



“Partnership for Recovery”

2010 - 2011 Budget Address

Delivered By

**The Premier and Minister of Finance, Tourism and
Development**

Hon. W. McKeever Bush OBE, JP, Hon. MSc.

To the Legislative Assembly on

Tuesday, 15th June 2010



“Partnership for Recovery”
2010 – 2011 Budget Address

Delivered by the
Premier and Minister of Finance, Tourism and
Development

Hon. W. McKeever Bush OBE, JP, Hon. MSc.

on this 15th day of June 2010

Madam Speaker,

It is truly an honour to be the first Minister of Finance to deliver a Budget Speech in this august Assembly. The privilege is humbling and signals a Better Way Forward for us as a Legislature and certainly for us as a people.

I wish to recognize the role of Almighty God and thank Him for bringing us thus far as a country.

Notwithstanding our current challenges, He has bestowed several blessings on this country and its people. Our people enjoy a way of life that goes beyond sustaining their economic well-being to fulfilling their social and spiritual needs, in an environment of free choice.

This freedom to choose is at the heart of their democratic right to change governments when they see fit. This is why I have the privilege to stand before you today in this capacity.

The right to choose and the freedom to praise Almighty God are guaranteed rights which Caymanians exercise every day. Let me thank those of you who continue to send up prayers for this new administration.

This piece of history is the coming together of two sets of principles that form the basis of the budgetary process as we know it. As I identified in the debate to amend the Public Management and Finance Law; the two sets of principles have to do with management and leadership. The people of our beloved country have entrusted my government, not only with the management of our public and financial affairs, but with the leadership of our economic, social and political way forward. It will be a better way!

The journey started in the midst of a World economic recession that is still being described as the worst since the economic depression of the 1930s. As I speak, there is gathering evidence that the World economy is past midnight and heading to dawn. More encouragingly, the short days of winter are apparently behind the advanced economies and the long days of summer are ahead of them.

But we must not forget that the light reaches us with a delay!

If we liken the current recession to darkness, then our faith may be reinforced by the words in Romans, Chapter 13, verse 12: “The night is far spent, the day is at hand: Let us therefore cast off the works of darkness, and let us put on the armour of light.”

There is really no simple way of defining faith but it includes both belief and hope. Caymanians expressed belief in a “Better Way Forward” with their vote, notwithstanding the difficult times. It is for us to provide the hope that adds value to the faith of our people. The better way to provide such hope is to recognize the tough challenges which confront us; and face them and fix them!

In this vein, let us face the state of the country’s finances that was left behind by the last government. Let us face the economic hand that has been dealt to us. Let us face the social conditions which we inherited.

But let us not despair because it is now our duty to fix the wrongs. It is our duty to restore balance to our country's finances. It is our duty to re-position the economy and it is our duty to rectify the social conditions, and we will.

We have a history of stability, be it economic, social or political. Our stability was founded on the backs of hard-working people, the freedom to allocate our limited resources and the resultant distribution of the benefits of our collective efforts.

In these times, our friends may ask us to lend them a hand; and we must persuade ourselves to open our hearts. More than ever, we have to become our brother's keeper!

Let us draw inspiration from the psalmist that "weeping may endure for a night, but joy cometh in the morning." Martin Luther King Jr. wrote: "This faith adjourns the assemblies of hopelessness and brings new light into the dark chambers of pessimism." This Assembly - this House - must inspire hope through rigorous but fair debate in setting the agenda for our country's future.

Therefore in a spirit of optimism, and in spite of the threatening clouds, my government is focused on strengthening the economy of these Islands; pursuing responsible financial management that will pave a better way forward for the citizens of these Islands; and leading Caymanians and residents to safer and calmer waters, no matter what the season.

In every sense, it is a new dawn!

The dawn is marked by the presence of fresh dew that some may see as an impediment but we see it as an opportunity for change. For sure, the challenging international environment imposes its own brand of change and this creates the need for change at the domestic level.

The change which we envision is reflected in the title/theme of this speech “Partnership for Recovery”. There must be a new emphasis on the public/private sector partnership to drive our economic recovery. There must be a renewed emphasis on the partnership between the government and the people to deliver social cohesion. And there must be a greater emphasis on a stronger partnership between the government and institutions to secure our political stability.

These are all essential Partnerships for Recovery!

STRATEGIC APPROACHES

The budgetary process for us started on day one, as we immediately faced the prospect of fiscal problems. Declining revenues were the order of the day and there were no reserves to draw on.

There was approximately \$13.4 million in Government’s main bank operating account to start the coming fiscal year and in the great scheme of things this is pocket change.

To put the country in fiscal recovery mode, we had to bring a temporary budget to bridge the fiscal gap for the first four months of the year. This required us having to grapple with the issue

of borrowing money, the pressure to introduce direct taxation and immediate government expenditure reduction.

The degree of management and leadership of our fiscal recovery demanded public and private consultation and listening to internal and external advice.

By October of 2009, we brought a budget and on the other side of the aisle only the Member for North Side supported it.

The budgetary process nevertheless continued as we negotiated with the Civil Service, sat with Chief Officers to identify cuts in expenditure and worked with the United Kingdom Government's Foreign and Commonwealth Office (the "FCO") who required us to develop a three-year financial plan.

The process for fiscal recovery demanded hard work, involving long hours and lots of negotiation.

It is in this spirit of recovery that the Government's Three-Year Budget Forecast (2010/2011 to 2012/2013) rests upon five key strategies which the government is committed to implementing over the medium term. These strategies include: (1) public sector reform; (2) limits on new public sector borrowing; (3) broadening of the government's revenue base; (4) government expenditure reduction and (5) private/public financing initiatives.

These strategies underpin the various economic initiatives which inform our initial three-year economic recovery plan. This plan focuses on re-positioning the finances of the public sector such as to enable the recovery to be driven by the private sector.

