CAYMAN ISLANDS
GOVERNMENT

STEERING A TRUE COURSE

MID-TERM STATEMENT



Delivered Friday, 19 June, 2015
Premier Hon. Alden McLaughlin

2013/15

Statement to the Legislative Assembly: *Steering a True Course*

Mid-Term Report on Progressives-led Government

achievements 2013 - 2015

By Premier Hon. Alden McLaughlin, MBE, JP, MLA

19 June, 2015

Madam Speaker,

Today it gives me great pleasure to bring to this Honourable House the Progressives-led Government's Mid-Term Report, "Steering a True Course", which I wish to lay on the table of this Legislative Assembly and discuss briefly.

Madam Speaker, this Government has made excellent progress over the past two years in moving forward our plans for this term. And if you line up this Mid-Term Report with the Manifesto of the Progressives you will quickly see that we are delivering on our

promises. The Country IS making progress Madam Speaker; progress that is based on turning around an economy that was at a standstill and in threat of backsliding under the UDP administration. Today we have an economy that is stronger, more sustainable and growing with our Gross Domestic Product up a respectable 2.1 per cent in 2014, with all indicators pointing to further increases next year and beyond. In simple terms, under our stewardship the economy is improving and growing.

The USA, by comparison, which has one of the largest and most diversified economies in the world, recorded a 2.4 per cent growth at the end of last year. So, given our size, comparably we have done very well, and we expect this to continue through 2016.

This growth has not happened by chance or luck, Madam Speaker. It is the direct result of this Administration's sound and sensible planning and our disciplined implementation of those plans.

When this Government took over in May 2013, this country's finances were in dire straits because of the management of the Leader

of the Opposition when he was Premier and Minister of Finance, and minister of almost everything else.

During our tenure, revenues have increased from $618.4 million dollars in 2012-2013 when we took office, to $660.2 million dollars in this fiscal year and growing to $661.2 million dollars in 2015-2016. All this, Madam Speaker, despite Government giving up revenues totaling $12.6 million dollars over two years with the duty reduction on diesel CUC uses for electricity production.

On the cost side, expenses were cut from $558.1 million dollars in 2012-2013 to $538.7 million dollars in 2014. Even with increased expenses of about $14.5 million dollars in the new budget to fund a 4 per cent cost of living adjustment for civil servants, funding for CINICO, Seaman's ex gratia grants, e-Government initiatives, and several other measures, core Government's budgeted expenses of $552.8 million dollars for the next fiscal year are still less than total expenses for the last UDP budget under the now-Leader of the Opposition.

The Government's net operating surplus has increased from about $60 million dollars at June 2013 to $121.5 million dollars in 2014-2015 and $108.4 million dollars in the 2015-16 budget. Importantly, these numbers are even more impressive when you consider the nearly 30 million dollars combined negative impact to the surplus from revenue given up by Government in various duty reductions and the increases in expenditure noted previously. And Government has maintained a healthy surplus without any new borrowing and with no new taxes. In fact, this Government has reduced taxes.

Debt is also being reduced from $575.2 million dollars at June 2013 to $503.4 million dollars at June 2016 - a decrease of $71.8 million dollars - and we have firm plans in place to reduce debt even further. As the Minister for Finance noted in his budget address, we have established a debt service sinking fund that now has a balance of $18 million dollars that can be drawn on if needed. And as I have mentioned previously, Government continues to operate without the need of an overdraft to fund recurrent expenditure. This has been

achieved through prudent money management and has not only saved at least $800,000 dollars in overdraft interest annually but also tens of thousands in other bank fees. Additionally interest rates were renegotiated with local banks to lower those rates for the remaining term of five of Government's loans.

As you also heard the Minister for Finance tell us some weeks ago, Government's total cash balances are expected to grow to $341.6 million dollars by 30 June, 2016.

So, Madam Speaker, since coming to office we have delivered credible and sensible budget plans with strong revenue growth coupled with prioritized and controlled expenditure that have led to good surpluses. We have delivered on our promises to the Country and on our legal and constitutional obligations to the UK. However, we have delivered them not just to satisfy the UK, but because they are right for our Country.

