

FUTURE STATE REPORT

AUGUST 23, 2019



**BERMUDA
FIRST**

EXECUTIVE SUMMARY

BermudaFirst has now completed Phase II of the National Socio-Economic Plan, which provides specific recommendations for achieving a healthier future state of our island home. Our Vision:

To create a National Socio-Economic Plan that shifts mindsets and behaviours and offers every Bermudian the opportunity and tools to participate equitably in our sustainable, growing economy.

BermudaFirst's thinking has been, and continues to be, influenced by the convergence of four global trends, which will in time (and, in several instances, have already begun to) impact life in Bermuda: Rising Inequalities (including Rising Income Inequalities), the increasingly rapid rate of Technological Change/Artificial Intelligence, Tribalism and Climate Change.

The impact and effects of rising inequalities are powerfully evident across our community. Wage disparities continue to plague us, exacerbating the delta between the haves and have nots. We must ensure there is no discrimination in wages received by any of our citizens based, among other things, on race or gender. Wages should reflect equal pay for equal work. The anti-social behaviour evidenced in our community also requires a proactive response. We must ensure the combination of available resources within Government and the charitable sector represent sufficient response to improve conditions that impede those citizens affected from realising their full potential. The assessment of both Government and the Third Sector should lead to a rightsizing of these resources to ensure effective and efficient solutions.

We must not ignore the challenges faced by our Senior Citizens, many of whom are financially challenged and, at times, forced to choose between food and medication, receive limited therapeutic support services and/or lack adequate accommodation, especially when they can no longer care for themselves. We must immediately engage our Seniors in consultative dialogue to ensure the resources necessary for living the life they deserve are available to them.

The increasingly rapid rate of Technological Change, including the impact of Artificial Intelligence, is the factor whose impact we know will be significant, but its extent is a challenge to accurately dimension. We cannot bury our heads in the sand or pretend that Bermuda will not be impacted; nor should we be afraid of it. Making Public Education world class, upskilling the workforce, and inviting and incubating talent in this space, are the required actions to make our island competitive in the future.

Tribalism - the behaviour and attitudes that stem from strong loyalty to one's own social group - is, in our view, the most troubling global trend, as it can have a devastating impact on the social fabric of our community. It is in any form, be it religion, politics, status, class or race, the antithesis to meaningful collaboration. In a location as small as Bermuda, segmenting into the haves and have nots; choosing 'me' instead of 'we'; allowing issues that are relatively inconsequential to dominate our discourse while the consequential challenges inhabit the recesses of our consciousness, is not a pathway to sustainable success. To solve our challenges, we need respectful dialogue, patient listening skills, an ability to disagree without being disagreeable and all shoulders to the wheel. How we work together, respect one

another and share common expectations for our well-being will, in our view, be true indicators for success.

Climate Change is reflected in the recent increase in the frequency and ferocity of hurricanes and storms, which reminds us that we must maintain a state of preparedness. Bermuda is uniquely qualified to tell the story of adaptability and recovery from these weather systems. Over time, however, there is an adverse impact on our already challenged infrastructure, which we need to understand and anticipate with suitable plans (i.e. the flooding of Town Square in St. George). We must not ignore these indicators. The ongoing erosion of our coral reef is another factor that we need to heed. Bermuda has the talents of BIOS and weather experts at several of the Class 4 Re-insurers at our disposal. Convening these talents would be in our best interest.

There are several recommendations contained within this report. Taking into consideration BermudaFirst's responsibility to present timely, objective and operationally achievable advice, if Bermuda is to successfully navigate the impact of the global trends previously mentioned, we have concluded that the most important, urgent decisions encompass three areas: Education, Health Care and Talent/Immigration.

We must make a radical change in Public Education and have a world class system that produces graduates who can compete in their choice of either academic or vocational careers. This reformed system must be based on accountability for outcomes. Despite the best efforts to date, we have underperformed, and one glaring reality is the portion of our population that is unable to compete for existing job opportunities, much less present themselves as candidates for emerging 21st century work! If we fail to act decisively now, our passivity will be viewed as the most significant missed opportunity in the history of the Island. In addition, we should introduce bold and relevant job training programmes that allow those persons in the workforce who can acquire new skills to take their earned place. We must be very clear that the opportunity for equal participation comes from each citizen's willingness to put in the work and earn that place. These realities 'make the case' for our Education recommendation, which is foundational to any long-term sustainable success.

The second critical action to be taken concerns Health Care. The Bermuda Government, like many governments, is wrestling with the most complex and challenging issue facing society. What should our health care system provide for our citizens? Bermuda is in a crisis state, with our present circumstances having deteriorated to a point where immediate intervention is required. The recently announced reforms by Government lack a holistic method and will have unintended consequences that will only exacerbate the existing challenges. Further, the fact that our citizens' own lifestyle choices have made Bermuda one of the least healthy populations in the World, with unacceptable levels of chronic, preventable diseases (i.e. diabetes and heart disease) resulting in overburdening financial impacts, should be a wake-up call for us all.

The work of our Health Care Working Group is substantive and represents a thoughtful and thorough response, deserving of careful consideration. In addition to the recommendations contained within this

Report, we also support the convening of a new team of resources from the Private and Public sectors to work with world class subject matter experts. BermudaFirst's work to date provides a strong starting position for the engagement of such a team. Given the clinical partnership we are currently negotiating with Johns Hopkins' Medicine, we should utilise this relationship with Johns Hopkins University to access Johns Hopkins' Bloomberg School of Public Health, a world class expert in advising on the design of health care systems. Ignoring the advice of best-in-class experts, in this instance, would be pure folly and would certainly lead to under-informed choices. Bermuda cannot afford to delay leveraging this and other similar, influential resources.

Given that Health Care represents the largest expenditure of the Government, getting control of this cost and implementing a sustainable long-term solution is a high priority. We must also ensure that the regulatory oversight is best in class and mirrors the reputation and quality found in the Bermuda Monetary Authority. Bermuda deserves nothing less. Further, regulatory oversight of physician and medical practices should be the responsibility of the Bermuda Medical Council.

The third critical foundational element is that of Talent/Immigration. Recent experiences with Economic Substance, Taxation and relationships with Governments and Regulatory Authorities affirm the need for additional expertise to ensure that Bermuda's interests are effectively represented. The reality is that there are approximately 20-30 critical roles in the Bermuda Government that require the incumbent to have the skills and experience that meet global standards. This is also the case in many large local and international businesses. Given the skills required, we are not likely to initially find all of the solutions at home, therefore requiring the acquisition of globally trained persons. We need to be transparent in filling these positions and utilise the opportunity to train up local talent who, in due course, can be placed overseas for appropriate professional development. The Government, by leading in this manner, can positively influence the discourse, thereby reducing the emotive element of our usual dialogue about immigration. We applaud the Government's decision to move forward with the Talent Assessment initiative for senior Civil Servants. We recommend transparency with the public to aid in the shift in mindset that must be achieved so that we attract and retain the global talent required for our success as well as make opportunities available for Bermudians to realise their full potential.

Upon the completion of our Current State assessment, it was clear that the existing collection, assessment, manipulation and utilisation of data to inform policy is woefully inadequate. This leads to sub-optimal and under-informed decision-making and policy choices. Government's existing technology infrastructure does not allow for efficient data collection, collation or sharing. Throughout Government, data is not current; it is insufficient, incomplete, not readily accessible, under-utilised and/or non-existent. In many cases, key demographic information, such as race, is not collected even though it is a key requirement for effective analysis and decision-making. Multiple stakeholders, including Government, private and third-sector entities collect similar data, but with varying measurements and methodological approaches, making data comparison difficult, if not impossible. We must utilise relevant data more effectively to reach our desired societal objectives. If we are to achieve the ultimate vision as set out above, we need to become a society that gets to the answers quickly. Failure to do so will adversely impact our competitive advantage. Embracing agility will require Government

reform/restructure as well as a change in mindset. Our recommendation is that Government should identify and act on the areas/processes where an immediate 'data deep dive' could create insights that would lead to the timely design and implementation of policies capable of substantially changing Bermudians' lives.