The five key strategies constitute the major pillars of the government's short-term policy stance of deficit-reduction for the financial year 2010/11 and beyond. This follows on two previous difficult financial years. In 2008/09, the Financial Secretary entitled his address, "Maintaining Fiscal Prudence in Challenging Economic Times". In 2009/10, he referred to the budget as a "bare bones" budget. It provided for the basic operational and capital needs of the Government.

Having inherited the economy in a recessionary environment or alternatively amidst threatening clouds, we immediately sought to restore some balance or light to government finances with the introduction of revenue measures. Although implemented in January 2010 and not November 2009 as intended, the new measures are contributing to a recovery of the financial position of the Government.

A forecast made in February this year estimated a deficit of CI\$57 million for the year ending 30 June 2010. The most recent forecast indicates a revised deficit of CI\$45 million. Government's total cash balances at 30 June 2010 is expected to be CI\$77 million; which is a significant improvement from the CI\$53 million forecasted in February.

While the Caymanian economy is expected to contract in 2010, there is already some evidence of improvement in the Government's financial position initiated by the policy action of this Government. We intend to face it and fix it!

However in order to fix it, we must be able to put the current environment into context!

FCO Involvement

Madam Speaker, as I have said, the bad financial situation we found meant that the FCO for the first time in our history, had to give us permission for our budget. For a Country that always boasted financial independence, and was proud of it, this put us in a very embarrassing position. Nevertheless – as was and is our duty, we worked hard and the new Government in the UK has offered full support in our plan for national recovery.

Madame Speaker, I wish to speak briefly on a matter which I believe is key to our continued success and that is the nature of this country's relationship with the United Kingdom.

This relationship has been somewhat renewed recently with the election of a new Government in the UK. I think it is very safe to say that there is a world of difference between the nature of

that relationship over the past 12 months as compared to the one recently established over the past 4 weeks.

In connection with this budget and the need for the Cayman Islands to seek the UK's approval for the additional borrowings in this budget, I met in the Foreign and Commonwealth Office, with the Honourable Henry Bellingham, the UK's newly appointed Under Secretary with responsibility for the Overseas Territories.

This Honourable House will already be aware of the fact that as a result of my Government's three year plan and my discussions with Mr. Bellingham, we have indeed received this approval.

However I wish to focus on a point separate and apart from the approval itself. During those discussions it became clear to me Madame Speaker that we have entered a period of a more positive partnership with the UK. Certainly more positive than we have had with the previous administration in the UK.

Madame Speaker I had made it no secret that given the previous relationship, I was hoping for some change in the administration which would provide an opportunity to improve our relations with the UK, treat the commonwealth and the Caribbean more favourably, and it appears thus far that, we have got that.

I have tabled a letter from Mr. Bellingham in relation to our meeting and this letter clearly demonstrates this change.

In his letter Mr. Bellingham agrees with my own assessment that the meeting was extremely constructive. And his own words Madame Speaker, he is looking forward to a more dynamic and positive relationship between the UK and the Cayman Islands.

In his letter and our meeting Mr. Bellingham agreed to and offered support to the Government in its initiatives as laid out in the three year plan. This included ensuring that the plan was fully implemented and that there was an annual progress report on its implementation.

The UK also supported our plans to examine and execute where feasible, a number of divestments and expressed its wish to see the proceeds of that divestment utilized for a sinking fund to rebuild reserves and pay off existing debt.

The UK agreed to, and also fully supported the Government's plan to restructure existing loans, (including the recent bond issue) to improve our cash flow and reduce interest costs.

Madame Speaker, over the past year, my administration has been working hard to improve the Government's fiscal crisis and restore prudent financial management to this country. The new UK administration appears to have an appreciation of our efforts and Mr. Bellingham expressed his appreciation for our determination to restore sustainable public finances to the Cayman Islands.

This country has never asked for anything from the UK aside from their understanding and support for policies that improve the lives of our people.

We are therefore grateful for this improved partnership and look forward to working with the new administration in the UK and I certainly hope that we can now move forward with a renewed and more positive partnership.

We had come to a situation where last year we were told that we would have to cut Civil Servants. I made a sincere effort to cut salaries instead of laying off people but this was not accepted. The 3.2% was offered by the Civil Service management. When the economy turns in a more robust generation of income – we will revisit with a desire to reinstate the 3.2%.

MACROECONOMIC OVERVIEW

Between late 2001 and 2003, the Cayman Islands' real gross domestic product (GDP) expanded on average by 1.3 percent per year; however, this was reduced to 0.9 percent in 2004 due to the impact of hurricane Ivan. The local economy rebounded from the devastation to record an average growth of 5.2 percent for the succeeding three years which can be attributed to major reconstruction works which had begun in 2004, along with the resilience of the financial services and tourism sectors that had been prepared.

However In 2008, the rate of economic growth slowed dramatically to 1.1 percent and this minimal growth was largely due to accelerated government spending, as the effects of the

global economic downturn were still in evidence on the financial services sector and tourism-related industries. Large government expenditure growth beginning in 2006 was however paving the way for rising fiscal deficits, as government revenue showed signs of contracting as early as the 2008/09 financial year.

The signs of fiscal difficulty had emerged. Indeed in the 2008/09 budget presentation, prior to my Government assuming office, the operating revenue was projected to be “approximately \$11 million less than was forecast in the 2008/09 SPS. This downward revenue projection is the direct result of the current economic environment we find ourselves operating in, and it also reflects lower economic growth forecasts.”

The full impact of the global downturn was felt with no meaningful preparation for 2009 when the domestic economy was estimated to have contracted by 6.6 percent. Financial services which account for 53.5 percent of GDP was estimated to have declined by approximately 4.1 percent in 2009.

Similarly, real estate, renting and business activities which account for 20.7 percent of GDP are estimated to have declined by 4.8 percent. Declines were also experienced in the construction as well as hotels and restaurants sectors.

