consultants, padded or non-existent projects, and other orchestrated, Ministerial subjectivities, which may give cause for concern of the highest order. Further, the relatively large provisions for the budget category entitled Items Not Repeated, and the Miscellaneous and Sundry line items, were abused and used as methods of "stealth" budgeting.

Mr. Speaker, this Budget separates itself from those of the last 5 years, by being fundamentally sound, administratively effective, prudent, comprehensive and very responsive in the delivery of critical resources to the Bahamian people.

Mr. Speaker, we should understand all too well that the Bahamian people are far too intelligent for skulduggery antics. So, if Members choose to bait the Bahamian people, it is the Bahamian people who will be making the switch, and it is the Bahamian people who will be applying the tamarind switch.

That tamarind switch once applied lasts for a long time. It also affects your ability to sit comfortably. Look at this Honourable House, and it is evident that some, not everyone, who needed it, had an application of the tamarind switch.

I hear that the green or young tamarind switch application is the most severe. I will confer with my colleagues from Pinewood, Golden Isles, Bamboo Town, Marco City and Pineridge.

Mr. Speaker, we must now at this juncture of our economic development, similarly to the early term of 1992, again reintroduce and fortify the principles of sound economic management. This Budget will buttress the government's strategy, and set a path towards a balanced budget, reduction of the GDP to debt ratio, a reduction in GFS deficit, and a reduction in real unemployment, whether that definition of unemployment includes or excludes disgruntled workers and those not actively seeking employment or otherwise.

Mr. Speaker, the wage bill is formidable, but this government's Budget and approaches have been responsive. The protection of our international credit rating and credit worthiness will be enhanced and our international reputation and relationships shall improve exponentially.

We shall create an enabling environment for domestic and foreign investments. Our primary and productive sectors shall receive due attention, as well as our Family Islands and the most vulnerable groups of society.

Mr. Speaker there was some time ago an index utilised by international development agencies, called the Physical Quality of Life Index (PQLI). This index weighted certain factors – health, education, housing, access to services, etc. It supported the view that higher GDP per capita earning countries did not necessarily reflect exceptional standards of physical quality of life. It is our challenge to improve the socioeconomic welfare of our nation in a comprehensive and sustainable manner. Exploding fiscal deficits and breakaway borrowing, compounded by inappropriate investments that crowd-out the domestic capital and real state markets, without providing corresponding improvements in the labour markets or quality of life, have contributed to the gradual implosion of the foundation of the Bahamian economy and increased social ills.

Balancing Government Obligations

Mr Speaker, there are certain realities that ought to be properly balanced when considering the provision of essential services, such as energy, water and sewerage. Disturbing that balance, and thereby placing it out of equilibrium, swings the pendulum towards the end user, The Bahamian People.

The government on one scale has that very crucial social obligation to make essential services accessible, affordable and deliverable to all.

Mr. Speaker, the essence of equilibrium is to take measured steps to avoid burdening the populace with outrageous rates, poor delivery of service, impeded access and non responsive governmental interventions, which ultimately contribute to the debilitation of business operations such as Public Utility Corporations.

Mr. Speaker, this government shall not waiver in its commitment to honour its social obligation. Further, please be cautioned that these commitments shall not venture into an adoption of a full scale welfare system and the inevitable “welfare trap”, nor will it become entangled with the “leaky bucket syndrome” of continuous public sector wastage.

The critical balance that I make reference to requires quasi-government corporations (and in this case I refer to the public utility corporations, along with the public sector) to engage in what I call “mutual strategic planning” and, inter alia, appropriate portfolio management. There are mechanisms for information sharing and targeted assistance, to reduce the risk to the corporations’ project and investment portfolios.

Mr. Speaker, this government recognises the need to balance “good governance” with good corporate performance.

Mr. Speaker, Let me quote to you small segments of a report handed to me from the executives of the Water & Sewerage Corporation. This serves as a prime example of poor management and wastage by those across the floor.