And so with a growing economy we have seen more Caymanians find jobs. The unemployment rate for Caymanians fell from 9.4 per

cent in 2013 to 7.9 per cent in 2014 because of increased economic activity such as construction works that have begun in recent years or from existing businesses that have started to rehire. Our Government has also encouraged many new business startups to invest in Cayman, which has led to even more work for our people.

But more jobs are needed - not just for this year or the next - but for the years to come as the country grows and our young men and women enter the workforce. That is why we have worked hard over the past two years – and will continue to work - to create an environment that enables the growth of existing businesses, encourage local business startups, and attract new businesses to our shores. And Government is also doing its part by investing in the necessary infrastructure including roads, airports, the landfill and cruise berthing, which will assist private growth.

We now have a growing private sector that once again believes it can trust Government to keep its word, negotiate in good faith and stand by its commitments.

This renewed confidence Madam Speaker, coupled with our good stewardship of Government finances, and an overall feeling of stability have helped create an atmosphere that stimulates local business, and has attracted private sector investment. And so we now see several major initiatives comfortably moving forward, or coming to the fore, creating jobs, and thus further building confidence.

These initiatives are well known and include the Kimpton Hotel, the redevelopment of the old Hyatt property, the Ironwood golf community project, Camana Bay expansion – including a new hotel - the Beach Bay Condos project and others. But there is another new initiative to add to the mix with the sale and redevelopment of Treasure Island, which will transform the property into a quality branded hotel.

Each and every one of these projects has benefitted from this Government's support and encouragement, which has translated into hundreds of job opportunities for Caymanians.

This growth has also provided more revenue to Government, which along with sensible cost cutting, has enabled this Administration to

leave more money in the pockets of businesses and individuals; all because we have been strategic and disciplined. Disciplined financial management has enabled us to restore the long overdue cost of living adjustment to civil servants at 4 per cent. This will effectively put $7.5 million dollars into the collective pockets of civil servants that should be spent in the local economy every year.

Disciplined financial management has allowed us the ability to reduce the import duty on fuel Caribbean Utilities Company uses to generate electricity by 25-cents per gallon this past January and reduce another 25-cents per gallon next January. We will have erased the 45-cent increase put on by the UDP and are moving from a high of 75-cents per gallon under the UDP to 25-cents a gallon by January 2016 under our capable leadership.

While bringing much needed relief to households, this duty reduction also brings cost savings to businesses – all told the doubling of the duty reduction equates to $8.4 million dollars left in the pockets of

individuals and businesses each year. With these savings I urge businesses to take the opportunity to reduce prices to consumers.

Disciplined financial management has allowed Government the ability to reduce the import duty to licensed traders from 22 per cent to 20 per cent at a savings to businesses of at least $4 million dollars annually, which will also allow for better prices to consumers.

And disciplined financial management has meant that Government has not only reduced its debt but has also not needed to borrow to fund operating activities or capital works. And importantly, it also means that we have not introduced any new tax measures on our people and businesses these past two years and have no plans to introduce any over the remainder of this term.

Disciplined financial management also means that from the next budget year we will not require budget approval from the UK.

I will repeat Madam Speaker, the economic growth we are experiencing, the availability of more jobs for Caymanians, and the

greatly improved financial position of Government has not happened by chance or luck. It is the direct result of this Administration's sound and sensible planning and our disciplined implementation of those plans.

These plans include the development of a sustainable solid waste management system that we anticipate will serve us for at least the next 50 years. We all know that waste has been a problem for these Islands for decades but no Government has been willing or able to tackle this issue, meaning that it has gotten worse as more and more rubbish from a growing population and visitor base has been added to the landfill, particularly here on Grand Cayman.

The Progressives-led Government, though, does have the courage to tackle our waste management problem. We are doing so in a systematic way that will not only 'fix the dump' as some like to say, but will also look to bring about a sea change in the attitudes and behaviours of our people toward what we use and discard by ramping up recycling and composting efforts. Putting in place a proper waste

treatment facility will take time but it will be done properly under this Government.