While many of the advanced economies are on their way to recovery in 2010 mainly due to fiscal stimulus programs which are unprecedented in size, there is evidence of recovery for the Cayman Islands. But this is not the result of lack of fiscal stimulus; rather it is the result of fiscal

prudence. In fact in 2009, total spending by central government in the Cayman Islands was cut by 5.1 percent in nominal terms.

Over the last thirteen months, we have managed the Government's finances effectively, to achieve a reduction in the fiscal deficit from CI\$81.0 million to CI\$45.0 million forecasted to 30 June 2010. The reduction of deficit between the 2008/9 year and the 2009/10 year was achieved primarily through operating expenditure reduction of approximately CI\$23 million. Total operating revenue increased by only CI\$4.2 million notwithstanding the introduction of new revenue measures in January of this year.

The recovery in the Government's finances started with the more effective and efficient allocation in the category of supplies and consumables in the public sector. This allocation was reduced substantially from the initial \$116 million 2010/11 Budget submission for this category without compromising the sector's delivery.

The Government has therefore moved to restore fiscal prudence to the affairs of managing the public sector as part of its partnership for recovery.

LABOUR AND INFLATION

Last year, the depressed activities in the production sectors led to a fall-off in labour demand. Demand for foreign workers as reflected in the numbers for work permits, shrunk by 11.3 percent. It must be emphasised that labour supply in Cayman is essentially demand-driven, with over 50 percent of the demand comprising of expatriate workers.

A fall-off in the demand for expatriate labour is reflected in the drop in the population from approximately 57,009 in 2008 to 52,830 in 2009. However, the fall in population numbers had some negative effects on GDP in 2009 which are expected to continue over the medium-term.

The decline in economic activity in 2009 was accompanied by a rise in the unemployment rate to 6.0 percent. The number of unemployed persons, however, rose by approximately 630 as the labour force declined by approximately 3,000. This change in the size of the labour force was a direct consequence of the fall in the total population for the year 2009 occasioned by movement in transient labour.

Given the decline in population and its implications for the local demand for goods and services, the country experienced deflation in 2009. This was primarily as a result of housing which is the largest component of the local consumer price index basket. Since the demand for housing rentals declined significantly, the rate of inflation in the sector averaged -5.1 percent in the last three quarters of 2009. This was largely responsible for the overall inflation rate of -1.3 percent for the whole of last year.

2010/11 Forecast Financial Performance

For the 2010/11 financial year, the government is forecasting to earn approximately \$510.33 million, of which \$460.14 million will be in form of coercive revenue and some \$50.19 million in entity revenue.

These forecasts are based on the existing fees and charges levied by the Government along with the introduction of only one new revenue measure, in this budget, increased import duty on gasoline and diesel imports which is expected to generate some \$10.3 million in 2010/11. Effective 1 July 2010, import duty on gasoline and diesel will each increase by 25 cents per gallon and be applied to all such imports to Grand Cayman and Little Cayman. There will be no increase on fuel imports to Cayman Brac.

Overall, the 2010/11 revenue forecasts of \$510.33 million are quite conservative when compared to the 2009/10 forecasts of \$491.65 million. After you separate out the \$10.3 million generated by the increase import duty this represents a 1.7% increase in revenue over the 2009/10 forecasts. This very conservative increase reflects the current economic realities and the expectation that over the course of the 2010/11 financial year the Cayman Islands economy is expected to remain stable.

For the 2010/11 financial year the Government is forecasting a net operating deficit of \$31.89 million. This deficit is a \$13.01 million improvement over the estimated \$44.90 million deficit expected at the end of the current financial year.

The forecast operating deficit is calculated by taking the forecast 2010/11 operating revenue of \$510.33 million then subtracting operating expenditures of \$507.75 million, financing and other non operating expenses of \$32.88 million, and a \$1.59 million net loss in statutory authorities and government companies.

The forecast operating expenses of \$507.75 million detailed in this budget are some \$68.25 million less than the \$576 million which was presented to the Government during the initial rounds of the 2010/11 Budget process in March 2010. This process required the Government to make some very difficult decisions to reduce operating expenses across the public service; these cuts affect all agencies and will significantly challenge managers to deliver much needed and valuable public services more efficiently.

As a sector, statutory authorities and government owned companies are forecast to make a net deficit of \$1.59 million this is a \$0.95 million improvement over 2009/10 and is the result of a concerted effort by the Government and the respective board of directors to reshape these organizations and improve their overall financial performance.

Financing and other non-operating expenses of \$32.88 million represent the interest expense on the debt of the core government. The Government has received permission from the United Kingdom Government to borrow up to \$155 million in 2010/11 this will bring the public debt balance at 30 June 2011 to some \$623.7 million. This is not where I want to be and I will take steps to rectify this dangerous path, this year.

In terms of Capital investments, the government is forecasting to spend a total of \$127.38 million in 2010/11. Of this amount, some \$108.84 million will be spent on various continuing capital projects such as the John Gray High Schools along with the new Government Administration Building. A further \$18.54 million will be invested into Statutory Authorities and Government Companies.

Total cash and cash equivalents at 30 June 2011 are forecast to be \$66.6 million which is approximately \$10.47 million less than that expected at 30 June 2010.

THREE YEAR OUTLOOK

The performance of the Caymanian economy is inextricably linked to the vagaries of developments in the international economies and consequently the international markets. This is readily evident in the fact that financial services account for 53.5 percent of our Gross Domestic Product (GDP), while tourism and tourism-related services account for another 30 to 40 percent of GDP.

The demand for these services is predominantly externally driven and explains why we are able to compete in a class above our weight. In a sense, as a government, we are expected to provide social services for a population that is not all permanent, and because of its transient nature the challenge of doing so is emphasized during times of downturn in the economy.

It is apparent in this period of economic recovery that there is an optimum size for the public sector which has to be achieved in the pursuit of economic stability and sustainability. This explains the concentration on the public sector in the key strategies supporting the three-year plan and is consistent with our partnership for recovery.

