



CAYMAN ISLANDS

2015 Chamber Legislative Luncheon Address

By Premier Hon. Alden McLaughlin

Ritz Carlton, Grand Cayman

12-2 p.m., Wednesday, 30 September, 2015

(Protocol)

Good afternoon,

Today I want to engage you in a conversation about the progress the Government I lead is making as we administer the affairs of these Cayman Islands. I will share with you my thoughts on our broad achievements to date, the challenges facing us, and give you some detail on our plans going forward.

If you will, please cast your minds back to those days prior the 2013 election. Take a few seconds and reflect ... and then consider how different a place, indeed how much better a place, Cayman is today.

I suspect that as you reflect you will find yourself appreciating the stability and renewal of confidence in government, and in the future of Cayman. Add to this the return of a constructive and mutually respectful relationship with the UK as well as a more engaged and cooperative partnership between Government and the business sector. Then throw into that mix a much-improved economy coupled with the restoration of government finances.

Ponder these factors for a moment and you get the picture of just how much has been achieved in just a little more than 2 years.

The transition from there... to here ... did not occur by accident. It occurred because on Election Day 2013 the country chose a group of committed people who had a vision and plans for the country and promised good government. And after the election, once a government was formed, we set about creating a plan of action based on our election promises.

Promises... Promises.....

I am reminded of an anecdote about a father reading his young daughter a bedtime story. As soon as he started, the little girl looked up at her father and asked – “Daddy, do all fairy tales begin with ‘Once upon a time?’” - Looking down at her curious face, the wise father responded, “No my dear, there is a whole series of fairy tales that begin with ...‘If elected, I promise’.”

Yes indeed, the road to government is paved with promises. Making promises; that is the easy part. Delivering on them is the challenge. And as those of you here today know well, this is not unique to government; this is also the challenge of business – to

convert promises into deliverables that solve the problems or satisfy the needs and wants of customers or constituents. And it's a challenge this Government took on in earnest some 28 months ago – and I am proud to say today we have been delivering on our promises.

This Government's success so far has been down to establishing priorities, creating a plan and then being disciplined in its execution, adjusting occasionally as needed, but always moving forward.

Recently my Government delivered its mid-term report to the Legislative Assembly and, as I said then, if you line up the mid-term report with our election manifesto, you will quickly see that we are delivering on our promises and plans.

To borrow a favourite saying of Deputy Premier Hon. Moses Kirkconnell, this is a Government that gets things done. Let me give you a few examples:

For over a decade successive Governments have talked about upgrading the Owen Roberts International Airport. But we are actually doing it – bringing jobs and a much-needed facility to

better serve those who fly in and out of Grand Cayman. When complete you will no longer have to apologise to arriving business colleagues or clients about long lines or overcrowding. Instead you will proudly listen when they speak of what a fantastic facility we have.

Under our watch the airport redevelopment has been properly planned, financed and contracts tendered. It has all been done according to best practice, transparently and by the book, and we broke ground on Phase One two weeks ago.

Finding a solution to the George Town landfill has been talked about for just as long and, like the airport, we are proceeding carefully with the required process under the Framework for Fiscal Responsibility and Public Management and Finance Law. We will ensure we have a solid waste solution for the next 50 years. Along the way we have conducted various environmental and site investigative works on the landfill sites on all three Islands. We have remained transparent throughout, publishing every report when done. Recently Cabinet approved the National Solid Waste Management Policy after a period of public consultation. This is a

major step to arriving at an overall National Solid Waste Management Strategy, which will lead to a final agreed waste management solution and identify the options available to government. The release of the strategy is imminent with plans to get it to the public by late October or early November. The process may seem slow, but it is sure, and will bring about the correct outcomes.

Another long discussed issue has been reviving the hospitality training school. Again, we have done this, working in partnership with the private sector. We recently celebrated the first graduation with graduates finding good jobs in the hospitality industry. It has been a huge success and we are increasing the number of trainees that will graduate next year. I'd like to thank all involved including those members of the Chamber who help with training and mentoring but also those businesses that have hired young Caymanians who show that they are willing and capable, if only given a chance.

Then there is the contentious issue of the cruise port coupled with an enlarged cargo port. We have done as we promised and looked

at the potential impact to the marine environment, the influence on the land, and importantly on how to best mitigate the environmental concerns while considering the benefits to the economy. I would pause here to note that is something no other Government has done. I will say more about the port in a bit.