This Phase II report is written in a style that we hope will resonate with a broad cross-section of Bermuda in the expectation that we will achieve a shared mindset and commitment to take responsibility for ourselves by embracing these recommendations. We believe that these recommendations require courage and commitment, and that we must avoid dilutive compromise. The structure of the Report will include the Executive Summary; the Report, which will focus on the three foundational elements of Education, Health Care and Talent/Immigration; the remaining High Priority Recommendations, which we believe can be undertaken by Ministers/Ministries with guidance from BermudaFirst Resources; all other Recommendations; all substantive work completed to date by our eight Working Groups and information pertaining to the stakeholders and resources utilised to date in the first two phases of this undertaking.

The old dynamics that determined market cycles no longer apply and those simply waiting for a market change will eventually be challenged for relevancy. The drive to ensure that our infrastructure is internationally cost competitive is relentless and the impact on human capital has been felt by all of us. It is in our DNA to respond to the opportunities that come from change...and we are confident in Bermuda's ability to fine-tune our model so that we remain relevant.¹

We appreciate the Government's financial support and the Premier's courage in commissioning this report to obtain objective, external advice. After this report is reviewed by the Premier, BermudaFirst stands ready to develop the implementation plans for those priorities, which will enhance the lives of Bermudians and provide citizens with the tools and opportunity to realise their full potential. This aspiration has always been BermudaFirst's vision for our island.

We also wish to thank Members of our Board and the eight Working Groups for their extraordinary support and commitment to this initiative to date. Over 90 members of our community volunteered their time. The thoroughness and thoughtfulness of their work is reflected throughout this Phase II Report and the supporting documentation.

This journey requires leadership, courage, a call for personal accountability, commitment and a willingness to change. This is not the first time the people of our country have had to choose between making a major change or being left behind. We have successfully reinvented ourselves throughout our history. Now is the time to do the same.

Join us on this journey to a better, fairer Bermuda.

¹ *'Bermuda as an International Business Jurisdiction in an era of change'* - December 11, 2018 Rotary Club Speech by Patrick Tannock, Managing Director & CEO of AXA XL Bermuda Insurance Operations and Chairman of the Association of Bermuda International Companies

VISION/FUTURE DIRECTION

To create a National Socio-Economic Plan that shifts mindsets and behaviours and offers every Bermudian the opportunity and tools to participate equitably in our sustainable, growing economy.

More specifically, BermudaFirst envisions:

- A world class public education system that produces student outcomes where our children can successfully compete in the global marketplace and our citizens are lifelong learners;
- An affordable, accessible, comprehensive and holistic health care system that delivers quality outcomes that meet global standards;
- A growing population with enhanced immigration policies that expand opportunities for Bermudians and make Bermuda a destination of choice for diverse talent who will be a productive part of our community;
- An increase in positive citizenship, which comes as a result of being able to have basic needs met (i.e. the ability to afford food, housing, electricity, health care, etc.);
- Economic diversification ventures that will diversify our economy, thereby reducing our dependence on the financial services sector over the longer term;
- The establishment of a distinct brand and hospitality experience for our visitors that sets Bermuda apart from its competitors and attracts more Bermudians into the Industry;
- An infrastructure (i.e. energy, telecommunications, transportation, housing, etc.) that can appropriately support not only our existing needs, but the future growth of our island, including our ability to withstand the effects of Climate Change;
- A mechanism to effectively respond to emerging threats to Bermuda's global competitiveness; and
- Our citizens embracing technology and the opportunities that come with its adoption.

If we are going to change Bermuda's trajectory, we will have to change our mindsets to deal with the social and economic realities of the 21st century: a shrinking and ageing population, an underperforming education system and health care costs that are spiralling out of control.

Our community is changing: Seniors will soon make up a quarter of our population². That has never happened before. Normally, there are enough people working whose taxes and insurance premiums can cover the costs of health care, education, pensions and financial assistance. As our population shrinks and ages, we will find it more difficult to cover those costs. Further, as our working population shrinks, so too will our ability to maintain the present standard of living. The changing demographics of our community impact the economy.

Our history is not one of political and economic inclusion. In our past, political and economic policies were implemented to systematically hold back black and working-class people. Institutions were put in place to benefit an oligarchy. Remnants of that non-inclusive system are still with us today. The public

² Bermuda's Population Projections 2016-2026, p 17, table 6, Department of Statistics

education system was, and still is, a part of the system for excluding our people from enjoying the fruits of prosperity. We must change that. Student performance in English, Mathematics and Science in the public education system lags behind the standards set by the Ministry of Education, it also lags well behind international, best in class standards.³

To a great extent, preventable diseases from unhealthy lifestyles have driven health care spending to an unsustainable level. Some studies suggest that at least 50% of health determinants are due to individual behaviour⁴. In 2017, approximately 17% of adults had chronic disease due to poor lifestyles⁵. We will never be able to achieve a sustainable and effective health care system if we do not encourage personal accountability. Yet Bermuda also seems to be slightly delusional when it comes to dealing with this. In a recent Vital Signs Survey, 83% of people surveyed suggested their health was either good, very good or excellent. Yet a STEPS to a Well Bermuda Survey found 75% of the population is overweight or obese. This obviously needs to be reconciled. Most would agree to a system of equal access and inclusiveness, but members of this system also need to be held responsible for their own health or all great intentions to control costs and improve efficiency will be wasted.

Throughout our history, Bermudians have had to adapt to changes in political and economic forces beyond our shores. To survive, we had to be agile. We started this journey trying to sell ambergris and then turned to tobacco farming. When that did not work, we turned to the sea and changed the way the Atlantic World moved merchandise around British America and the Caribbean with the invention of the Bermuda sail and sloop. We are a small island, but we punched well above our weight in the maritime economy of the 1600s to 1800s, and we continue to do so.

In more recent times, our agility revealed itself in the early adoption of a legal innovation that revolutionised global risk management: the invention of the captive insurance company. This invention set the Island on the path to becoming a leading offshore financial centre. Agility is also the reason behind Bermuda's rise in the global reinsurance sector. In the 1980s, we faced stiff competition from Barbados and Cayman. Quick and agile decision-making on the part of our Government attracted new international insurance companies to the Island⁶. Time and time again, embracing change has benefitted us tremendously.

A vision for sustained and equitable growth will also require institutional change. The benefits of growth are more likely to be spread evenly with an educated population than one in which only a segment can reach global standards of excellence in their chosen discipline. If we are to begin the process of reducing inequality and economic unfairness, public education must implement accountability standards.

Moreover, the pace of technological change requires a shift to lifelong learning for our people. This is especially important for our teachers. Such a shift is not only related to what development opportunities

³ 2017 Education Report

⁴ IFTF and Center for Disease Control and Prevention, Health and Healthcare 2010, January 2000

⁵ Long-term Care Action Plan 2017

⁶ C. Duffy, *Held Captive*, Chapters 14, 34 & 35

are available, but also necessitates a shift in the mindset of Bermudians to want to become lifelong learners. This necessary shift should help more of our people to feel valued.

Greater inclusiveness will also require better access to health care. It is important, however, that it is not simply about access, but efficient and effective access. All Bermudians, regardless of their socio-economic standing, should have access to necessary care and, perhaps even more importantly, information on how to live a healthy lifestyle and the support necessary to get there. Warren Buffett famously stated, "Price is what you pay, but value is what you get". Bermuda's model of health care must evolve to focus more on outcomes and value and less on the perverse incentives tied to a system that revolves around reimbursement of service. Any model that simply pays without due consideration of actual results leads to excessive utilisation at an ever-escalating price. A practice patient-centric outcome-based billing model is focused on value not price. To get there, all stakeholders in health care will need to be held accountable to acceptable world class clinical standards.

Economic diversification and growth are rarely the result of a government plan. They come from innovative entrepreneurs and visionaries who have an appetite for risk and tinkering. In some ways, growth is the product of the Government getting out of the way of risk-takers and tinkerers and facilitating their access to on- and off-island capital and talent. Government should be the enabler, not the solutions provider. This was the strategy for attracting international businesses to the Island and solidifying our position as a leading offshore financial centre. The focus, therefore, for facilitating growth and ultimately the common good, should be a means, not an ends.