1. In reference to the Union, this is what was said by executive management: “decisions made by the Board of Directors in support of requests by President _____ are sometimes unusual and not customary and thereby make it very difficult to be supported and managed by the Executive Team.”
2. Social Promotion must be discouraged and discontinued immediately, this has become a nightmare. It further erodes the integrity of the WSC.
3. In 2000 both Unions were advised ... That all further promotions would result from employees applying against vacancy notices and being interviewed and recommended by an interview panel. The corporation’s position was accepted mainly because of all other benefits that were negotiated at the time, but nevertheless agreed. During 2004

the WSC relaxed its position and entertained both Unions requests for one last promotion exercise as a possible trade off for a new and improved Performance Management System. This was discouraged by executive management, but they were overruled. The 2004 promotion exercise proved to be a fatal blow to the WSC's financial position, an arbitrary decision that would serve to haunt the Corporation. Both Unions presented nominees for promotion without consultation with the Executive Management Team to determine the impact on each division's hierarchical structure, the Union's received approval in full. The combined additional cost to payroll was \$593,957.00.

4. The activities of the Union on November 15, 2005 resulted in intervention by Board Members in the absence of the Former General Manager. The Board of Directors, via its Human Resource Representative _____, had direct discussions with BUSAWU that culminated in recommendations for the non-management group being forwarded and ultimately approved by Cabinet. This resulted in 86 non-management promotions and 31 accelerated increments effective February 2006, for a total projected annual cost of \$207,528.
5. **DISCIPLINE:** This matter is of grave concern to the Executive Team. The perception is that it is easier to discipline Executive Managers and Middle Managers than it is to reprimand non-management staff. Discipline can work if Executives are allowed to perform in accordance with policies, procedures and relevant industrial agreements with minimal external interference.

Mr. Speaker, The crux of the matter is that we must control the urge to satisfy selfish political aims that impose on good management practices. This government and this Minister of State have every intention of evaluating the strategic and corporate objectives of the Utility Corporations, and we seek to be responsive to and respectful of their internal management and financial affairs, such that we can enhance their ability to be self sustainable and to be considered attractive going concerns, over the short to medium term.

Mr. Speaker, this Minister of State intends to determine, along with the utility corporations, realistic targets and goals, resulting in the development of draft utility sector plans.

Mr. Speaker, these respective plans shall seek to prepare the corporations for improved efficiencies and real financial independence. Government subventions, transfers, and subsidies can not become infinite or "par for the course"!!

The efforts shall involve an integrated approach, in collaboration with the competent agents.

Mr. Speaker let me make it abundantly clear. The proposed integrated approach should not be confused with micro-management or political interference.

To the political pundits sitting with frothy mouths and ill-trained fodder, please do not attempt to transpose your indiscretions onto persons of different measure and ilk.

I have taken an oath before God and the Bahamian People, and I do not take that lightly, whether the code of ethics is policy or legislation.

Mr. Speaker, I have, in another, very recent incarnation, worked in water main trenches, sewage treatment facilities and at the Clifton Pier transfer station. I have also taken the arduous tour on the cruise lines, that is, the barges that deliver our petroleum throughout our islands. I know the plight of those that toil day in and day out to earn a single dollar.

Mr. Speaker, I have treated sewage, but I refuse to accept the abuse of power, and I sound out to those who have used the utility corporations as their personal playground or cookie jar. I hold those persons in contempt, and view them with utter disdain.

Exogenous Factors and International Awareness

Mr. Speaker, as we examine the economic indicators, such as the changes in the Retail Price Index, we must be mindful of the volatility of our economy in response to external shocks. Surges in energy costs, due mainly to increases in the cost of inputs such as petroleum and petroleum based products, have caused reverberations in the Bahamian economy, particularly over the previous triennium.

Fluctuations in energy costs have impacted the average pricing for transport, communications, food, education, healthcare and housing. [Housing is the most heavily weighted component in the Retail Price Index.]

Therefore, in the face of such constraints, it is imperative that entities in the utility sector seek to improve upon the efficiencies of their respective operations and to enhance the reliability, affordability and delivery of service. Please note that this Government and this Minister of State will anticipate nothing less.