As a partner in the recovery plan, the government is committed to further reducing the fiscal deficit. Having achieved a reduction of CI\$36.2 million for the current year, we are forecasting a further reduction of CI\$13.0 million for the next fiscal year—2010/11. The focus is once again on effective and efficient management in the public sector.

Over the course of two years, we would have presided over a fiscal deficit recovery of almost CI\$50 million that is moving the deficit from CI\$81.0 million when we assumed office to CI\$31.89 million by June 2011.

We have worked assiduously to trim operating expenses in Government, fully conscious of the need to maintain morale among staff while choosing the path of least negative impact on the Gross Domestic Product. This is why the non-wage components of expenditure have been tackled more vigorously than the components which have an immediate human face.

Investment in our human capital is very important but can be very costly if not planned properly. In that vein, we see the building of the two high schools and the Government Administration Building as far too grandiose and we will now see to manage it in such a manner in our partnership for recovery as to allow us to complete the buildings in a phased construction program.

We do recognize that it was fool hardy to have built them so expensively, in a time when local revenue was declining and the world was entering a state of fiscal decline, but we are committed to doing the right thing and complete them as economically as possible in a phased manner.

We are therefore involved, in partnership with the private sector, in laying the foundation for the country's future educational needs!

International and Regional Outlook

The investment in human capital is necessary to reposition the country to take advantage of the global economic recovery which has begun and is expected to accelerate in 2011. The link between our economy and the international economy is evident in the fact that the financial and tourism sectors and their related sectors account for almost 90 percent of our GDP.

Our link with the regional economies is primarily through access to some of our transient labour force. In addition we compete for the demand for international services and in this sense we have to remain competitive.

With the exception of very few countries, most governments have had to introduce fiscal stimulus packages to help to restore economic growth with varying degrees of success or

failure. Our industrialized partners in the north, the United States, the United Kingdom and Europe embarked on the journey in a spirit of co-operation which has not as yet given rise to robust economic growth, lower unemployment rates and reassuring rates of inflation.

Economic growth in the United States has been positive since the second quarter of 2009 but the rate has fluctuated between 2.3 and 5.6 percent for the period up to March 2010. In the United Kingdom, the performance has been less encouraging. In the meantime, the US unemployment rate has hovered just below 10 percent while that of the United Kingdom has been persistently between 7 and 8 percent.

In the region, recession is still in vogue, unemployment rates range from low double digits to high double digits and the rate of inflation is on the rise. Unemployment among CARICOM countries run from about 10 percent to as high as 35 percent. No country has experienced two consecutive quarters of positive economic growth which is required to be able to declare the recession officially over.

Domestic Outlook

Over the next three years of economic recovery, the outlook for the labour market is linked to the moderate growth prospects for construction, particularly in the 2010/2011 fiscal year and a flat to moderate growth outlook for the financial services sector.

The deficit-reduction policy stance for the fiscal year 2010/11 along with the shrinking population size suggest that the economic recession would persist for the calendar year 2010 and GDP is therefore forecasted to fall at half the rate as that of 2009. The deceleration in economic decline in the first half of 2010 is expected to continue such that by the last quarter of the year, the rate of growth turns positive.

Gradual economic recovery is expected to start in 2011 as two consecutive quarters of positive growth are required to make the recovery official. And this is premised on a strong rebound of tourism-related services, the start of a number of new construction projects and a modest recovery of the financial services sector.

The three year budget forecast reflects a small fiscal surplus of about CI\$9 million in the year 2011/2012 followed by a healthy fiscal recovery in 2012/2013, when the surplus reaches CI\$60 million.

Apart from pursuing fiscal prudence, the projected international economic recovery is expected to fuel the local economy. In addition, the private sector led investment strategy is forecasted

to bear fruit in the medium-term, and this in combination with external driven demand, would boost Government revenue.

The fiscal recovery is achieved by expenditure control and revenue growth stimulated by increasing economic activity.

A return to the unprecedented numbers in the labour force recorded in 2008 is certainly not expected in the short-term and indeed a return to those numbers may take longer than the three year budget span submitted to the FCO.

A strategic employment policy among central Government offices and the Statutory Authorities is another potential driving force for a reduction in the demand for labour. This makes putting the emphasis on a private-sector led economic recovery all the more important.

However, although the labour market is essentially demand driven, there exist opportunities to improve the efficiency of the recruitment process by easing the current backlog of work permit applications. As at March 10th 2010 there were approximately 1,500 new 'Full' work permit applications (i.e. those lasting 12 months or more) held up in a backlog to be processed.

While a large percentage of these applications relate to workers, currently on island with 'Temporary' permits, who are waiting on the processing of full permits, there are likely several hundred new workers who could be brought into the labour force if this backlog in processing was addressed. This would give a boost to the local consumer market and aggregate demand.

At the same time the paradox is that we must also balance this by making sure our people who are able and willing are employed.

The policy-driven improvements in economic activity suggest that the unemployment rate would decline from 6.0 percent in 2009 to 4.3 percent in 2010, and to an average of 3.2 percent in the succeeding three years.

Population growth is expected to be cut further by 3.5 percent in the 2010 calendar year. A census planned for October 2010 will provide a definitive population count. Assuming a modest improvement in expatriate labour employment beginning in 2011 as key industries show signs of recovery, the current estimate is that population size may settle at fifty-three thousand four hundred and thirty-six (53,436) by 2013.

The forecast inflation path for the medium-term will be influenced by the dampening impact of a shrinking population on local demand for goods and services. As identified earlier, housing which comprises the largest component of the local consumer price index basket experienced declining prices at an average rate of -5.1 percent in the last three quarters of 2009.

With the outflow of foreign workers is not expected to reverse in the 2010 calendar year, a downward trend in housing rentals is also likely to continue, albeit at a slower rate. On the other hand, higher prices on gas and other imported items are likely to impact on local inflation in 2010. This along with the increase in local import duty by 2% would bring the average inflation rate to 2.0 percent in 2010 from -1.3 percent in 2009.