In the interim we have also made dramatic improvements to the way the George Town landfill was being mismanaged. These improvements have included new equipment, such as 10 new garbage trucks and a compacter as well as operational changes. These improvements will not only lessen the opportunity for fires to flare up but have also returned domestic and commercial garbage collection to normal levels.

This Government continues to support local and international investors who, like us, want to develop and improve Cayman's economy. As I have indicated earlier the stability and confidence that everyone in Cayman - including businesses and investors - feels with this Government at the helm has helped immensely to allow projects to go forward, bring back jobs and to grow the economy. While over the past two years we have been looking to attract new business and diversify the economy, property development has continued to be a

main economic driver, which we expect to continue over the next several years. Recognising this we worked with and encouraged developers to bring forward plans that are good for Cayman and our people - but always ensured that we got the best deal possible. Where agreements were already in place, we renegotiated for a better deal. And we have been successful.

In addition to its $309 million dollar Kimpton Hotel Project on Seven Mile Beach Dart has committed to invest $400 million dollars in new infrastructure over the course of the next 10 years. The commitment is part of this Government's renegotiated National Roads Authority agreement, which also contains Dart's consent to forgo receipt of the 50 per cent hotel room tax negotiated under the UDP. The renegotiated agreement is one that provides a better deal for the country and allows Dart Realty the ability to develop its properties and to see a reasonable return on its investment. But we believe the developments that Dart is doing will be good for Cayman for many years to come.

Madam Speaker, Health City in East End celebrated its first anniversary this year. This is a project that the Progressives supported from its inception when we sat on the side opposite. It's a project we continue to support as we have continued to work closely with the developer during construction and over the past year. Just this past May Health City also received the coveted JCI gold seal of approval, which will enable it to better attract patients from the United States. We will continue to work closely with Health City not only as it expands its overseas patient base but also as it plays an important role in saving lives right here in Cayman.

Cayman Enterprise City is another entity that the Progressives has supported, particularly under CEC's current management team. To date CEC has enticed 140 companies to the Cayman Islands to set up physical staffed operations within the Special Economic Zone and there are now approximately 251 people working there. Last year I attended the Internet Marketing Association's conference in the United States to help promote CEC and Cayman, the outcome of which was

an IMAC leadership summit in Cayman this year and IMAC's plans for a larger conference next year. The potential for CEC and Cayman to benefit from this relationship by attracting IMAC members to do business in Cayman while also increasing our tourism numbers is promising. And last month we announced that we had renegotiated and improved Government's agreement with CEC to allow Government flexibility in granting Cayman businesses the ability to enter segments previously locked down as zone businesses. Government has also partnered with CEC to introduce a Maritime Park that will serve to bring new business and jobs to Cayman.

This Government's support for business extends to local investors as well. This includes the Gran Palazzo, which will be a major Caymanian waterfront development on North Sound providing jobs for Caymanians on all levels of the project.

To further support businesses, we have been successful in the passage of much-needed and anticipated legislation, such as the amendments to the Trade and Business Licensing Law, which leads to

a more structured business licensing regime by allowing the Trade and Business Licensing Board to function more effectively, simplifying business registration, and curtailing illegal vending.

In addition, changes to the Liquor License Law are being drafted and will update antiquated legislation that allows liquor licenses to be traded as commodities and makes it difficult or costly for those who want to open bars or restaurants.

The Secondhand Dealers Law was approved and is protecting consumers and businesses by putting strict regulations on pawn shops and those who have businesses that buy second-hand items like jewellery, electronics and even metals like copper wire. Regulations include strict requirements to maintain records on the identity of the sellers. It also dissuades pawn shops and metal buyers from being a first source to fence stolen items, which should in turn bring a reduction in break-ins and thefts. The law not only ensures that this segment is properly regulated but it also serves as a tool to deter criminals and assist law enforcement in combatting crime.

The new Exempted Limited Partnership Law and Regulations were implemented in August 2014. With the implementation of this law the General Registry processed 2,900 applications - an increase of 22 per cent - in the number of new registrations over the previous year. An online system was developed and as of last month, has 131 subscribers, with 1,039 users. This legislation is important for financial services as it makes Cayman more competitive and positively impacts revenues to Government and Financial Services Industry jobs.