Mr. Speaker, let me give you some examples of pure neglect by the previous administration, by which their failure to make administrative decisions severely impacted on the WSC ability to obtain additional revenue:

1. Paradise Island: failure to secure this account after 2 years of negotiation. (An estimated loss of \$3.6 Mn p.a)
2. Peripall/Arawak Cay R.O.: Failure to conclude this project on schedule and the extension of the shipping operation. (An additional loss of \$1.2Mn p.a)
3. South Ocean/NPDC: Failure to continue the direction and progress of nearly 2 years of negotiations, and present sale of water at a financial loss (potential revenue loss of \$3Mn p.a.)

Mr. Speaker, This is a total estimated revenue loss of \$7.8Mn p.a.

Mr. Speaker, through efficient use of Central Government subventions, inherent, positive multiplier effects can occur. In other words, we shall seek to “get more bang for our buck”. The Utility Corporations under my charge shall seek to exhibit successful examples of such an approach.

Mr. Speaker, we must make every effort to guide our resource management with approaches in consistent thread to the relevant concepts espoused by international Conventions, Resolutions and Declarations. For instance, the United Nations Millennium Declaration (in its Millennium Development Goals) noted the commitment “to halve, by the 2015... the proportion of people who are unable to reach or to afford safe drinking water”. We are equally mindful of the Declaration of Santa Cruz +10, The World Summit on Sustainable Development and the Human Development Report of 2006, which addressed power, poverty and the global water crisis.

Mr. Speaker, on a global scale, “around 1.2 billion people (or almost one-fifth of the world’s population) live in areas of physical water scarcity, and 500 million people are approaching this situation”.

Mr. Speaker, this land of ours, this Bahamas, through this Government, will make every effort to ensure that we do not join the ranks of countries with water deprivation and poor water resource management.

Mr. Speaker, we cannot underscore that government policy interventions and private sector cooperation must give consideration to matters including climate changes, biodiversity, clean air, access to high quality potable water, preventing and countering environmental degradation and greenhouse effects.

Mr. Speaker, the public sector, private sector and civil society will be invited to engage in the examination of alternative methods of energy generation, water conservation and environmental protection. Considerations for alternatives should be grounded in practicality and sustainability.

Doing Business from a Utility Sector Perspective

Some may think that water is the eternal renewable resource. After all, water falls from the sky and collect in nature's well fields and water lenses. There is little or no thought to the fact that the water must be collected, treated, transported and distributed. These actions have a financial cost and value.

Mr. Speaker, utility operations like the water and sewage Corporation are subject to a constrained revenue base. Consumers can satisfy their demand by using rainwater tanks, ground/well water, individual desalination devices or structured reverse osmosis units. Notwithstanding the legality of these implements, there is the matter of whether, in the absence of corroded mains and distribution lines, antiquated plant operations and product leakages, the Corporation has the capacity to match current or projected consumer demand due to population shifts and growth.

Mr. Speaker, this Budget and the Government, through its adoption of sound fiscal management, have re-established the plan for quasi-government corporations and the private sector to emulate.

Mr. Speaker, the utility corporations will be directed to embark upon an exercise to rationalise their operations, including their financial and management procedures. Thereby, at the Mid-Year review, my office seeks to be in a position to report to my senior Minister and onward to Cabinet, on the State of Affairs of the Utility sector and to produce a draft Sector Plan. Further, a technical evaluation of the presiding rates shall be undertaken.

The application of market cost rationalisation and value-for-money approaches will guide such evaluations.

Mr. Speaker, the utility corporations shall seek to employ all practical elements of best practices in the utility sector (that is, current not draconian best practices). These best practices shall be of relevance to the Bahamas' circumstances.

Mr. Speaker, technological advances must be embraced by the utility corporations. These advances will undoubtedly assist in the management and coordination of their operations. Examining e-business opportunities can allow greater conveniences to the consumer, and provide ample means of establishing management and information databases.

In turn, accounting and auditing can be undertaken with marked improvements. Decision making and information networking will benefit immensely.

Capacity building and training within the corporations should be given due focus.

Mr. Speaker, as an ancillary thought, it would be remiss of me not to give recognition to the considerable contributions this Budget provides for Education through various means - That is, through the Ministry of Education, Youth, Sports and Culture, the College of the Bahamas, BTVI, the commitment to reengage the Education Loan Guarantee Programme, and the provision of opportunities for the youth in the Southern Bahamas.