The average inflation forecast for 2011-2013 is 2.2 percent. This is premised on the gradual recovery of local demand, underpinned by slow population growth. The slow rate of population growth will not provide the impetus for any desired strong rebound in housing rentals. It is also assumed that US Federal Reserve policy will be consistent with the return of the US inflation rates to the pre-crisis average.

KEY STRATEGIES SUPPORTING THE 3 YEAR PLAN

As mentioned in the introductory remarks, the three-year plan is based on five key strategies that the Government is committed to implementing over the medium term. These strategies under gird the economic recovery initiatives, which support the specific policy action that is outlined later in my presentation. The strategies include: (1) public sector reform; (2) limits on new borrowing; (3) broadening the revenue base of government; (4) reducing operating expenditures and (5) creating public/private finance initiatives.

Public Sector Reform

The Government is committed to a major public sector reform initiative over the medium term.

This reform is based on the following:

- 1.** Implementation of some of the recommendations of the Miller Commission report, where these are reasonable, and in particular with a view to securing a sustainable reduction in the government's operational expenditures and improving efficiencies in various departments.
- 2.** Completion and implementation of recommendations resulting from the review of various civil service departments. I will be proposing a formal framework to the Cabinet for the effective implementation of the various recommendations in the Miller Commission Report, the civil service review and any other studies that look at improving our efficiency in the public sector. The framework will include appropriate monitoring and accountability structures as well as overall management of this important initiative.

The objective of formalising the public sector reform process is to ensure that the targeted reform benefits are achieved in the three-year plan and beyond.

Limits to New Borrowings

As part of a strategy to return the country's national debt to more sustainable levels, we will pursue a low borrowing policy over the next three years. In particular the Cabinet has agreed to limit new capital expenditures to a nominal amount that is not to exceed CI\$25 million (approximately 1% of GDP) in any of the three years. The borrowing proposed for the current year is principally to fund major projects started by the previous Government.

Broadening the Revenue Base

We are cognisant of the narrow nature of the current revenue base. The Government has considered the introduction of direct taxes such as payroll, income and property tax, but aided by the analysis contained within the Miller Commission report, we have concluded that introducing these forms of taxes would be very damaging for the Cayman Islands economy.

However, we feel that any consideration of consumption-based fees is an area that requires further examination. This type of fee has the benefit of spreading the burden across the wider community while minimizing the impact on businesses.

The Government will therefore be examining the full list of tariffs under the Cayman Islands customs law with a view to adjusting some of these rates. The Cabinet feels that introducing a VAT would require significant administrative costs and therefore the alternative of restructuring

the current import duties would be a more efficient and cost-effective way to achieve the result of broadening the revenue base.

My Government is therefore committed to carrying out a comprehensive review of consumption-based and other fee options in search of better ways of broadening the revenue base of government, while making us more competitive.

Reduce Operating Expenditures

The government has already made a challenging but encouraging start to the process of reducing its operational expenditures. Early gains in this area have been made with significant cuts, achieving an 11% reduction to the appropriations initially planned for the 2010/2011 fiscal year. The various civil service departments and statutory bodies have already been directed to identify expenditure cuts within the past two months. The latter exercise has also served to reduce the projected deficit for the 2009/2010 fiscal year.

This new policy approach on operational expenditures underpins the forecasts in the three-year plan and will also drive implementation of the recommendations emanating from the public sector reform exercise as an essential part of the process of economic recovery.

Public/Private Finance Initiatives

My Government feels that prudent non-traditional approaches to financing major capital projects should be considered as part of its wider strategies; and as such the utilization of private finance initiatives is one of these approaches. However, the government agrees with the FCO that each such opportunity should be thoroughly reviewed to establish its business case before proceeding.

The process of identifying the five key strategies must now be supported by initiatives to ensure a recovery that makes the Caymanian economy more resilient because of its structure, more robust because of its size and more ready because of its institutions.

ECONOMIC INITIATIVES SUPPORTING THE PLAN

Medium Term Divestment Opportunities

The Miller Commission Report identified a number of divestment opportunities which the Government feels may be feasible in the medium term once more detailed analyses and feasibility studies are carried out. The government's objective is to privatize some entities, and in other cases to reduce the level of subsidies gradually, but deliberately over time.

In addition, there are a number of areas for which the Government is giving consideration to improving the efficiencies and therefore lowering the cost to the Government by outsourcing

the provision of services to the private sector. The Miller Commission Report identified some potential areas that the Government will consider.

These initiatives speak to enhancing the economy's resilience through changing the structure of the public/private participation.

Minimizing New Revenue Increases on Businesses

Given the observations of the current fiscal year, it is evident that the economy is at a point where additional taxation will compromise the competitiveness of businesses. Such an outcome would have implications for the economy's capacity to grow its way out of the recession. There is an awful tendency here to say raise taxes and let business pay, but the harsh reality is that if that is the case, we will run away businesses, and lose more jobs. The only ones to really suffer are Caymanians, particularly those who can't help themselves.

Therefore one of the key tenets upon which government policy would revolve, during the fiscal year 2010/11, is the minimization of any new revenue measures on businesses, especially when it becomes a burden.

By not compromising the ability of the private sector to grow, the government is facilitating the creation of a more robust economy in its recovery plan.

The Government is cognisant of the fact that, if a payroll or income tax were to be introduced on a labour force that comprises 50% transient workers, we would lose more business all around. All the more reason why there must be a reset of our economic base and business and investment; which will allow new revenue sources to emerge.

Strengthening the Economy through Development of the Financial Services Sector

The Ministry of Finance continues to be proactive in changing its policy, legislative and communications infrastructure to ensure that we are in the best possible position to manage our interests with the international community. The Ministry and its agencies have identified the following opportunities within the global environment:

- 1.** Cayman's continued relative stability in financial services sends a strong message internationally about the jurisdiction's resilience and relevance in the future.
- 2.** Cayman's financial services sector has broad and deep capabilities (evidenced by our leading position in funds, banking, insurance and corporate services) and unmatched by other jurisdictions our size.
- 3.** The changing global environment provides a chance for Cayman to secure a seat at the table in helping to define global standards in regulation moving forward.
- 4.** The private sector is mobilized in a way it has never been and this united front will be invaluable in addressing legislative/regulatory and reputation issues.