You will have already seen Phase One of the George Town revitalization efforts started with the widening of key roads in George Town. It is part of an overall plan for improving our main town centre. Again, I will speak more on this later.

We also took on two issues that had been championed by the Chamber for many years – Sunday Trading and Daylight Savings Time. Some were happy with the outcome of these efforts; others less so. But we expanded the variety of small businesses that can legally open on Sundays, satisfying a real economic need, creating more employment opportunities and protecting many small retail operations that partly rely on Sunday trade to remain in business. As for Daylight Savings Time, we have approved its introduction and it will come into effect next year.

We took on many key issues that previous administrations failed to tackle, all the while getting the country's finances and economy back in good order. This is no small feat.

We now have a budget that, facing some worldwide financial disaster, will bring us back to full compliance with the Public Management and Finance Law tests by the end of this Fiscal Year. It is a budget that continues this Government's firm control over expenditures and delivers strong revenues and surpluses while looking to reduce the tax burden on people and businesses.

Government's net operating surplus has increased from about \$56 million dollars prior to the election, to about \$124 million dollars at the end of 2014 - 2015 and is projected to be \$108 million dollars in this budget year.

As striking as the increased surpluses are, they are even more impressive when you consider the almost \$70 million dollars given up by Government over the last 2 budgets to accommodate the reduction in the CUC fuel import duty; the 2 per cent reduction in the duty on most goods that businesses import; the reduction on license fees for many small businesses and other concessions and

waivers; as well as the 4 per cent cost of living adjustment for civil servants, and other measures, including e-government initiatives and support for CINICO.

This equates to a \$70 million dollar economic stimulus that finds its way back into the economy, while the duty reductions help lower the price tag on many imported goods as well as the cost of electricity. This is money that is going back into the pockets of individuals and businesses. We intend to continue to responsibly lower fees and duties in the next budget.

We have also reduced Government's core debt from \$575 million dollars at June 2013 to \$503 million dollars by June 2016, a decrease of \$72 million dollars, including paying off Government's overdraft. Government has also established a debt service sinking fund that now has a balance of just over \$18 million dollars that can be drawn against to repay loans if needed.

You know as well as I do, our economy is no longer at a standstill or in threat of sliding backward, as was the case in early 2013. Business has improved for large and small companies and the prospects for further improvements can readily be seen. Our gross

domestic product grew by 2.1 per cent in 2014 and is expected to grow by about 1.7 per cent again this fiscal year. That's a very acceptable rate of growth given the uncertainties that remain worldwide. In July 2015 the International Monetary Fund forecasted that the United States, with its huge, diverse economy will have GDP growth of 2.5 per cent in 2015.

We have an economy where stay over tourism numbers continue to grow - with the 2014 air arrivals of 383,000 being the most air arrivals we have had for 14 years. And air arrivals for this year continue to be good with more than 280,000 visitors up to 31 August.

Cruise arrivals have also grown with 1.61 million arrivals in 2014 - an increase of almost 234,000 passengers over 2013. Indeed 2014 was the highest number of cruise arrivals since 2007 – a result of an improved relationship and dialogue with the Florida Caribbean Cruise Association. It didn't just happen by chance. And up to August of this year we have already seen more than 1.1 million cruise arrivals in Grand Cayman. This is a vital industry to

many people and businesses in our society and we have to ensure its continued success and growth.

As more hotel rooms come online next year and beyond we are confident that stay-over tourism numbers will continue to grow and we will ensure that our infrastructure is ready to handle that increase.

And this confidence is shared by investors – just last week Government signed an agreement for the construction of St. James Point – a \$200 million dollar hotel and condominium project that will be built in the Bodden Town District. It will benefit that district as well as the entire country, providing jobs and economic opportunities for hundreds of our people. Additionally, there are several new developments of varying sizes in the planning stage or under construction, including those on the Seven Mile corridor, along South Sound, out to the Eastern Districts, and across the water to Cayman Brac. Developers, from small to large, have seen the improvement in the economy and are preparing for an increased demand as condos sell and tourist arrivals increase.

This will help provide jobs and further enhance the economy as well as generate good government revenues.

Ours is an economy where private sector jobs are again being created and with potential for more diversity in the economic base, including new opportunities in the proposed new Maritime Zone, opportunities with changes to intellectual property laws, and many changes to make our financial services sector more competitive; all of which promotes growth. It takes time to rebuild but we - Government and private sector - are doing well.