Mr. Speaker, it is imperative that collectively we find domestic remedies and approaches that auger positively towards the betterment of the entire Bahamas. We ought not to use "boiler plate" approaches and band-aid solutions. The investment by this government in human resource development today, through this Budget, means that over the short to medium term the Utility

Sector can benefit in a sustainable manner from the introduction of more technically-sound Bahamian specialists injected into the labour force.

Mr. Speaker, I implore you – Give me a hydrologist from Rum Cay; Give me an environmentalist from Pirates Well; Give me an electrical engineer from Salinas Point; Give me a chemical engineer from Mathew Town.

Mr. Speaker, this budget is taking measured and responsible steps to achieve the possibilities. Government's budgets cannot continue to finance exorbitant foreign consultancies that generate very little and use 99% Bahamian brain-power and input. These external consultancies also contribute to low morale among equally qualified Bahamians, the leakage and repatriation of foreign currency, and the export of Bahamian brain trusts.

Mr. Speaker, utility corporations world-wide are capital intensive on a scale of 1 to 4 times more than the average business venture. Utility corporations demand a consistent flow of resources, their projects span several budget cycles, and they have to constantly replace and upgrade. Further, given the level of rehabilitation, refurbishment, replacement and expansion required, the government has sought to address the priorities of the corporations and the populace through the subvention of a consolidated amount of \$11 million during this fiscal period for the Water and Sewage Corporation and \$500,000 to the Bahamas Electricity Corporation.

These provisions address the mandates of the Corporations and the Government. Please note that this Government did not direct or commission projects, and did not unilaterally and subsequently withhold primary or counterpart funding, thereby eroding the Corporation's income base and passing deficit expansion onto the balance sheets of the Utility Corporations.

Mr. Speaker, if you need \$25 million to finance a utility sector project, having 18 promises from 18 Members of Parliament just will not get the job done. 18 can't get you 25, at least not from where I sit.

Mr. Speaker, as Members will note, in the two consecutive terms of the Free National Movement's governance, there were integrated plans that valued the importance of upgrading, expanding and improving the plant and equipment throughout the Bahamas.

Mr. Speaker, during the recent five-year, narcoleptic term of the previous administration, the plan of sustained maintenance and improvements took on an ad-hoc schedule, which depleted the benefits of economies of scale and coordination. At the same time, the consumers paid more and received less service, and that service was more unreliable.

The Utility Corporations

Mr. Speaker, permit me to introduce direct details in respect of the Utility Corporations that fall within my Ministerial Portfolio.

The Water and Sewage Corporation

Mr. Speaker, I now wish to speak on matters related to the Water and Sewerage Corporation and the very important mandate that they have been charged with. First, let me re-emphasise that this quasi-government Utility Corporation, unlike others, does not have the great advantage of a monopoly service, where all the residents must depend on and contribute to the sustainability of the services it delivers. This situation creates a major challenge in regard to on the Corporation's financial position, and inhibits its ability to carry out its mandated duties and to expand its facilities to meet the needs of this rapidly developing Nation. Despite this major challenge, and as a result of my Ministry's encouraging and providing fertile ground for prudent management, we shall come to see a sustained trend of reduced operational losses, and improved services. In our present budget plan, the Corporation anticipates continuing with plans to improve

services in all sectors, increasing revenues, expanding system networks, and replacing old and defective infrastructure.

Mr. Speaker, I have recently discovered what I consider to be a gross abuse of power by the previous administration, whereby the previous Minister of Works and Utilities and Member of Parliament for Grants Town approved the swap of 8.63 acres of reclaimed swamp land, in the vicinity of the end of the runway at NIA, for 10.0 acres of WSC-owned prime land in the Perpal Tract area. Who was this deal made with? None other than Arawak Homes.

What is worse is that the WSC has no need for this reclaimed swamp land, other than to ensure that it would not be developed, nor impact the well fields adjacent to the Airport. Further, this reclaimed swamp land was designated by Civil Aviation as "not to be used", as it is needed for rain run-off and drainage of the existing runway.

So, why is land that is designated "not to be used" being given to WSC, while prime land that can be used for financial gain is taken away from WSC? Only one group is set to gain... Arawak Homes. They are taking prime land from the poor. Who is poorer than WSC?