5. Investor interest in the Cayman Islands is strong; evidenced by the successful Bond Issue offering by the Government in November 2009, the Memorandum of Understanding, now a signed contract with Dr Shetty to establish a major new hospital in the Islands which will start medical tourism in a real way in these Islands, the “road show” visits conducted in November 2009 to London, San Francisco, Boston, New York and Singapore to promote these Islands and, other major initiatives such as the MOU with Dart Enterprises Construction Company Limited (“DECCO”) to develop a cruise berthing facility. This interest needs to continue to be harnessed.

In the context of these opportunities, the following challenges have also been identified for the coming year:

1. International initiatives will continue to require diligence, but we are fully engaged; OECD peer review Phase One outcomes will require immediate and decisive action. These actions, however, will be pursued in consultation with our Financial Services Industry, as appropriate.
2. Changing political landscapes in the U.S. (possibly arising from its mid-term elections) and the UK (as the new coalition government settles down), Cuba as it prepares to open, EU and other locations will mean Cayman has to consistently reinforce our international relationship building and public affairs programmes.
3. Cayman will need to integrate all its resources and thinking to transition from the financial services centre that we are today, to the vision of an international business centre that we

want to realise; the work of the various public-private partnership committees and others is essential to this and will require leadership, compromise and mutual understanding domestically to facilitate this transition internationally.

4. There is still increased international scrutiny of our regulatory, supervisory and anti-money laundering and combating terrorism finances crime framework, and increased external pressure for the Cayman Islands to conform to other economic models. In this regard, my Ministry is actively keeping abreast of these developments. CIMA and the Financial Services Secretariat are taking leading roles in seeking to contribute to the development of standards and to decision-makers' understanding of Cayman's financial services regime; and are certainly working with closely with my Ministry and consulting with the private sector to ensure that the country meets the requirements that are relevant to this jurisdiction.

With these opportunities and challenges in mind, the Ministry of Finance is pursuing a number of strategic priorities over the next two years. These include to:

1. Further modernise and enhance regulation and supervision to ensure that Cayman keeps on par with the evolving international regulatory standards and best practices that are relevant to its various types of business;
2. Intensify international cooperation and involvement to ensure that the Government does its part in ensuring the safety and sound regulation of the international financial system. This allows Cayman to contribute to the development of international rules and standards that affect this jurisdiction, and to enhance the jurisdiction's reputation;
3. Increase the effectiveness and cost-efficiency with which our regulatory agencies operate;

4. Facilitate the efforts of Government and the private sector to further develop the Cayman Islands as an International Financial Centre; and
5. Be more Business friendly.

To elaborate on these strategic priorities, I will highlight the key initiatives and activities of the various financial services agencies under my Ministry. I will first deal with CIMA, the Tax Information Authority, and the General Registry given their roles in regulation and international cooperation, and then deal with the Financial Services Secretariat, the Department of Commerce & Investment and the London Office given their roles in promoting and facilitating the growth of this important industry.

Cayman Islands Monetary Authority

Starting with CIMA, there are a number of key initiatives that are planned for the 2010-11 fiscal year which are as follows:

First there will be the:

- **Enhancement/automation of business processes:** Online submission will not only improve the efficiency and speed of the application process for industry but, along with the information management system and electronic reporting, will allow CIMA to more effectively monitor licensees and registrants, both off-site and on-site, and to generate more accurate industry data.

Other information technology solutions to be pursued in 2010-11 include online payments. CIMA will continue the expansion of automation across the Authority to make it easier for industry to do business with CIMA.

Second will be the:

- **Facilitation of new classes of business:** Once proposed changes to the Insurance Law and regulations are passed, CIMA will implement a new class of license to facilitate reinsurance business. This new reinsurer license is intended to attract large international reinsurance companies to Cayman. This new initiative will necessitate the training of staff in the supervision of this class of business.

Third, CIMA will be:

- **Assuming new regulatory responsibilities:** it will be given regulatory responsibility for the following two areas of during the upcoming fiscal year:
 1. **Supervision of pension plans and plan administrators** – It is planned that the Authority will assume responsibility for the licensing, regulation and supervision of pension plans and administrators under its mandate for regulating financial services and providers. Oversight of employer/employee compliance will remain outside of CIMA’s remit.
 2. **Oversight of Auditors** - During 2010-11 the Authority will be finalising the administrative and legal structure for CIMA to become the formal oversight body in respect of auditors

as required under the EU 8th Council Directive on Company Law. That directive requires foreign auditors carrying out audits of entities listed on EU markets to be subject to a system of independent public oversight that is equivalent to that of the EU in order to be exempted from the registration and regulation requirements of the individual member states. CIMA's taking on this role, will ensure that Cayman auditors will continue access to business in EU markets without the onerous task of meeting individual EU country registration and regulation requirements.

Fourth, CIMA will be:

- **Implementing new standards:** In addition to implementing the EU auditor oversight requirement, other initiatives to implement new standards and enhance the supervisory regime during 2010 will include:
 1. Completing the implementation of Pillar I of the Basel II Capital Adequacy Framework for banks in December this year, and implementing Pillar 2 of the Framework during 2011.
 2. Strengthening the regulatory framework with regards to fitness and propriety of persons governing regulated entities;
 3. Completing a review of the regime for hedge funds and administrators in light of financial crisis recommendations and to ensure equivalency with the International

Organisation of Securities Commissions (IOSCO) standards, EU Alternative Investment Fund Managers (AIFM) proposed directive and other relevant requirements.