But the indicators show that even with the improvements to the economy over the past two years there is additional work to be done to ensure that more Caymanians have the opportunity to compete for the jobs for which they are qualified. I am happy to take on board any criticism around what Government can do better, and happy to consider any suggestions the Chamber may have. But in a spirit of partnership, the Cayman Islands Chamber of Commerce and its businesses members also have a responsibility to ensure that Caymanians who are capable and

willing to work are treated fairly and have opportunities for employment and advancement.

Together we can solve this challenge. But let there be no misunderstanding, while we will continue to work with business to help grow the economy and create jobs - this Government will not sit back and have Caymanians who are willing and capable to work be passed over. We recognize and value the contributions of all who work to help us build this economy, but with almost 22,000 work permits on record, it must be possible for businesses to hire more Caymanians.

Besides employment for Caymanians there are other challenges we face; for instance, the current grave concern that money transfer agencies no longer have access to Cayman banks. The reasons for this are complex, but essentially revolve around the perceived risks posed by overseas regulators concerned that terrorists looking to fund their illegal efforts use money transfer companies. Those same regulators are also concerned that money transfer companies may also unknowingly be used to launder money. The increased scrutiny from authorities is

especially focused on countries with a large volume of money transfers. Cayman for instance is reported to have \$180 million in remittances annually that are sent from Cayman to Jamaica, Honduras, the Philippines, the USA, and elsewhere.

As a result of this, the main bank servicing the money transfer businesses decided that the risks involved in continuing banking arrangements for money transfer businesses were too great. In addition, another local bank was forced to exit the business because of similar concerns by their correspondent bank in the US. On the face of it these were business decisions presumably made in the best interests of the banks.

But the impact of these decisions is that if the money transfer agents cannot bank deposits locally and have access to converting CI dollars to US dollars to make their payments, then they will do what they did – accept US dollars only and then ship the US cash overseas where a bank will deposit the money to its overseas account. The result has been an unexpected increased demand for US cash in Cayman and the banks have been running short.

However, the Bankers Association confirmed yesterday with the Ministry of Financial Services that the retail banks are now importing sufficient US cash to meet the increased local need for US cash and that the US cash crisis should ease shortly.

This issue is hurting many people in our communities and their families overseas who rely on remittances. Believe me, I understand this only too well. Between my home and farm I have 4 Jamaicans who work with me and like everyone else I have to scramble every Friday to find US dollars to pay them.

This issue is also damaging to our economy and we have to find a way to resolve it. The Ministry, together with CIMA has been working to find a solution that once again allows remitters to transact in CI dollars. This really requires a commercial solution or a combination of commercial solutions and Government is doing everything we can to facilitate a resolution. We have already made some key decisions and I am optimistic that we will be able to announce at least a partial fix of the situation very shortly, but because of the sensitive nature of the commercial negotiations under way I regret that I cannot say more about that at the

moment. All I would caution is that you not believe the doom and gloom you hear on certain radio talk shows or the proposed solutions being so glibly expounded. If only it was as simple as they suggest.

The Chamber has highlighted the issue of Class B Banks also facing challenges in retaining local bank accounts. I can say that CIMA and the Ministry are very aware of this and as such the Ministry has already contacted the Chamber's chair of the committee that is focused on this matter. In the near future, the Ministry will coordinate meetings with Class B banks that have concerns in order to better understand those concerns and how the Ministry can best assist.

So, here we are; while we face challenges we also have a record of accomplishments that everyone in Cayman can be proud of. We have less than two years remaining in this term, but I can assure you that your Government is not sitting on its laurels. We know that there is still much work to be done and we are pressing on with a renewed sense of urgency.

Let me share with you some of our plans and pledges going forward.

I mentioned earlier the progress that we have made regarding our waste management plans. We will not sit and wait for a final strategy document to advise us on what everyone already knows: the solution must include plans for more recycling and composting. So Government is moving forward with an expanded recycling programme to collect waste papers, plastics, metals and glass and keep them out of the landfill. A request for proposals will go out in October for the private sector to collect and process recyclables at the beginning of next year.

In addition, a new programme to process yard waste by composting and mulching will take place at the George Town landfill where most of the yard waste is already being delivered. The finished compost and mulch will be used for gardening and farming.

We are also tackling the current unfair Liquor Licensing regime and a new Liquor License Bill will be taken to the Legislative Assembly at the next meeting, which commences 14 October. This

will remove the ability for liquor licenses to be treated as commodities to be leased or sold and will allow a level playing field with regard to businesses that need these licenses to operate. Chamber members in the industry will appreciate the significance of this change.