Cayman's Governmental framework for intellectual property is being updated in the areas of copyrights, trademarks and patents. There are several notable benefits to modernising Cayman's IP protection from safekeeping of locally created content to an increase in Cayman's attractiveness for foreign investment. It will also broaden local access to goods and services and has the potential for increased Government revenue and creation of jobs for our people.

Also helping us build a strong, thriving and diverse economy is tourism. Our tourism numbers are growing at record levels with key

stay-over numbers up by an impressive 10.84 per cent in calendar year 2014 over the numbers in 2013, and with cruise tourism up 16.98 per cent for the same period.

To help support those growing numbers, this Progressives-led Government is making much needed improvements to our airports and working diligently on cruise berthing facilities. The Financial Transaction Model has been approved by Cabinet and discussions with cruise lines on the financial transaction model are taking place. The Environmental Impact Assessment for the Cruise Berthing Facility has been completed, and is now undergoing public consultation.

I acknowledge that the environmental assessment has identified several issues, so the viability and economic benefits of cruise berthing must be understood and carefully weighed against those concerns. However, I must point out that unlike the cruise berthing plans under the UDP, this Government committed - and has delivered on its promise - to ensure that a proper assessment of the environment was conducted before finalising any cruise berthing plans.

At Owen Roberts International Airport, we constructed a new Temporary Departure Lounge that accommodates 200-plus additional passengers and provides added departure gates and restrooms. This has given much needed relief to our own travelling public and visitors while main airport improvements are being made. The master planning for the overall improvements has been done and design plans are now being finalized for the airport itself. Work will begin this year on the new airport.

On Cayman Brac, the construction works to enhance the Charles Kirkconnell International Airport Terminal to full international airport standards was completed and a ribbon cutting to mark the occasion took place on 29 January, 2015. The main improvements were security related and will bring the airport in line with United States Transportation Security Administration requirements and improve overall passenger comfort. They will also allow the airport to become classified as an international airport allowing direct flights from the States.

In October 2014, Cayman Airways began enhanced air travel between Grand Cayman and Cayman Brac with the introduction of the 30-seat Embraer 120.

Madam Speaker, with more and more people coming to our shores it is imperative that we have proper infrastructure in place to keep our visitors and residents moving. Work is finished on the widening of Godfrey Nixon Way and has greatly smoothed out the traffic flow with its three lanes – two directional and a centre lane - for turning into the numerous businesses along that bustling stretch of road. The improvements also include better sidewalks and a cycle lane making the roadway safer for drivers, pedestrians and cyclists. Godfrey Nixon will also be connected in the coming year to North Church Street.

Similar work is planned on Smith Road this year as part of our master plan to improve traffic flows in George Town. Improvements to Smith Road will be similar to what was done with Godfrey Nixon Way and will help reduce traffic delays. Smith Road will also be connected to Elgin Avenue with a new road and Elgin will be connected to

Eastern Avenue. All of these road changes will allow traffic to move more directly between these key roads without the necessity to enter central George Town. I thank everyone in this House and those listening and viewing these proceedings for their patience as ongoing road works progress.

Other road works planned involve improvements to Linford Pierson Highway, which will have four lanes, and the widening of Thomas Russell Way as well as improvements to Edward and Fort streets.

All of these road works are just part of Government's overall $27 million dollar plan to improve traffic flows in and out of Cayman's capital and will serve as a launch ramp for the revitalization of George Town initiative. The lessons learned with these efforts in George Town can serve as a template for similar improvements in possible future efforts in other districts such as Bodden Town or West Bay.

Government has approved changes to the speed limit along West Bay Road reducing it to 30 miles per hour as well as installing more

pedestrian walkways and improving safety along the route by preventing the middle lane from being used to overtake.

These road improvements will not only increase safety, but make it easier for commuters to travel as they go to and from their jobs.

And speaking of jobs, Madam Speaker, one of the accomplishments I am most proud of is the Progressives-led Government's stance on a National Minimum Wage. Ours is the first Government to proactively take on a Minimum Wage regime, which we will implement from 1 March, 2016.