I seem to recall some years ago, when I queried why WSC was not completing the sewage treatment plant in Pinewood Gardens, I had asked this same Minister who had approved this land swap whether he had any interest in Arawak Homes. That question was never answered.

Mr. Speaker, water quality and reliability of service in New Providence and most of the Family Islands must be improved even more, in order to meet the proposed development plans of the Government. However, and I say this with emphasis, there is a long way to go yet, and the Water and Sewerage Corporation "cannot rest on its laurels", but must get on with the job of providing all of our Bahamian communities with access to potable water. Dealing with sewage on a national scale is an even greater challenge that remains to be addressed. Efficiency will come from improved leadership.

A strategic sewerage plan is being developed for New Providence, and the Corporation is demanding that all new developments of substantial size in this Commonwealth shall have to install central sewerage systems with appropriate wastewater treatment. The main challenge will be in existing communities that are rapidly growing and need to move away from the old practice of using only septic tanks, and toward utilising complete conventional septic systems.

Mr. Speaker, the budget allocation provided of \$11 Mn. Which is \$1 Mn. Less than that allocated last year goes toward meeting long-term contractual obligations, subsidies, and current debt from past loans. I am pleased to report, at the same time, that efforts are underway with specific programs to increase revenue, reduce receivables and minimise and eventually eradicate future subsidies. Improved efficiencies have already contributed to reduced budgetary estimates for this budget cycle compared to 2006/7. Details of some specific plans will have to be reverted back to this Honourable House, so that the decisions can be made, and the way forward will reflect a true spirit of non-partisanship on a utility that is critical to the future, health, and economic well being of the Bahamas, its residents and guests.

Mr. Speaker, the Water and Sewerage Corporation has been challenged to develop a realistic and forward-looking water supply strategy for New Providence. The water shortages of previous years have to become a problem of the past, and I, as Minister of State for Public Utilities, will work diligently to ensure that this is what is achieved. In this regard, with our Government's increased emphasis on public utilities, we shall have to re-examine the existing proposals, weigh up cost/benefit implications, submit a plan, and take appropriate action.

A major component of this underlying strategy must include the reduction of non-revenue water and the rationalisation of the increased use of groundwater versus the use of desalinated water (although groundwater sources need to be protected and conserved and used on a

sustainable basis). This more specifically addresses the dependency on the importation of groundwater from North Andros, which is affected by weather, and can no longer be relied on to satisfy the growing water demands of the city, and the expectations relating to service standards. Reverse Osmosis water production now represents 70% of total water supply, and it is planned that in the next 3 years this will account for 90% of the water production in New Providence.

Mr. Speaker, the Windsor plant (which was constructed under an FNM-led Government, and for which I was the project engineer), and the new reverse osmosis plant at Blue Hills, both of which are operated by the Consolidated Water Company, are presently producing up to 7 million gallons per day. This is top quality water, as recognised by World Health Organisation standards. It is produced right here in New Providence, where it is needed, and is delivered to supply most of the island. Future plans will call for additional Reverse Osmosis plant production in the Eastern and North Central districts of New Providence. The latter plant is overdue, and is required to meet the future needs of major proposed hotel developments on the island. We recognise that the commercial tourism sector is essential for bringing in additional cash flow to the Corporation, while it aggressively seeks to provide modern water and sewerage services throughout The Bahamas.

We must reduce the proportion of non-revenue-water as quickly as possible. This focus on servicing these commercial operations, combined with the ongoing Non-Revenue Water eradication project, an expanded customer base and the winning back of old customers, will serve to ensure that New Providence will always have an ample supply of high quality potable water.

Mr. Speaker, there is abundant scope for private sector participation in water and sewer utility services, and the Corporation will aggressively investigate how this approach will assist with finding the funding needed to deliver the service that Bahamians now demand. Investing in water can provide a promising future, and that must be encouraged. Bahamians can and should be the investors.

Mr. Speaker, the Water and Sewerage Corporation, as required in order to meet our commitments made in the Speech From the Throne, will revise its development plan for the water supply needs of all of the Family Islands, and is working to address these needs as we speak.