Another change that Chamber members may appreciate is that Cabinet recently agreed to enhance the visa regime for Jamaicans travelling to Cayman by introducing a 10-year visa. This is expected to benefit business people, church officials and others who need to travel to Cayman frequently.

We are updating the Public Management and Finance Law. One planned improvement is for Government to move to multi-year budgeting, with the fiscal budget running the calendar year. The amendments to the PMFL will be debated in the LA when it meets next month.

Also to be debated are amendments to the Builders Law that updates legislation from 2007 that was never brought into force. This law will ensure proper qualifications and expertise of

construction firms. Accompanying regulations will create registration categories from general contractors to tradesmen.

Government has revamped the Government Guaranteed Home Assisted Mortgage programme and is relaunching it in October. We are working with local banks, which have agreed to earmark \$50 million to \$60 million dollars for GGHAM mortgages. I thank the banks for working with Government to assist first-time Caymanian homeowners.

On the wider issues, we are delivering on our manifesto promises of education improvements, introducing a minimum wage, delivering on electoral reform, working with and encouraging business, improving employment and revising the Labour and Pensions Laws.

I appreciate the Chamber's feedback on the Labour and Pensions Law changes. As you know, we have extended the public consultation phase because we are interested in having true discourse. We are open to dialogue on this so as to ensure that we get the best bill possible that protects the rights of employees while ensuring that businesses are also treated fairly.

Getting that delicate balance right is of critical importance and the government is under no illusion at the difficulty this poses. Without in anyway wishing to detract from the seriousness of the matter, this is one of those issues that US Vice President Joe Biden must have had in mind when he said: “If we do everything right, if we do it with absolute certainty, there’s still a 30 per cent chance we’re going to get it wrong.”

E-Government is also a priority. Just last week we entertained a group from the Estonian e-Governance Academy. They held informative workshops to share with us what Estonia has done to catapult that country as a world leader in e-government initiatives and we have learned much. We are now looking to build on the e-services already in place and ensure that we move as one Government and prioritise e-government initiatives that improve government services and better serve residents and businesses.

One of the takeaways for me was their emphasis on the need for government systems and data to be secure and trusted. In today’s world, as we have all seen, achieving cybersecurity and data protection is not a single destination, but a continuous journey and

I have advised the staff in the Ministry of Home Affairs to ensure that there is a sufficient, urgent focus on data security across Government. There is no place for complacency or second best when it comes to security and public confidence, for which Government has responsibility.

In terms of electoral reform, I can say that I will shortly move the necessary motion in the Legislative Assembly to adopt the Electoral Boundary Commission's Report in full and to introduce one person one vote and single member electoral districts in time for the next election.

We are moving to improve the green space in George Town, including a new seaside park area in South Sound and a park in the vicinity of the old 'Glass House'. Plans for both are at an advanced stage and a major business has agreed to fund the Glass House Park. It is expected that this will be completed next year.

Phase One of the George Town revitalization project will continue with new roads being introduced and existing roads enhanced to take traffic away from the waterfront and town centre. It is

anticipated that the public, including the business sector, will shortly be asked to add their voices to what is being proposed so we can have a plan that will provide true economic and social renewal for George Town, including the introduction of mixed-use buildings in the town centre. The renewal of George Town will help bring businesses, jobs and added opportunities back to our capital.

Part and parcel of a renewed downtown George Town is cruise-ship berthing and enlarged cargo facilities. The environmental impact assessment has indicated that while there will be some damage to reef structures in the immediate vicinity of the harbour, the project will not bring any harm to Seven Mile Beach – this was a major concern that has now been put to rest. The assessment also indicated other possible impacts to the marine environment in that area and advised how to best mitigate any damage.

The economic benefits reports have also provided good insight and are helpful to Government. What was also useful to elected members was public representation, including meetings with individuals on either side of this issue.

While Cabinet is still to make a formal decision, which is expected over the next few weeks, I can say today that Government has considered the matter carefully and has agreed on the merits of building a cruise port and an enhanced cargo port and to allow the project to proceed to the next stage.

That next stage involves discussions between the Foreign Commonwealth Office, government, and cruise companies, which are needed regarding the design of the piers and the structure of the project's financing. The cruise companies must have skin in the game as they are needed to guarantee the necessary volume of cruise passengers over the financing period.