Fifth, CIMA will be:

- **Enhancing On-site Inspection:** Over the last year CIMA has made it a major priority to enhance its inspection programme. This will continue into 2010 with the objective of increasing on-site inspections of licensees and registrants. This will include overseas inspections, which are necessary as a significant number of CIMA-regulated entities are managed from other locations. Across the Authority there will be continued focus on enhancing the consistency, fairness, quality and timeliness of inspections and the resultant reports issued to the inspected entities. CIMA aims to reduce the timeframe for the issuing of inspection reports to 35 business days by the 2010-11 fiscal year.

Sixth, CIMA will be:

- **Strengthening the failure resolution framework:** Initiatives to enhance the framework for dealing with regulated institutions that fail include developing a crisis management plan and drafting and submitting amendments to the regulatory laws to allow for crisis resolution and prompt corrective action.

Seventh, CIMA will be:

- **Enhancing the monitoring of Anti-Money Laundering/Combating the Financing of Terrorism compliance:** During 2010 CIMA will be undertaking a comprehensive review and assessment of the Anti-money laundering/Combating the financing of terrorism regime, with the aim of making recommendations for strengthening it. The Authority will also update inspection guidelines and increase focused inspections of Anti-money laundering.

Eighth, CIMA will be:

- **Improving supervision of international entities (home-host supervision), & international cooperation:** Initiatives for 2010-11 to strengthen supervision of entities that are regulated both by CIMA and in other jurisdictions include:
 1. Expanding memoranda of understanding (MOUs) with jurisdictions that have a significant number of licensees in the Cayman Islands;
 2. Reviewing and if necessary amending and renegotiating existing MOUs to ensure that they adequately address communications in times of crisis and that they clearly outline both regulators' responsibilities for supervision of entities; developing Authority-wide pre-licensing procedures to determine whether home country supervision is adequate, and
 3. Developing and formalising practices to ensure CIMA and counterpart regulators exchange appropriate information.

CIMA will continue to participate in, and organise, joint supervisory meetings (supervisory colleges) with regulators of Cayman entities regulated in other jurisdictions. CIMA will also maintain participation in international forums and initiatives by organisations such as the OECD, G20, FATF, and industry-focused regulatory groupings such as the International Organization of Securities Commissions (IOSCO), International Association Insurance Supervisors (IAIS), Offshore Group of Banking Supervisors (OGBS), and Associations of Supervisors of banks of the Americas (ASBA) to enhance international cooperation and supervision.

Tax Information Authority

The partnership role of the Tax Information Authority has increased in importance with the number of signed TIEAs increasing from one as of 1 April 2009 to 18 currently, with over 20 anticipated during the upcoming budget year. Additionally, the Authority is tasked with the challenge of establishing competent authority agreements/working protocols with counterpart competent authorities in new treaty partner jurisdictions.

The Tax Information Authority will also be participating in the OECD Global Forum Peer Review Process both as it affects the Cayman Islands and in connection with Cayman's role as a peer review assessor. The Authority will also implement and manage possible changes to the savings income reporting requirements in line with proposed changes to the EU Savings Directive. The launch of an e-reporting system for savings income reporting will be of significant benefit in automating and streamlining the reporting process.

General Registry

In September 2009 the General Registry introduced electronic filing of annual returns and directors and officers information. This was the first time the department had introduced any form of electronic document filing. The Department also launched its website and through this medium has introduced to the public the facility to conduct online Searches of the companies and partnerships registers.

The department is pleased and encouraged by the level of response to the system and continues to work towards introducing additional functionalities. During the first quarter of this year, the department accepted thousands of annual return forms filed electronically.

The search feature has also been well received especially by international organizations seeking confirmation of the existence of entities purporting to be registered in the Cayman Islands. This feature also allows the convenience of maintaining an online account for frequent users.

Furthermore, the results of such searches are instantly available and downloadable.

Department of Commerce & Investment

The Ministry of Finance wishes to encourage Caymanians and residents to be aware of the recent changes at the Department of Commerce and Investment. Not only has the organization undergone a name change but there has been a renewed focus on the investment facilitation aspect of their operations and an expansion in their mandate to include areas of commerce such as the processing of LCCL applications and trade and business licensing.

This department as part of the partnership for recovery is responsible for stimulating and facilitating appropriate, long-term, inward and local investment in the Cayman Islands. It is also charged with providing technical assistance to local entrepreneurs and small businesses as well as linking investors with potential customers, suppliers and other business partners.

First, with respect to developing entrepreneurial capacity in these islands, the department is exploring the creation of a Small Business Development Centre that will offer an expanded range of services and programmes to be of benefit to small and micro businesses. This programme will be created in partnership with the University College of the Cayman Islands and other private sector partners who will contribute valuable expertise to guide and mentor our local entrepreneurs.

With respect to pursuing economic growth through inward investment, the department has created a policy framework that will support the development of a national investment strategy.

It has also commissioned a thorough review of our trade and business license and local companies control laws to identify loopholes and recommend areas for improvement.

The policies and procedures governing the establishment of local and foreign owned businesses in a jurisdiction are key factors influencing economic growth and development. The department of commerce and investment is therefore ensuring that it is positioned to minimise risks associated with certain types of business; and at the same time is able to maximise the economic outcomes possible from the facilitation of a vibrant private sector.

The Ministry of Finance has also created the National Investment Council (the “NIC”), with public and private sector participation, which is to spearhead the national strategy for retaining current business and attracting new investment to the country. The NIC is working to develop a proactive position for our inward investment initiatives so that they may lead to positive medium to long-term economic development.

The council’s ultimate goal is the attainment of economic growth that is sustainable and creates a better quality of life for our people for years to come. My administration is astute enough to know how crucial it will be to balance the desired growth from inward investment with local linkages so that everyone shares in the prosperity – small businesses, medium sized businesses, big businesses and all citizens.

This is a partnership for economic recovery and sustainability!

Promoting Physical Presence Financial Services Operations

The Financial Services Secretariat in coordination with the Department of Commerce and Investment are combining their resources to enhance the physical presence of financial services firms and to create the resulting influx of new mid to high salary jobs that will serve as an important stimulus to the local economy. This stimulus, it is believed, will be a key component in repositioning our financial industry for decades to come.