We are actively reviewing the mode of water supply for Green Turtle Cay; Acklins in Salina Point and Snug Corner; Eleuthera, in the Rock Sound district; Sweetings Cay; and Long Cay. Further, where existing plants need increased production capabilities, such will also be implemented.

Mr. Speaker, despite all of this, there is much more that remains to be done on many islands. These areas include, but are not limited to:

- Areas of Long Island
- Little Exuma and Barreterre
- The southern sector of South Andros
- Cat Island
- Acklins and Crooked Island
- Mayaguana
- East End Grand Bahama

Mr. Speaker, it would please the member from South Eleuthera that there are also many other areas that need attention, such as improving water quality in the Rock Sound/Tarpum Bay area of Eleuthera, and resolving the water supply problems of Bullocks Harbour and Great Harbour Cay. However, I will refrain from stating all of those needs at this time. **Mr. Speaker**, the task before us is great. I am convinced, however, that we will succeed.

Mr. Speaker, the Corporation's team is always at work in its efforts to improve customer service. One major initiative that will delight customers will be a centralised Complaints Handling and Response Management Unit (CHARM-U), which will be responsible for receiving and coordinating responses to all customer queries, and ensuring that none fall through the cracks. Planning is well underway, and the public will be kept apprised of progress. Another related initiative is the Better Efficient Notification System, also called BEN, which will deliver messages to targeted customers by fax, and e-mail. This system is already being tested, and will ultimately be used to remind selected customers about important deadlines, advise them of local service improvements, disruptions, and even issue general advisories, such as for hurricane preparedness.

Given our stressful lifestyles, we all welcome choices and certainly many Bahamians use on-line services. The Corporation will therefore seek to evolve existing options like pay-by-phone and bank payments, moving toward full e-commerce.

The Corporation recognises the need to upgrade and expand its customer service centres, particularly on the Family Islands. One such example is on San Salvador, where a new office will soon open at the BTC complex in Cockburn Town. Another office will open very soon in Cooper's Town, Abaco, for the first time, and several other offices will be renovated and upgraded to bring them to an acceptable standard.

Mr. Speaker, as a Small Island Developing State that is considered to have a very high GDP, the focus and emphasis on providing adequate water and sewerage services will be placed higher on the agenda. The major capital costs may be a challenge, but the investment is essential for the further development and sustainability of this Commonwealth. It goes to the core of our well-being, and helps to define our standards of living and health. I trust that all issues concerning this important sector that are brought before this Honourable House will be met with favourable consideration.

The Bahamas Electricity Corporation

Mr. Speaker, I now turn my attention to the Bahamas Electricity Corporation (BEC).

BEC has generated and distributed electric power to the general public throughout the Bahamas, with the exception of Grand Bahama and a few small installations, since 1956. This service is vital to the success of our nation.

With increased modernisation and reliance on technology, the need for a high quality electric power supply and distribution system is now much greater than it was many years ago. There is a public demand for good service (that is, available and dependable power, at a cost effective price), and as the economy grows, the services provided by BEC become even more critical.

Mr. Speaker, in our Manifesto, we spoke to a number of items relative to BEC, and I shall address some of them now.

- **Alternative Energy Sources** – Small Island States such as the Bahamas are particularly vulnerable to the effects of climate change and global warming. In recognition of that vulnerability, we must minimise the use of fossil fuels, and undertake to review the various alternative technologies that may be practical and cost effective to our islands, including solar, wind and wave energy. Private/public partnerships for beneficial national initiatives shall also be explored.
- **New Connections** – The time taken for the installation of power to new subdivisions, businesses and residential customers must be improved. Toward this end, we shall cause a review of all factors that contribute to delays in the processing and delivery of such

services. We shall also undertake to educate the customer as to the steps that they may take to minimise delays – new home owners, as well as developers.

- **Fuel Surcharge** – There have been drastic increases in the cost of fuel on the international market over the past few years (for a variety of reasons, including war, terrorism, speculation and hurricanes, among other things), and such increases are beyond the control of BEC and the Bahamas Government. Nevertheless, they have impacted all Bahamians through higher electricity bills, due to increases in the fuel surcharge.