We want Bermudians participating equitably in a growing economy. That realisation, however, will only come about with preparation, participation and personal accountability.

CALL TO ACTION

Imagine a friend who lives in St. David's. This friend bought tickets for a heavyweight fight at Number One Shed. On the night of the fight, the weather makes up and is so bad that the Emergency Measures Organisation is thinking of closing the Causeway. Imagine trying to convince your friend, who drives a motorbike, not to put his life at risk by crossing the Causeway, given the gale force winds. Now imagine him saying, "I paid good money for these tickets; come hell or high water I'm going to the fight".

His decision is an irrational one; it is what economists call the sunk cost fallacy. You may know it as "crying over spilled milk" or "water under the bridge". His decision to go to the fight is based on something he did in the past - the money already spent, spilled milk or water under the bridge – when, in fact, his future well-being hinges on the likelihood of safely making it across the Causeway. Keeping score of these two emotions - the regret associated with the loss of money spent versus future well-being - is difficult at the best of times. Negative emotions, such as regret, revenge and anger, may have a more powerful impact on our decision-making than positive emotions, such as happiness or peace.

Many of the problems that we face today are rooted in our segregated past. The social costs associated with racism are very real and still painful; yet they are like sunk costs. There is no doubt that the past

informs the future; however, placing too much emphasis on past injustices may blind us to the possibility of finding meaningful solutions to the pressing social problems of education, jobs and health care. We cannot continue to do things the same way and expect a different result. So, the decisions we make today for our future must be a substantive response to those sunk costs that are associated with our segregated past, whilst at the same time providing an opportunity and path for Bermudians to participate equitably in our economy and society.

We hope that you will join us in finding solutions to the challenges that we face in the 21st century and creating the path for equitable economic participation for Bermudians.

JOURNEY OF TRANSFORMATION

Change is rarely welcomed because it is not easy. Over the last 400 years, Bermudians have depended on the rest of the World for life's necessities, as well as its luxuries. As mentioned previously, we started this journey believing that we could make money from whale excrement - ambergris. When that did not work, we switched to tobacco; but tobacco farming quickly destroyed our soil. So, we abandoned both tobacco and the Bermuda Company's monopoly control over the Island's economy.

Once the English Government assumed control of the Island's affairs, we became a colony. With the paralysing weight of the Bermuda Company behind us, Bermudians turned to the sea and developed a maritime economy. We built the fastest vessels on the planet. Bermuda sloops were in high demand for all manner of legal and illegal enterprise. Sloops were used to carry goods to and from the Caribbean and British America. They were also used to pilfer mahogany and Virginia cedar, salt, salvaged treasure and turtles from the Atlantic Commons, which stretched from Nova Scotia to Florida to Belize to Curaçao. Throughout this period, slavery enriched local masters and mistresses.

After a century and a half of boom and bust, our maritime economy ground to a halt with the invention of steamships. We found a new beginning in becoming the Gibraltar of the West - a military outpost for the British Navy. Throughout our history, Bermuda has, and continues to be, heavily dependent on imported food. The decision to change that state of affairs meant dramatic change: new people and new technology. This change was met with resistance from the newly emancipated slave population; nonetheless, the new people came from other jurisdictions, including the West Indies and Azores, and the new technology came from Britain.

The pace of social and economic change increased dramatically in the 20th century. Tourism became an integral part of the economy and the addition of the American military ushered in sweeping social and technological change. One of the major changes came in 1968 with our Constitution, which among other things, institutionalised the principle of universal adult suffrage. This marked the beginning of the modern era for Bermudians.

Since 1968, the pace of change has further accelerated. Whilst it is true that tourism and international business brought new opportunities, the process was not a particularly smooth one. Along the way, there were serious challenges: the recessions of 1972, 1981 and 1989 to 1992; blue-collar labour unrest;

a shortage of talent to fuel the emerging international insurance sector; and complications in getting the US tax treaty signed into law. The reality is that we are more susceptible to global recessions than we have ever been.

The 1990s saw the local reinsurance sector grow to dizzying heights after Hurricane Andrew ravaged the Florida and Louisiana coasts. Bermuda is currently the centre of innovation in property casualty underwriting and has emerged as a leading jurisdiction for alternative capital/Insured linked securities (ILS) by attracting significant amounts in pension fund investment.

Our ability and willingness to execute quickly to put capital to work to provide solutions to emerging risk issues is unique. We have strong intellectual capital in the Bermuda market. This, combined with the ability to design flexible programmes and cover, should continue to drive innovative products. We cannot, however, make the mistake of equating bricks and mortar with sustainability in the case of our international business industry. There is no longer a correlation between major catastrophic events and an infusion of jobs and new buildings springing up around Hamilton on the heels of these events. That's what we've seen in the past, but those days are gone and today's model is different.

The reinsurance sector that has propelled growth in our economy for the last three decades is no longer able to do so due to technological changes. There are more sweeping changes coming with artificial intelligence and the emerging world's ability to quickly learn and copy the things we presently do. We have been here before. This time is no different. New incentives to inspire individuals and inclusive institutions to ensure a level playing field for all Bermudians are the keys to future success.

Given the increasing level of complexity, an exponential acceleration in the rate of change, and the impact of alternative capital and changes to distribution models, we can expect a sustained period of intense disruption as business models continue to evolve. On the plus side, the Bermuda market has a great track record of innovation and execution excellence and responding to opportunity arising from change....it's in our DNA!⁷

Our history is one of fits and starts. With perseverance and purpose, however, we can once again face and overcome our present-day challenges.

There is no question that failure to change is not an option. The nature of the change we must make is the focus of this report. This is not a blueprint. It is a call to action on who and what we want to be as a jurisdiction. We have identified three critical areas for detailed analysis and four themes that are common to those critical areas.

⁷ 2016 BII Awards speech by Patrick Tannock, *Managing Director & CEO of AXA XL Bermuda Insurance Operations and Chairman of the Association of Bermuda International Companies*

EDUCATION AS A CRITICAL AREA FOR THE REALISATION OF BERMUDA'S FULL POTENTIAL

If prosperity were a cassava pie, then education would be the eggs used to make that pie. Like eggs, education binds the other sectors of the economy. It is the glue that brings together our hard work with the natural environment with the buildings, machines and ideas we have created.

We have two types of education: private and public. Private education is selective in its admissions; it can choose and refuse students. Public education, on the other hand, has to accept all comers and, moreover, find ways to accommodate a growing number of students with social and academic challenges. This makes comparisons between the two difficult. It is reasonable to assume that private schools do not have as many students with social and academic challenges and so one would expect that private school students should perform better on standardised tests. This disadvantage institutionalises the disparity arising from the situation in which we are born and grow up.

At one level, education benefits the individual in that more educated people tend to earn more than uneducated people. But there are also, what economists call, third-party effects that go beyond the individual. These effects tend to benefit the neighbourhoods and communities in which these educated individuals live. What is true for communities is also true for the Island as a whole. We all benefit when our education system produces intellectually curious and goal-oriented people.

But we have a problem. The way we educate and train Bermudians is not preparing them to be trained resources to fill the many jobs that businesses need, especially in financial services, hospitality, health care and the trades. Whilst it is true that we cannot possibly educate and train enough Bermudians for the many highly specialised jobs that businesses need, we must do a better job of training our people for those jobs on offer.

Parents have expressed dissatisfaction with public education by voting with their feet. Whether because of parental dissatisfaction or declining birth rates and overall population, the proportion of students enrolled in private schools continues to rise, whilst, for public schools, the proportion shows a consistent, steady decline⁸. Parental dissatisfaction is not without cause. As early as Primary Six (P6), the majority of our public-school students are not meeting the Department of Education's targets set for English, Mathematics and Science. Performance is particularly bad in Mathematics.