I hasten to add that there will not be dredges in George Town Harbour tomorrow or next week or next month even. Instead, we will proceed carefully and seek to do whatever it takes to ensure the minimum environmental impact. We will take the time necessary to plan and engineer the building of the piers, including planning any logistics and to look carefully at mitigation methods. In considering the engineering of the piers, we intend to carefully assess whether the current design elements, including the

alignment of the piers, can be further improved to reduce the impact of dredging.

The project will not only help to safeguard our important cruise business into the future, but it will also enlarge our cargo port. Both will protect existing jobs as well as bring many new jobs during the project phase leading to many hundreds of more jobs well into the future.

I have heard what those who worry about the environmental impact have said, but one thing is certain in my mind; economic benefits aside, if we continue to anchor cruise ships in the George Town harbour as we have done these past 40 years, in a decade or two there will be very little coral left for anyone to enjoy. We are being called upon by the proponents and opponents of a cruise port to decide on protecting the environment or protecting the economy. Life is seldom so cut and dried, but we firmly believe that our approach will find the right balance.

The decision to be made is not whether we want to build cruise berthing – the decision is whether we want to remain in the cruise business in any significant way. The decision is whether the many

hundreds of people and families who today rely on jobs created as a result of cruise tourism will have those jobs next year and in years to come. Our view is that we have spent 40 years building an important cruise tourism economic driver and we are duty bound to ensure that we do not sit still and allow it to move to Cuba or other destinations in the region. From cruise year May 2014 to April 2015, there were 1.45 million cruise passengers who visited Grand Cayman. They spent an average of 4 hours on shore and generated \$160.9 million. It cannot be ignored that of the 22 countries in the Caribbean and Central America at which cruise-ships call, the only one that does not have or is not in the process of building cruise piers, is the Cayman Islands. As is always the case, there will be some sacrifice to ensure future success.

Continuing to look to the future, this Government plans to introduce a modern National Development Plan that will help us sustain economic prosperity, prevent further degradation of our environment, plan physical development and ensure physical infrastructural needs are continually met. The initial work for this will begin in earnest in the coming months and will be part and

parcel of the work being done to implement the various projects under Project Future.

Last year in my speech I talked about the EY report. I said then that the report was a useful starting point for the Government as it addressed the need for public sector reform in our Islands. It was clear that some recommendations from EY were already part of our plans while others we could rule out even at that early stage.

I promised you that all the other recommendations would be subject to a thorough review before decisions were made to ensure that the changes made were in the best interests of our people.

I am delighted to announce that the review of the EY recommendations is just about complete. We have found a number of recommendations are not compatible with the direction we are seeking to take but the majority of the EY report, we believe, should be taken forward either directly or in a suitably modified form. In a few cases, we have made a start on some of the more straightforward suggestions.

For example we have made good progress on the development of both the single utilities' commission and a new Office of the Ombudsman; we are progressing the proposal to increase the retirement age of civil servants; and only a few weeks ago Cabinet agreed to take to market the first area of land identified as surplus.

Taken together, the EY recommendations we are accepting and any new projects we have identified represent an ambitious and comprehensive package of reform that will be taken forward under the Project Future banner.

We will be announcing the full details of the programme in the next few weeks.

Ladies and gentlemen, if I am to summarise, we are a little more than two years into this term and our initial focus on restoring stability to the country, restoring confidence in the Government and restoring the economy and Government finances have broadly been achieved.

We are a Government of ambition and action. We are a progressive government and we will continue to work hard to ensure that we never go back to the dark political and economic

days of recent memory. We've risen too far out of the mire. We ain't going back.

As I have said elsewhere, there can be no going back to the days of personality politics and governments working toward political survival. Instead what we must continue to have is a government focused on what is best for the people it serves. In the words of John F Kennedy:

"Let us not seek to fix the blame for the past. Let us accept our own responsibility for the future."

This Government has accepted our responsibility for the future and we are forging forward. We have done well over these past two years, and we know that there is more to do. We are a Government that gets things done.

In closing it only remains for me to thank my team, Ministers and Councillors, as well as the Speaker and Deputy Speaker, for their commitment, discipline, and hard work.

I wish to thank the Governor for her wise counsel and support of the Government.

I also thank the Deputy Governor and the Attorney General as well as the Cabinet Secretary.

Of course we would get very little done were it not for the support of the wider Public Service as well as my staff in the Office of the Premier.

Lastly, I thank President Barry Bodden, the Chamber Council and the members of the Chamber of Commerce for once again hosting this Legislative luncheon and providing me this opportunity. I appreciate your being such a patient audience and affording me the honour to address you here today.

##