The increased cost of oil has also adversely impacted BEC by increasing its operating expenses. It should be noted that BEC does not in any way profit from the higher cost of oil. Further, BEC is aware of the public's concern relative to the calculation of the fuel surcharge, and wishes to confirm its intent to have the matter reviewed and the charge normalized.

- **Mr. Speaker, we have allocated in the 2007/2008 budget \$500,000.00 for Street lighting** – Most streets in New Providence have street lights installed and installations will continue, in the remaining areas, and a programme to ensure better maintenance of streetlights will be implemented. The installation of streetlights on the Family Islands will continue, in a phased manner.
- **National Energy Policy** – The principal forms of energy used in the Bahamas are diesel, gasoline, and jet fuel. The use of alternatives is very low, and at present we do not have a National Energy Policy. This must change, and a national approach to addressing such issues must be taken. There is also a great need for the use of more energy efficient appliances and systems. Consumer Education will therefore increase, and simple steps that customers may take to conserve energy will be highlighted.

Mr. Speaker, in addition to the points mentioned in the Manifesto, I would also like to address two matters that were recently in the Press: the outages affecting sections of Seabreeze, and the release of oil at Clifton Pier.

Seabreeze Outages

Some of the residents of Seabreeze have raised their concerns about frequent outages. I am advised that the majority of the outages relate to instances whereby a generator trips off-line resulting in some customers automatically losing supply in order to maintain the system. While trips will happen from time to time, the present frequency of generator trips is not acceptable. Hence, I have requested a review to determine the causes of the generator trips, and have recommended that steps should be taken to minimise the same. The maintenance and operation of the generators must be improved.

Clifton Pier Oil Release

Mr. Speaker, the M.P. for Clifton Pier stressed the need to address the environment, and I wish to note that, while BEC understands and appreciates the need for development, inclusive of the generation of electricity, we will seek to do so in an environmentally friendly manner. Best practices and standards of workmanship must be maintained at all times. I was therefore disappointed to learn of the discharges of oil into the sea at Clifton Pier.

Investigations have revealed that, while there were other problems that affected the area for many years, there is now a new release that has resulted in oil being reaching the sea, via

cavities on the coast line. To mitigate the problem, booms have been installed along the coast line to contain seepage, and environmentally-friendly materials are being used.

Mr. Speaker, the recovery is but one aspect of the process. In addition to recovering the oil from wells on the Clifton Pier Compound, investigations into the sources of the leak/seepage are underway. No stone will be left unturned in getting to the bottom of this vexing problem. Steps must be taken, both short term and long term to protect the environment. The assistance of experts in the oil industry will also be used to assist in resolving this problem.

In preparation for mitigating any possible future oil spills my ministry has directed that we will procure 2 Mobile Land Oil Response Units that will be stationed at the Clifton Pier and the Blue Hills Compounds. They will also be available for Family Island use should the need arise. Additionally, this week we have ordered additional ocean and shore booms to contain oil spills should they occur, along with other equipment to assist with containment and recovery, at a cost of some \$400,000.00, including absorbent pads, tools, recovery pumps, generators and accessories. Also this week, an order was placed at a cost of \$90,000, for a 25 foot vessel to assist with oil spill cleanups. In addition to making available added staffing for Safety, will insure that Training and retraining of staff in the Safety procedures, the handling, disposal and recovery of oil will also take place.

Mr. Speaker, I would next like to address several issues relevant to the efficient and effective operation of BEC.

Training & Development

Mr. Speaker, training and development is vital to the success of all organisations. In addition to the training of new employees, retraining and cross training should also take place. With this in mind, I wish to commit to continued training efforts at BEC. A number of job-specific training programs, inclusive of Customer Services Training, Cable Jointing Training, Diesel Operations, GIS, Management & Supervisory Training, etc. will take place. Additionally, the Apprenticeship Program and Engineer-In-Training Program will continue.