Student performance in English, Mathematics and Science does not improve with time. By the time our students reach Middle School Three (M3), Mathematics and Science results get worse relative to the international standards set by Cambridge International Examinations, which is the Department's chosen standard of measurement. This downward trend continues at the senior school level.

The Department of Education, as presently constituted, is not a part of the solution to addressing poor student performance. It is a part of the problem. A common criticism of the Department of Education by

⁸ (Bermuda Digest of Statistics 2011, table 2.1, p 18; Bermuda Digest of Statistics 2018, table 2.1, p 23; Report on the 2000 Census of Population and Housing, p 55)

the many Government-sponsored reviews is that the public education system lacks accountability at all levels and that the Department lacks leadership, as well as a vision for improving public education. It follows that our public education system lacks the wherewithal to address the challenge of preparing our students for further study or the working world.

Moreover, as the scope of education and training expands to include lifelong learning, the need for an agile decision-making body will be paramount. Lifelong learning challenges include issues in respect to unemployment, a widening skills gap, a lack of qualified and certified individuals for growing and emerging sectors, as well as reduced employment opportunities in shrinking sectors. The existing public education and workforce development systems are not up to the task of meeting the needs of learners in a technologically driven 21st century Bermuda.

The Education System also has a role to play in improving the overall health and wellness of our community. In the following health care section below, we discuss in more detail the benefit of implementing a national health education programme and longitudinal study from preschool through to the end of senior secondary school.

To enable the transformation of Bermuda's education system to one that effectively and appropriately prepares our children and working aged adults to compete on the world stage, we make the following recommendation:

Create an independent authority for public education that is responsible for the performance management of educators and researching and implementing a holistic public education system that is appropriately sized/structured, resulting in a learning environment that facilitates optimum student success.

More specifically:

- 1. A requirement that all principals be certified and able to demonstrate innovative thinking, have strong performance management skills, excellent instructional leadership skills and the ability to strategically optimise the fiscal, physical and human resources at their schools.*
- 2. A requirement that all teachers be internationally certified from a list of institutions screened and approved by the Department of Education and subject matter experts who participate in ongoing meaningful, approved professional development. Bermudians who meet these standards would be given employment priority. Those who don't won't be given the job.*
- 3. All schools should be fit for purpose and required to create a learning environment that supports the needs of children and encourages all students in their care to achieve personal success.*
- 4. Create a public-school system where a minimum of 80% of all local students graduate with a high school diploma that meets internationally recognised academic or vocational qualifications.*

5. *Creating an independent authority for Workforce Development and implementing the National Workforce Development Plan.*
6. *Hospitality education, industry training and community engagement on the topic of hospitality to foster a community that understands and values hospitality, encourages Bermudians to seek careers in this growing industry and provides the training needed for individuals to be successful in their roles.*
7. *Equipping the members of our community, young people and mature individuals alike, to thrive in an environment of increasing technological advancements.*
 - a. *Within the Education System*
 - *Implement an integrated technology platform that includes all aspects of the education experience (i.e. online curriculum/resources, grading, classroom management, communications, portal etc.)*
 - *Require all educators to be appropriately trained in the use of technology to enable their own use and their support of students' technology education/experience;*
 - *Incorporate coding and computing into the core curriculum to promote critical thinking and problem-solving (i.e. 3D printing, AI, machine-learning, robotics, programming genome, etc.); and*
 - *Embrace a shift in culture about the use and management of devices in the classroom.*
8. *Develop and enact mental health legislation for students. Currently, there is no mental health legislation and there are a number of students in the public education system with mental health challenges. Legislation would provide clarity and a framework for supporting these students in the school setting.*
9. *Collect performance, programme and attendance data on a yearly basis from all private schools, home schools and tutorial sites. It is imperative that the Ministry of Education have a clear understanding and be able to report on the performance of all students in Bermuda's education system and revise their offerings as necessary to best prepare students for the global environment in which they will make their future.*

Public Education must undergo a transformational change in order to establish Bermuda as a 'best in class' system producing outcomes where all students realise their full potential. The current Department of Education is cumbersome, bureaucratic and underperforming, as measured by test assessments, and the percentage of graduates who are college-ready or are able to begin a vocational career with globally recognized certification. The new Independent Authority needs to be progressive, agile and based upon accountability for educators and students. This radical change is required, since tinkering with the existing system for the last several decades has not, and there is no reason to expect that this approach will produce the results we deserve. The ineffective bureaucracy, lack of agility to adjust to externally and internally generated change and the ongoing politicisation of public education all combine to resist

substantive progress. These root cause systemic factors are the reason why BermudaFirst believes it is imperative that a radical shift transforming our oversight of public education to an Independent Authority is the change we must make.

The new Authority would provide the pedagogical and managerial excellence, nimble infrastructure and system-wide accountability that will deliver improved student outcomes, better quality classroom instruction and site-based leadership, combining to make Bermuda a globally recognized education jurisdiction. The Authority, with revised hiring practices, a strong focus on performance management and a streamlined accountability structure, would be able to build mutually beneficial partnerships with all stakeholders who have a commitment to enabling our children to achieve and participate equitably in a growing sustainable economy.

It is also imperative that we reverse the turnover in Ministerial Leadership and we are hopeful that the Government will commit its resources and political will to this challenging task. The window of opportunity is NOW; each day of delay makes the journey of change more formidable. The pace and complexity of technological change driving learning strategies is increasing, which requires that both our educators and students need to quickly embrace retraining to establish a culture of lifelong learning.

Public education needs an independent authority that can be trusted to improve student performance. The independent authority's decision-making would be data-driven by metrics, such as student and teacher performance, the state of a school's physical plant and information technology. This will allow for the evaluation of options and decision-making on technical solutions to our failing education system.

Public education and educator training are critical ingredients in creating prosperity. If Bermuda wants to be globally competitive in financial services, hospitality and tourism, then it must adopt an education and training model that recruits high quality candidates, provides feedback to teachers, uses teaching strategies that are driven by regular student assessments, high-dosage tutoring, extended time on task and a culture of high expectations for students.

HEALTH CARE AS A CRITICAL PRIORITY

Cassava pie, macaroni and cheese and peas and rice - all on the same plate - is a common sight at Bermudian gatherings. It is a part of our culinary tradition. It is also part of the reason for the crisis in health care. Bermudians spend way too much money on health care, yet we are not a particularly healthy people.

Bad eating habits, combined with sedentary lifestyles, stand in the way of our health. By changing the way we eat, we can prevent a number of lifestyle-related ailments: obesity, high blood pressure, Type 2 diabetes and high cholesterol. These illnesses can sometimes be the cause of other diseases, such as heart disease and kidney disease.

By far, the largest single Government expenditure category is health care.⁹ A large part of that health care spending goes towards treating preventable diseases. It follows then that a critical priority is the changing of lifestyle choices toward healthy living by, for example, eating less processed food and exercising more. When it comes to preventable diseases, we want you to take responsibility for your own wellness. You will not only do yourself a favour; you will also help the Government and the economy redirect resources toward education, housing, and our aging infrastructure.

Bermuda has the capacity to create a culture of wellness and significantly decrease the number of persons with lifestyle-based diseases. We can accomplish this by implementing a comprehensive and sustained national health education programme and longitudinal study from preschool through to the end of senior secondary school. To ensure a broad change in behaviour by our citizens, the programme should be mandatory in both public and private schools. Development, implementation, oversight and data gathering for the programme must be the joint responsibility of the Ministries of Health and Education and key community organisations. This will eliminate silos and fragmented efforts and draw on the knowledge and expertise of professionals from relevant areas to ensure a holistic approach that should greatly minimise the incidence of obesity, Type 2 diabetes, hypertension and high cholesterol within our community over one or two generations from now.

A significant segment of our population is without access to health care and, for those with it, the financial burden is high by international standards. Just under 10% of Bermudians have no health insurance and the number is rising¹⁰. Government's financial assistance programme, Health Insurance Plan (HIP) and FutureCare insurance are acting as a backstop to increased exclusion from the health care system. Moreover, Bermudians with jobs and health insurance are spending on average, 18% (\$11,363/\$63,288) of their income on health care¹¹. Given that housing, food, other household goods and services, and electricity and gas take up 56%¹² of the average household's budget, that leaves approximately 26% for everything else (i.e. 26 cents out of every dollar).