As stated in the Minimum Wage Committee Report, about 2,700 Caymanians who are classified as low or very low wage earners will have their incomes increased through Minimum Wage.

This Government also established the School of Hospitality Studies in conjunction with the Cayman Islands Tourism Association and the University College of the Cayman Islands. The first graduates will

receive their certifications in June 2015 and the goal is for them to enter the job market with one of the school's private sector partners.

In addition, Government and Cayman Finance are working in partnership to offer education and work experience in the Financial Services Industry for up to 50 Year 12 students in the dual enrolment Government system.

To help keep our people healthy and fit, the Department of Sports has held 52 programmes throughout the various districts that benefited hundreds of children and adults. Those programmes include club sports, after school programmes and adult fitness sessions.

At Savannah Primary School, facilities have been upgraded to allow greater community access for recreational and sporting activities. The Ministry of Sports will continue to upgrade sporting facilities starting with works at the G. Haig Bodden Play Field in Bodden Town with adequate changing room facilities and seating.

Madam Speaker, we all know that mental health is also important to us as a country and a society. To that end Government has approved plans for a Long Term Residential Mental Health Facility.

The health of our environment is also extremely important. The historic National Conservation Law was approved in December 2013 and the National Conservation Council has been working over the past year to put the necessary systems and measures in place to facilitate full commencement of the Law.

To help ensure the safety of our foodstuffs, consultancy is under way for drafting a National Food and Nutrition Security Policy and Implementation Strategy, which provides the best fit for the Cayman Islands as it not only addresses key agricultural issues, but also incorporates and touches on other key areas such as health and lifestyle issues, non-communicable diseases, environmental health, environment, planning and tourism issues.

In July 2014 the Department of Agriculture, working in conjunction with the United States Department of Agriculture-Animal and Plant

Health Inspection Service, Florida Department of Agriculture and Consumer Services and the US Customs and Border Protection successfully launched the Don't Pack a Pest programme in the Cayman Islands, becoming the fifth country or territory in the Caribbean to participate in this key traveler education programme.

Government has re-established the Certificate for Specialist Caregivers for non-Caymanian workers hired by local families to take care of elderly, sick or disabled patients. Under this legislation they will be given up to a 10-year exemption from the term-limit provisions of the Cayman Islands Immigration Law.

Cabinet has also approved the country's first Disabilities Policy ensuring that people with disabilities live with dignity, are respected and participate in a full society. An inter-ministerial committee is working toward implementation and legislation.

Madam Speaker, I've just given the House a sample of our accomplishments in the first two years of this Administration. The document I am presenting today should be considered an addition to

the 99-Day Report – Getting Back on Course - and the First Year Report – On Course – to get a solid glimpse of ALL that this Progressives-led Government has done.

No one can deny that when we took over the helm of Government the country was in a mess. We set our course to restore stability to the Government and its finances thereby restoring confidence while promoting economic growth. We made our plans and not only have we stuck to them, we have consistently delivered progressive results.

Now that stability has been restored, we will continue over the next two years and beyond to deliver strong, sustainable growth to ensure that all Caymanians benefit.

I take inspiration from that great race car driver Mario Andretti, the only driver to win the Daytona 500, Indy 500, and Formula One World Championship who said, and I quote, “Desire is the key to motivation, but it is determination and commitment to an unrelenting pursuit of your goal – a commitment to excellence – that will enable you to attain the success you seek”.

Madam Speaker, the Progressives-led Government has that desire, that determination and that commitment to excellence. We have attained success – many achievements – in the short two years that we have been at the wheel of the good ship Cayman. But we're not finished; not by a long shot. We remain motivated to see our plans through the remainder of this term and God willing, into a second term.

And so it is with great pride that I am able this morning to table in this Honourable House our Mid-Term Report titled, "Steering a True Course" because, Madam Speaker, that is precisely what this Progressives-led Government is doing.

In the words of American entrepreneur Jim Rohn, "It is the set of the sails, not the direction of the wind that determines which way we will go".

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