Health & Safety

Mr. Speaker, health and safety are core to the business needs of all organisations. This is particularly true for BEC, a company that is highly technical, many of the employees being involved in the production and distribution of electricity. Provision of a safe work environment and personal safety of employees will be reinforced. Safety Reps will be mobilised to assist with safety matters at the various work sites and the Management Safety Committee will be re-activated. I must make it emphatically clear that this Minister of State intends to highlight and concentrate my efforts on safety, health and the environment, and to nurture a safety-conscious culture throughout my Ministry. Over the next year, we will develop and implement stronger environmental response plans for oil spills, Hurricanes and personal injury.

Industrial Relations

Mr. Speaker, for many years there has been challenges at BEC when dealing with the issue of industrial relations. This year, negotiations for a new Industrial Agreement with the BEWU will take place. Also, the Industrial Agreement with the BEUMU expires later this year. And while we firmly believe that management has the right to manage, we also believe that it should be done in the context of the Industrial Agreements and in a harmonious atmosphere. Where disagreements occur, then the legal mechanisms that are in place should be utilised. We

therefore commit to use our many years of experience in this arena to assist with the promotion of a harmonious atmosphere, because at the end of the day, there should be the common goal of providing quality service to the customers.

Planning

Mr. Speaker, the corporation recognises the need for greater focus and attention to planning – immediate and long term. The corporation will therefore be structured to improve its strategic planning as well as technical planning. This would involve further consultations with government and non-government agencies, investors, developers and individual home owners. By so doing, BEC will be ahead of the developments and in a better position to assist our customers.

Hurricane Preparedness

Mr. Speaker, as you are aware, the hurricane season is from June 1st to November 30th, and this year's predictions are for an above average season. There have already been two named storms. BEC has implemented programmes in preparation for the hurricane season, including replacement of rotten poles, cutting of trees, and maintenance of the distribution system among other things.

Further, according to procedures, hurricane meetings have been held, and the relevant employees have been briefed on their roles in the event that we are impacted by a hurricane.

I wish to take this opportunity to remind those members of the public who have not yet begun their hurricane preparations to do so. While we are blessed to live in the Bahamas, it is a fact of life that we are living the hurricane belt. Preparation is therefore key. I also wish to advise that safety is paramount both during and after a hurricane. Do not touch downed power lines. Do not attempt to cut trees that are in or near to power lines. Leave such jobs to the professionals. Call BEC if necessary.

Capital Projects

Mr. Speaker, as we debate this national budget, it is quite clear that BEC plays an integral role in safeguarding and improving the country's well-being. Not only must growth be taken into consideration, but the need to improve the provision of electrical supplies to existing customers is also necessary. For our upcoming financial year, BEC plans to spend a projected **\$350 to \$400 million** on capital projects. This is planned for the improvement of the delivery of service to customers in New Providence and on the Family Islands.

As the economy continues to strengthen, there is a need for BEC to be ahead of the game. Here on the island of New Providence, there will be a number of new subdivisions and projects that are projected to require additional generation capacity. In order to accommodate this growth, the power generation capacity on New Providence must be increased. I am therefore happy to report that demolition of the old steam generators is in progress, to provide space for the construction of two 40MW slow speed generators, at a projected cost of some **\$130 million**.

Mr. Speaker, growth is also taking place on the Family Islands. Therefore upgrades on the Family Islands are also necessary. I therefore wish to mention a few of the capital works that are proposed:

- **Abaco** – A new power station to be constructed at a cost of some \$66 million. The site is soon to be determined.

- **Eleuthera** – A new power station is to be constructed at a cost of some \$ 12 million and negotiations are presently underway for the upgrade of the transmission and distribution facilities on the island.
- **Cat Island** – A new power station is to be constructed at a cost of some \$14 million
- **Inagua** – BEC plans to take over operations at the current facility from Morton Salt in the coming months. However, there is a need for a new power station to be constructed, at a cost of some \$14 million.

I would now like to take this opportunity to congratulate the hard working employees of BEC for their service and dedication over the years.

Closing

Mr. Speaker, in closing it is the objective of this Minister to honour the Budget directions, the Trust Agenda and this FNM Government's Manifesto 2007.

Mr Speaker, good governance is not a political convenience to bring out at election time. It is the core element of our actions as the Executive Branch of this country, and of this Honourable House. Members should embrace these values and conduct the affairs of the people of the Bahamas accordingly.

Mr. Speaker, the Honourable Member South Beach rests. I thank you.