The current health system is not sustainable from the perspective of cost, service provision or capacity. Prevention is a critical component to shift the current usage levels caused by chronic diseases that are greatly impacted by lifestyle. A culture of lifelong learning and the creation of a wellness community are imperative in disease prevention. Every element of Bermuda's society (public and private) must engage and commit to the importance of prevention, promote lifestyle choices that support healthy living and make prevention an integral part of policy and practice. Citizens must take pro-active ownership of their own health.

It is also important to note that, if we fix the health care industry, but do not expand our population, Bermuda will continue to be challenged with higher than acceptable costs as there will simply not be the number of individuals across which to spread those costs.

⁹ Budget Statement 2019-2020, table VIII, p 56

¹⁰ 2016 Population & Census Report, p 42

¹¹ Labour Force Survey, May 2018, p 8

¹² Household Expenditure Survey 2013

The following recommendations will enable the transformation of Bermuda's health care system into one that is affordable, accessible, comprehensive and holistic and delivers quality outcomes that meet global standards.

Create a holistic health care system that prioritises prevention, chronic disease management and health care delivery via primary care, and restructures the health system financing (including Bermuda Hospitals Board (BHB)/hospital financing and reformation of the Standard Health Benefit (SHB).

More specifically:

1. Universal Coverage, Universal Access and Prevention

Universal Coverage & Universal Access

- *Provide universal access to effective care without undue financial burden.*
- *Deconstruct the Youth Subsidy and the Claims Subsidy and introduce a needs-based premium subsidy so that all legal residents can be insured for health care.*
- *In a system that legislates universal coverage, health insurers cannot exclude based on pre-existing conditions.*
- *Need for more regulation and enforcement when local health care providers refer patients to providers overseas. Currently, providers on-island need to develop stronger relationships with patients and better advise them on available care based on their insurance coverage and income. After the implementation of the pooling plan (see Reform SHB), providers will refer patients to fewer overseas providers; however, they will have increased insurance coverage.*
- *FutureCare should be responsible for overseeing the financing decisions of the local providers to the patient.*

Chronic Disease Management & Prevention

- *Enable Bermuda Medical Council (BMC) to ratify Bermuda Clinical Standards of Care (BCSC), clinical pathways for chronic diseases and other medical/surgical conditions to provide treatment guidelines throughout the continuum of care.*
- *Support Bermuda Health Council (BHeC) with developing measures of compliance and performance of system providers against BCSC.*

Prevention

- *Mandate health education and policies that require all schools and the Bermuda College to educate students, teachers and parents about the importance of physical, mental, social and emotional health.*
- *Develop a health promotion and disease prevention strategy that improves the health of residents at all stages of life.*
- *Encourage the Ministry of Health to develop a mental health strategy that:*
 - *Increases the awareness of emotional well-being through educational programmes;*

- *Develops a holistic approach to address mental health prevention, advises of the care and recovery services available;*
- *Informs the impact of mental health on the Community; and*
- *Provides residents with the skills and resources to improve their own health, as well as that of their family and friends.*

2. Post-Acute, Long-Term Care, Palliative Care, Long-Term Care (LTC)

- *Redirect the current SHB funding sources channelled to LTC and systematically redeploy them into a sustainable long-term care model in the private sector.*
 - *Deconstruct long-term care and decipher social services that should be the responsibility of other relevant Ministries versus medical care that should come under the Ministry of Health.*
 - *Upskill health professionals who engage with long-term patients to meet patients' needs and assist them with achieving health care goals from home and/or a long-term care facility.*
 - *Keep elderly care close to home as opposed to in a facility. However, be sure to modify current facility structures and resources so they align to local standards, are sustainable and improve the quality of care.*
 - *Review the alignment of Government rest-home facilities and the BHB to enhance patient flow of lower acuity patients into lower cost step-down units.*
 - *Implement a National Palliative Care plan.*

3. Prioritise health care delivery via Primary Care & restructure Health System financing

- *Develop a financial structure, supporting legislation and a direct primary care reimbursement model that is a low-cost solution to improve quality care to the 6,000 who are on Government subsidy. If undertaken, this should reduce the utilisation of acute care services.*
- *Incentivise physicians for providing care to the 6,000 (i.e. reducing or removing payroll tax).*

BHB and Hospital Financing

- *Stabilise funding at BHB using a cap and collar funding model that guarantees a minimum level of funding (collar) and maximum retainable surplus (cap) supplied by the Ministry of Finance.*
- *Establish a Health Commissioning Unit (HCU) within the Ministry of Finance that adjudicates that the pricing of health care services and payors to ensure long-term economic performance objectives are met.*
- *Ensure there is proper monitoring of the BHB Acute Care Wing debt by the Ministry of Finance.*

Reform Standard Health Benefit (SHB)

- Deconstruct SHB and replace it with a modernised reimbursement scheme.
- Instead of SHB solely depending on a fee-for-service model, create a pooling system that aligns residents to insurance packages based on their income. This model will require Government to regulate fees and insurers to establish set rates. Also, offer the insured a set number of primary care, hospital care, etc. visits. Additions can be added to packages at set rates.
- Publish SHB pricing and information to better assist physicians and other health care providers with making more informed referrals for patients.
- Make primary care the centre of health care. In doing so, develop a direct primary care model that is vertically integrated from primary care providers to BHB, then post-acute care providers.
- Revisit the pricing model for overseas care.

4. Health Care Regulation

- Delegate responsibility for the regulation of physicians and medical practices to the BMC.
- Gazette Section 13 of the Bermuda Health Council Act to provide regulatory powers and introduce Certificate of Need (CoN) legislation.
- Reset the Bermuda Health Council's mandate to focus on health system performance assessment, regulation of services and equipment (via CoN) and regulation of unregulated (non-medical) providers.
- Prescribe responsibility to the BHB for referrals to overseas tertiary hospitals.
- Establish a Ministry of Finance and key health care stakeholders-based HCU to adjudicate health system economic analysis, planning and commissioning of prices for providers and payors.

5. Technology

- Adopt an integrated electronic health record that tracks patient data and produces health metrics that assist with decision-making for health care stakeholders.

6. Johns Hopkins (JH) Clinical Affiliation Agreement

- Potential for physicians/specialists from JH to fill any gaps in locally provided service. This should be in collaboration with the local physicians, both hospital and community based, to ensure quality is maintained, but equally to ensure that JH does not become a competitor to locally provided services.
- Modern practice contains an element of peer review; JH affiliation provides an opportunity to incorporate excellence in practice via practitioners that can build familiarity with the jurisdiction but remain professionally independent.
- Build affiliation with JH clinical residency, academic and observership programmes to provide development opportunities for Bermuda residents. Formalise academic partnership with Bermuda College.

There is no silver bullet to fix health or reduce the cost of health care. Cost-cutting and cost-shifting strategies have failed repeatedly in every reputable jurisdiction. Universal coverage is dependent on ability to pay and even rich systems struggle with allocation of resources. The accepted methodology for enhancing the value of health care is improving outcomes through system integration and improvement of medical outcomes through the care cycle. The recommended multipronged solution would ensure affordable access via primary care, implement mechanisms to stabilise the BHB and establish an economic forecasting unit and codified, robust regulatory environment to support a national quality agenda.

Government's ultimate goal of achieving universal coverage can be progressed incrementally by introducing reimbursement schemes that are capitated, which eventually convert to schemes that reward quality outcomes as opposed to volumes. The Youth & Aged subsidy programmes can be replaced by premium-based subsidy programmes that factor ability to pay. In the future state, all stakeholders (the insurers, physicians, BHB, nurses and allied professionals) are held accountable by appropriate regulators. BermudaFirst is confident that this all-encompassing proposal balances shared sacrifice amongst system actors and focuses on delivering cost-effective care that will ultimately reduce our current expenditure upwards of 10-15%, whilst cultivating a healthier Bermudian population.

TALENT ACQUISITION AND IMMIGRATION POLICY

Bermuda's National Football Team just made history in the 2019 Concacaf Gold Cup. Bermuda fielded a 100% Bermudian team who performed admirably and have earned the respect of the international football community. Bermuda was the only team fully comprised of native players, competing against other national teams made up of world class players who may have connections to, or be resident in, their country of representation, but who are not native to that particular country. What is important to note, is not that the team is 100% Bermudian, but rather, that we were able to have such strong performance because of the number of Bermudian players who, prior to their selection, have proven their capacity and skill in other jurisdictions. They worked hard, got 'off the rock' and are performing at global standards.

Even if every Bermudian were educated and trained for the job of their choosing, it still would not be enough to thwart the headwinds we are going to face over the next couple of decades. Our headwinds are the same as those facing the US, Japan and many European countries: a shrinking population, poor student performance, an oversized debt burden and rising inequality. We must be in a position to continually respond to the ongoing threats to our global competitiveness (i.e. Organisation for Economic Co-operation and Development (OECD) regulatory changes, Brexit, changes to the US Tax systems targeting offshore financial centres, etc.).

Once upon a time, most of our population was young because people had large families made up of lots of children. That created a demographic dividend for the economy. However, the trend over the last twenty years or so is that the number of people working has declined and continues to decline whilst

the number retiring is growing. Baby-boomers, who grew into adults, did not have as many children as their parents. Small families became the norm.

Today, the share of the working-age population is *smaller* than the non-working-age share of the population. This has created a problem: those baby-boomers are now old and many are not working. And so, the demographic dividend has become a demographic burden.

Student performance is poor. Our public education system is not producing the talent that our island and economy needs to sustain itself. Our ability to compete against other jurisdictions in the areas of hospitality and financial services is declining. To a large extent, the talent that our education and training systems produces, creates the pathway and opportunity to create our own individual and collective success and prosperity. When these systems start functioning effectively, Bermudians will be able to take their deserved and well-earned places in our society.

Our debt burden is too large. Oversized private (\$3.5 billion) and public (\$2.5 billion)¹³ debt weigh down economic growth. A sizable chunk of a household's income goes to paying down its credit card, car loan and mortgage debt. Added to that, the Government is increasing taxes to pay off its debt, which leaves fewer dollars in the hands of households to spend on the necessities of life. It should be noted that while taxes are increasing, the Government is making efforts to implement a more progressive approach to taxation (i.e. the recent decreases in payroll tax for small businesses) and identify new sources of revenue.

These three headwinds have conspired to make our economic lives difficult over the coming decades.

So, what do we do to stem this tide of negativity? In addition to educating and training our people and making repatriation an attractive option for Bermudians currently living abroad, there is no getting around the need to attract additional talent to the Island. There is also no getting around the fact that, in the past, immigration policy and other means were used nefariously to maintain white numeric superiority. In those times, the political and economic institutions were designed to extract value from the majority for the benefit of an oligarchy.

It should be noted that despite this, the wave of West Indian and Portuguese immigrants in the early 20th century helped to shape modern Bermuda. Individuals, such as Dr. E.F. Gordon, Sir E.T. Richards, Victor Scott and Edna May Scott, ushered Bermuda into the modern age and were instrumental in building the Island's Education System and accelerating social progress.

We need to change our views on immigration and avoid the over-protectionist policies of the past, as they resulted in unintended consequences. Going forward, our approach must be more market based.

¹³ Budget Statement 2019-2020, p 54; Bermuda Monetary Authority, Regulatory Update, September 2018, p 4

Our Immigration Recommendation:

Reform immigration to enable job creation with appropriate protections.

Bermuda must attract and retain the best talent if we want to remain competitive and at the forefront of innovation. Job creation hinges on this and we must find the balance in ensuring businesses have access to the talent they require, while developing appropriate safeguards for Bermudians without being protectionist. Undertaking the following steps will produce more jobs for Bermudians than the present immigration regime achieves:

1. *Aligning Government's goals (e.g. GDP growth, attractive International Business (IB) domicile, increased population, etc.) with immigration policies;*
2. *Shifting the mindset of the Immigration Department so that it recognises the needs of the business community, and the balance BermudaFirst is seeking to achieve;*
3. *Resolving the issues associated with family and long-term residency;*
4. *Adopting a workforce approach with companies that includes understanding their business model, organisational talent needs, expectations for Bermudian inclusion and accountability milestones for meeting Bermudianisation agreements in exchange for issuing all work permits required by such companies;*
5. *Introducing a work permit scheme for the international business sector that can cater to the unique staffing needs of international businesses. One example would be distinguishing between work permits for Group employees who are in Bermuda on a rotation basis vs. those employees who are expected to fill long-term jobs; and*
6. *Automating and streamlining the immigration process overall.*

Immigration policy in the twenty-first century cannot have nefarious intentions. It must reverse the effects of headwinds buffeting our economy. It must focus on diversity and agility. In the interest of diversity, no longer can the fount of immigration be solely people of European origin. Already we see evidence of increased diversity in the guest worker population and efforts in this regard should continue; it is not uncommon to encounter people from Africa or Asia whilst walking along Front Street.

Moreover, the administration of immigration policy must be agile. Work permit applications must be processed quickly and transparently. In keeping with the necessity to grow the economy in the face of significant headwinds, immigration policy must serve to help business and the Government to attract talent to the Island. If we are to compete globally, then our immigration policy must act as a facilitator for the acquisition and retention of talent (whether Bermudian or overseas hires).

County cricket provides a telling analogy for why a more open approach to immigration policy will meet resistance. The catchment area for drawing talent to a county cricket team is small, given that a county is no bigger than a parish. Teams face a dilemma. To win, a team must attract talent, but a county is unlikely to find among its ranks enough players that can win a championship. The dilemma for a county seeking to win a championship is that some hard-working local players will have to be benched in favour of better-skilled guest players. Under this scenario, it is possible for a county to field a team entirely made up of guest players, but this defeats the purpose of having a county game in the first place. This dilemma is resolved by having a limit on the number of guest players, but, inevitably, there will be some locals who will be replaced by outsiders.

Immigration policy faces a similar dilemma. Some Bermudians will not be good enough to make the team of their choice. We must be willing to accept that there are select, key positions within our community where having the very best person in the role (i.e. one whose skills and expertise meet global standards) is more important than having a Bermudian in place. Where a Bermudian can meet the global standard, they should be given preference; however, if not, the appropriately qualified individual should be placed. Business is now global. In global business, it is not enough to have a certificate or experience. Soft skills - oral and written skills, teamwork and interpersonal skills, adaptation, problem-solving, creativity, work ethic and leadership - are just as important as the certificate and experience.

We should understand and acknowledge that an island of our size and its shrinking workforce will not be able to produce 100% of the talent necessary to sustain successful institutions whether they are local or international businesses or the Government. Therefore, our collective focus must be to ensure Bermudians have access to world class education and professional development in order to effectively compete for employment opportunities and objectively identify and secure the necessary additional talent needed to fill every job within our economy.

HIGH PRIORITY RECOMMENDATIONS

In addition to the three foundational areas of focus (Education, Health Care and Talent/Immigration) the eight BermudaFirst Working Groups also identified the following priority recommendations that are vitally important to transforming Bermuda.

1. Lower cost of living through:

- i. Decreasing cost of staple food items;**
- ii. Decreasing energy costs;**
- iii. Decreasing health care costs; and**
- iv. Lowering rents.**

Lowering the cost of living is a matter of urgency for Bermuda. Increasingly, Bermudians are finding it difficult to “make ends meet.” Bermuda has a growing population of “working poor” and financial challenge is not only an issue for low-income households. Government must review its existing tax policy as certain taxes contribute to the high cost of staples such as food and energy. Safety nets are increasingly being created for low-income households. High-net-worth households can typically

manage tax increases with little impact to their standard of living. It is vital that the already shrinking middle class not contract further and that Government consider this when contemplating changes to existing or the introduction of new taxation.

2. Strengthen community support systems through assessment and amalgamation of charities, ultimately strengthening the charities and their offerings.

The need to strengthen the charitable sector is important as it provides a necessary safety net for the Community; in many instances providing supplementary or non-existent services that Government may not have the capacity to provide.

3. Provide affordable housing for at-risk populations, low- and middle-income families.

Housing must be affordable, suitable and of good quality. Suitable housing is critical for at-risk and vulnerable populations, such as Seniors and victims of domestic violence. Dwellings for this demographic must also be fit for purpose. For Seniors in particular, Bermuda is already in an unsustainable position. Furthermore, the fact that Bermuda's Senior population will comprise the largest component of Bermuda's population by 2025, will thrust this current crisis to the forefront of the Bermuda community and Government's priorities.

(For more information on Recommendations 1 - 3, refer to the Socio-Economic Foundations Future State Deck)

4. Institute a transportation system, inclusive of public and private sector solutions, that meets the current and future needs of the Country.

The current transportation system includes unreliable public transportation, a lack of progressive transportation solutions (i.e. Uber-like platform), limited "green" transportation sources and insufficient transportation supply on a 24/7 basis, as well as during peak tourism periods, that meets market standards. *(For more information, refer to Infrastructure Future State Deck – slides 11 and 12; Hospitality & Tourism Future State Deck – slide 17, Socio-Economic Foundations Future State Deck – slide 18, Technology Future State Recommendations to Executive – Recommendation 1 c ii)*

5. Develop a holistic, strategic approach to amending the existing 60/40 legislation to encourage more foreign investment/fresh capital into Bermuda's economy. This should include appropriate consideration of immigration matters and the establishment of acceptable thresholds to ensure that Bermudian entrepreneurs are not subject to unfair levels of competition.

Growing Bermuda's economy is key to ensuring all Bermudians who wish and are able to work, have access to employment and lifelong learning and professional development opportunities. Fresh capital is needed to facilitate economic growth and Government must move aggressively to attract inward investment. *(For more information, refer to Economic Diversification Future State Deck)*

6. Address Bermuda's current debt burden issue.

Bermuda's current debt level is unsustainable and puts our country's rating and financial future at risk. To address the issue, Bermuda needs to:

- i. identify the ideal debt to GBP ratio and improve our ratio to that level; and
- ii. focus on obtaining and maintaining a favourable credit rating that is in line with the needs and goals of our country.

To manage debt going forward, a debt management programme must be implemented. As part of this, the introduction of an Advisory Council is recommended to review and approve future debt increases, as well as a Debt Oversight Committee, to ensure that debt raised is used for an appropriate purpose.

More generally, we need to become more innovative in sourcing financing for future projects. Examples include use of privatisation, private-public partnerships and/or issue of Bermuda-dollar denominated bonds to Bermudians.

7. Position Bermuda as a World leader in Government E-Services by 2022.

The immediate implementation of appropriate technology solutions throughout Government is a critical component of decreasing Government spending on an ongoing basis and creates an opportunity to increase Government revenues (i.e. express fees for expedited work). It will also have a positive impact on decreasing the cost of doing business in Bermuda. There is an opportunity for Bermuda to become an example to other jurisdictions with the implementation of a comprehensive E-Services programme.

- I. Transition all possible Government service to E-Services.
 - a. Build on a data-centric, common architecture/platform that implements the policies Government wants to adopt within emerging global standards, regulations and inter-operability;
 - b. Identify existing commonalities and efficiencies across all Government technology platforms;
 - c. Analyse and implement, where appropriate, digital transformation (i.e. distributed ledger technology (DLT), artificial intelligence (AI), 3D printing, machine-learning, etc.);
 - d. Ensure alignment with UN, OECD and other emerging standards (i.e. Citizen-owned data, self-sovereignty, etc.);
 - e. Include key stakeholders (i.e. Quangos, Funded Entities (i.e. BTA)) and cross-stakeholder collaboration to ensure internal and external inter-operability, appropriate integration and that all are working from common policies and criteria;
 - f. Create a portal for collaboration and coordination of stakeholders to share information on technology-related opportunities within Government and Bermuda overall and to ensure Government's newly established technology best practices are known and easy to adopt;
 - g. Host facilitated communication/collaboration sessions of all technology working groups (i.e. ECAB, Cyber Risk Working Group, etc.), the desired outcome of which is publicly searchable smart data (input of data to be frictionless - easy);

- h. Digital transformation and automation of Government workflows (i.e. company incorporation process);
 - i. Streamline, digitise and automate Immigration process and **border-crossing**; and
 - j. Implement a common identifier that links disparate data silos to ensure efficiency of cross-referencing data sets.
- II. Support the introduction of new 'smart/E-Services' within Government and externally by technology entrepreneurs.
- a. Ensure appropriate legislation is in place to support alternative payment options; and
 - b. Technology improvements for transport in Bermuda, (i.e. UBER-like platform, electric vehicles, App to report potholes and/or other Government-related initiatives, live transportation updates at bus stops and/or through APP, etc.).

QUICK WIN RECOMMENDATIONS

The following Quick Win recommendations are broken out by sector, support the priority recommendations and could be executed within three to eighteen months. For additional information, please refer to the supporting documentation provided by the individual working groups.

Economic Diversification

1. Commercial Real Estate - Government should liberalise the ownership restrictions over commercial real estate to promote an environment that encourages a positive response to the EU's substance requirements and provides opportunity for revitalisation of certain areas in need of urban renewal, initially concentrating on the City of Hamilton, but being available for other areas.

Hospitality and Tourism

1. Implement a local communication strategy highlighting the importance/benefits of tourism.
2. Eliminate yearly re-licensing for hotels.
3. Modernise the liquor licensing process.
4. Eliminate the moratorium on electric rental vehicles.
5. Allow hotels to have a mini-bus licence.

Infrastructure

1. Allow the importation of second-hand electric cars that meet all local standards.
2. Remove the moratorium on electric rental cars.
3. Consider goal-oriented legislation regarding the transition to electric cars and bikes imported (i.e. xx% of all residential vehicles to be electric by 20xx)
4. Replace Government vehicles, when they age, with electric vehicles, where applicable.
5. Enact and enforce emission standards legislation.
6. Maintain the hazardous waste budget without making further cuts.
7. Eliminate current inefficiencies in the potable water system and increase reserves.

International Business (IB)

1. Enhance the regulatory approach to make it even more collaborative and proactive.

The Bermuda Monetary Authority (BMA) and other IB regulators have established a strong, reputable regulatory framework that meets or exceeds international standards (Solvency II equivalence, Basel III, CFATF). Bermuda has signed and complied with multiple TIEAs. This is to be applauded.

To assist the IB sector in addressing future adverse changes and to capitalise on the requirements of Economic Substance, the Industry and the Regulators need to increase the level of collaboration and proactivity. Collaboration can be achieved by increased industry involvement in regulatory discussions, with timely and meaningful representation from all segments of the Industry who will be impacted.

A proactive approach could be taken by building stronger relationships in key jurisdictions with both regulators and important influencers. The creation of a Rapid Response Committee that meets at least once a month to discuss and monitor upcoming fiscal and regulatory issues and prepares key stakeholders to speak with “one voice” in the event of a possible crisis is also recommended.

2. Remain proactive and agile by staying at the forefront of innovation.

In a rapidly changing business world, we must broaden our focus beyond insurance, while limiting it to a few opportunities that have real growth potential. These areas include FinTech and InsurTech innovation. The Government has been very proactive in this regard and its efforts should be supported and balanced against the reputational risks involved in this new area.

To foster an enabling environment to allow new ideas to come to market we need to encourage innovation through initiatives and programmes by the:

- Introduction and maintenance of an incubator programme; and
- Creation of an economic free zone to encourage innovation.

The main challenges in bringing new ideas to market are access to investor capital, high start-up costs, the challenges in navigating the existing and, at times, cumbersome regulatory process and the overall coordination of setting up office space (i.e. infrastructure, service providers, etc.). An Economic Free Zone that offers tangible, and perhaps graded, financial (i.e. tax) and regulatory incentives, and that eases the burden of company set-up (legal and physical) would result in job creation, people moving to Bermuda and an increased number of Bermuda-based companies, all resulting in increased Government revenues. Such support could be offered to both local and international companies.

3. Improve the current legislative drafting process.

Our legislation, organisational and economic policies are required to be constructed in a way that can anticipate and adapt rapidly in the face of change. To help with this, we recommend that both the IB sector and Government work closely together to minimise bureaucracy that negatively impacts our competitive advantage. In particular, we need to improve the current legislative process from both a timing and quality perspective by:

- Decreasing uncertainty in approval processes;
- Adopting a balanced approach between serving the needs of new potential business vs. strengthening the position of existing businesses;
- Process transformation-leveraging technology where possible, in order to eliminate inefficiencies;
- Enhanced messaging to ensure that changes are appropriately communicated to all stakeholders; and
- Standardised templates to facilitate new business that is understood and accepted by all parties involved.

Socio-Economic Foundations

1. Implement a temporary hardship allowance for qualifying homeowners. (*refer to Socio-Economic Foundations Future State Deck – Slide 25*)
2. Institute a mandatory form that captures key demographic information (similar to the previous CURE form) for completion by all job applicants, that is submitted to the appropriate Government department by the hiring employer. The data would be used to identify the diversity within organisations and inform strategic initiatives to encourage Bermudian hires.

Technology

1. Implement a federated decentralised governance model for Government technology oversight, with the immediate appointment (within 2019) of a suitably qualified and paid CIO who has broad control over all IT for Government and is tasked with developing a Government-wide IT strategy.
 - i. Any contract above \$25,000 must be approved by the CIO or someone allocated by the CIO;
 - ii. Re-engage the IT Secretariat Model;
 - iii. Set up a reference framework of categories for technology projects with clearly defined levels of oversight (i.e. budget, impact, risks, security, etc.);
 - iv. Implement legal/contracting criteria – set appropriate KPIs (i.e. implementation schedule, budget, contract specs, etc.), undertake a review of how contracts are reviewed and set a minimum level of criteria for contracts;
 - v. Ensure appropriate financial oversight of technology-related spending;
 - vi. Undertake a strategic review of existing and future contracts above \$25,000 to ensure contracts being entered into by Government departments align with Government’s overall strategy; and
 - vii. Review Government’s RFP process to ensure it is appropriate for effective and timely implementation of technology contracts, with inclusion of agreed local equivalency for competitive review.

2. Provide learning/development opportunities outside of the school environment to ensure no one is left behind in a technology-driven society. It is recommended that until Government can address recommendations pertaining to technology within the education system, that they partner and work with existing organisations who can bridge the existing technology gaps.
 - i. Develop resources to promote overall awareness and services re: cyber bullying, digital citizenship (i.e. appropriate online behaviour), computer ethics, etc.;
 - ii. Use of knowledge-based Government portal to educate students and mature learners that incorporates an incentive mechanism to motivate its use;
 - iii. Include a re-skilling component for existing Bermudians who are looking to re-skill and re-enter the market, shift their career path and/or elevate their ability and confidence in adapting to a more technology-driven society; and
 - iv. Provide training, re-skilling and technology-related networking opportunities through an online portal with a specific focus on attracting and redomiciling Bermudians who have left the Country.
3. Significantly simplify and accelerate the process of establishing technology companies in Bermuda.
 - i. Set Classification structure/standards to align appropriate support for varying technology company types/sizes to provide a pathway for successful growth in Bermuda;
 - ii. Within the classification structure, ensure relevant technology start-ups have access to necessary capital through the creation of a pathway/framework inclusive of mentoring support and connectivity to technology founders/incubators;
 - iii. Automate company registration process;
 - iv. Provide a pathway to connecting relevant start-ups to appropriate funding resources (i.e. Angel investors, infrastructure fund, etc.); and
 - v. For Bermuda start-ups, create an environment that encourages local companies to pilot their new products, providing opportunities to refine a Proof-of-Concept into a production system.

INTERCONNECTIVITY OF INDIVIDUALS, HOUSEHOLDS AND BUSINESS

This report has highlighted some of the barriers to inclusive and sustainable growth: an under-performing education system, an overly expensive health care system and a shortage of talent for many skilled jobs. These barriers to growth have set in place a vicious cycle that threatens to undermine our social and economic foundations.

For example, consider a neighbour who is unable to accept a legal job because his gang has a beef with a rival gang - he can't travel freely around the Island. He remains unemployed and is unable to put food on his table with any regularity or to get proper health care for his daughter, who has sickle cell disease. Gang life creates a vicious cycle that limits that neighbour's ability to make a better life for his family.

But there is more: We are more than a collection of self-interested individuals; we are a community of mutual interests. In our crowded neighbourhoods, the happenings in one person's home affect the well-being in others. When my neighbour can't accept a job that takes him beyond the neighbourhood, he's not in a position to give my grandson a hustle to repair holey screens in his apartment or to attend his

daughter's school events, because the school is in a rival neighbourhood, or to enrol his daughter in life-changing curricular and extracurricular activities. So, when his daughter lacks the access to life-changing opportunities and can't become, say, a marine welder, the opportunities she can offer her children are unnecessarily limited. A disadvantage gets passed on from one generation to the next. The vicious cycle continues.

This report suggests ways of turning a vicious cycle into a virtuous one. When we provide public school students with a world class education, they will be better equipped to take on the many skilled jobs on offer, better able to feed and house their families, and positively impact their neighbourhoods and community. A well-educated person will be able to afford better food and leisure options for their households. Better food and leisure options are likely to lead to a healthier population, lower health care costs, lower premiums and more discretionary spending on education, savings for rainy-day travel and entertainment. When we have fit-for-purpose job training programmes that prepare our workers for employment that provides at the very least, a living wage, it will allow them to build the capacity to care for their families and also mend the social fabric of our community.

Today's Bermuda is many times more complex than it was 100 years ago. Complexity goes hand-in-hand with interconnectivity. Modern life, then, not only connects us in deep and profound ways to our community, it also exposes us to global disruptions such as the trade war between China and the US, Brexit or the EU's offensive against offshore financial centres. Given the downside risks coming out of the global economy, it is imperative that Bermudians have education and health care systems that create pathways for equitable participation in our economy.

CONCLUSION

Our Vision is that every Bermudian has the opportunity to equitably participate in, and benefit from, our economy. To achieve this, it will be necessary to go into “hurricane restoration mode”. For the 48 – 72 hours following a major hurricane hit to our Island, we come together as one. For a brief moment in time, race, income, cultural background, citizenship, religious beliefs and the hurts of our past are irrelevant. We band together as a community to support each other and the Island overall in getting back on its feet. If we are to implement a public education system that ensures graduates are equipped to compete globally; if we are to have an accessible, affordable, patient-centric and sustainable health care system; if we are to evolve into a culture of lifelong learning; if we are to overcome the socio-economic injustices of the past; our entire community must share a common objective, embrace change, be respectful and honest in our debate and trust our capacity to do the right thing. Then our Vision will be achieved: **all Bermudians having the opportunity to feel valued and having the opportunity and tools to participate equitably in Bermuda’s economy.**

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- Interim DRAFT Future State Report provided to Premier Burt in February 2019
 - Addendum to BermudaFirst DRAFT Interim Future State Report – Feb 12, 2019
- Current State Summary Report to Premier – REV July 3, 2019 (includes all Working Group Current State Summary Reports)
 - BermudaFirst Current State Letter – June 13, 2019
- Proposed Immigration Reform Framework - provided to Minister Caines November 2018
- BermudaFirst Overview
- BermudaFirst NSE Plan Vision – April 2018
- Working Group Members, Engaged Stakeholders (current and future state phases) and Resources (i.e. research, plans, reports, etc.)

CRAWFORD HOUSE
50 CEDAR AVENUE
HAMILTON, HM11
BERMUDA



**BERMUDA
FIRST**