This partnership is strengthened by two key advisory boards that work with these two departments - the National Investment Council and the Financial Services Council. These committees are comprised of key private sector stakeholders who in partnership with my Ministry and the departments are providing me with policy advice on creating the right business climate to allow further local and inward investment to thrive.

The Government's initiative announced late last year to promote the relocation of firms to the Cayman Islands has already resulted in a number of approaches from international financial services firms interested in setting up in the Cayman Islands. Recognising that there are a number of international initiatives that may affect the success of this initiative, the Ministry of Finance will be stepping up our presence in London and in the European Union.

In this regard the London Office and a soon to be established EU Office will seek to continue to promote the Cayman Islands through all available UK and European channels, helping to increase awareness of steps which the Cayman Islands has taken in respect of compliance with

international standards and the ongoing effort to maintain the highest standards of integrity for our financial services industry.

Last week I led a delegation on a trip to Brussels to discuss the EU Alternative Investment Fund Manager's Directive. Meetings were held with members of the European Parliament, the Council and the Commission.

These Meetings confirmed the need for the Cayman Islands to engage with Europe. Though the discussions were in relation to this specific Directive, it is clear that this is just the first of many initiatives that the EU will be dealing with in the coming years, which will have implications for us.

The EU markets are important to our financial industry and therefore we must ensure that we engage the various EU states both bilaterally and as a Union. It is therefore critical for us to ensure that the Cayman Islands have a full time representative in the EU and that our London Office be staffed to deal with these ever increasing and complex financial initiatives.

Targeting New Sources of Business

The Cayman Islands currently relies heavily on North America as the primary source market for its financial services industry, however we must consider opportunities in other regions to help in the diversification of the financial services industry in these islands.

A marketing road show to Asia by the Government late last year indicated that there are opportunities for financial services from Singapore and Hong Kong. Some of the Cayman Islands competitors are having success with these countries and the Government, with the help of the private sector is now devising strategies to realise these opportunities.

OTHER OVERSEAS OFFICES

Following on from the success of establishing a presence in Dubai, with many queries coming forward, we are exploring the possibility of another such office in Asia. Hong Kong is one consideration as it is a global financial powerhouse with a sophisticated financial and business infrastructure that supports business. It is a gateway to China and other markets in Asia with a collective economy estimated at \$215 billion and which the IMF projects will grow by 5% in 2010. It is a great travesty that we now have to go back and start all over since the Hong Kong office was closed down by the last government, in 2005, within months of taking office.

We are receiving strong interest from high net worth individuals in markets such the UAE and China, and will seek to take full advantage of the opportunities this presents. High net worth individuals tend to be prolific in their investments ranging from real estate, property development to the financial markets, as such we will re-open our Hong Kong office on October 5th this year.

Overseas offices put us on the frontline along with many other jurisdictions that have adopted a similar strategy, and Cayman's absence has made us fall behind. My government's approach, enhances our ability to attract investment for Cayman.

Facilitation of Major Projects Which Have Significant Economic Impact

In addition to the initiatives that I have already mentioned, the agencies under my Ministry are actively involved in facilitating several major investment projects. This is reflective of our renewed partnership with the private sector, where Government's role is to ensure that appropriate economic growth can be achieved through value-adding projects led by the private sector.

There are several major projects that have significant economic impact that are at varying stages of implementation and completion. These projects are critical to the forecasts of the economy over the medium term. These projects have a total value of \$1.9 billion over the next 5 years.

Of the ten projects, two are each valued at \$500 million. They are the Camana Bay and the Ritz Carlton at Dragon Bay. These are ongoing.

Two others, including various high-end condo developments along the Seven Mile Beach area and the Cruise ship Port, are valued at \$200 million or more. The condo developments include The Waterford, Watercolours and Cypress Pointe.

Four other projects account for \$600 million of the total investment, at a value of \$150 million each. These are the new sewerage system, the Waste to Energy facility, the new hospital project and the cargo facility. In the case of the first two, The Expansion of Interest documents have been done. While the Memorandum of Understanding has been signed in respect of the new Hospital and the Paper for the Cargo facility is soon to go to Cabinet for discussion.

There are also a number of commercial developments being carried out and the government's own housing project which involves building affordable homes around the island, will occur. These account for a total of approximately \$41 million and are ongoing.

The projects listed above do not require any supporting infrastructure which will need to be provided by the Government. Each of these projects is already part of an existing area which has sufficient infrastructure. Where necessary any additional infrastructure will be built by the private investor as part of the self contained development area.

There are no concessions to the projects apart from the Watercolours condo development and the new hospital. In the case of Watercolours there is a 5% concession on import duties leaving

a 17% import duty charge on all imports for the project. This is considered negligible and will be compensated by the wider economic impact of this project.

In the case of the new hospital the concessions are in the form of duty concessions for medical equipment and a reduction in work permit fees. However, these concessions will have limited impact in the period of the 3 year plan as the main source of Government revenues for this project during the development phase is in the area of construction, and there will be no import duty concessions for construction materials. If a Caymanian wants duty concessions and presents his/her case, it will receive due consideration and be given top priority by the Cabinet.

The facilitation of these projects is indicative of the way forward in accommodating private sector investment as a catalyst for our future economic growth and development path.

Journey with People

This journey also requires us to build a channel to open up new pathways for our people. The initiative demands us to partner with the environmentalists, investors and the people. This is a time to challenge conventional wisdom. This is a time to grab opportunities. And this is certainly a time to recognize threats without being crippled by them. A channel for the North Sound is an absolute necessity if the country is going to ever get business from the mega yacht industry. Bearing this in mind, government will be seeking investors to do a necessary channel.

Public discussion will take place, environmental impact adhered to so that any agreed work can damage to the minimum.

Enhancing the Tourism Sector

The Cayman Islands Department of Tourism (DoT) has been working closely with organizations such as Cayman Airways, the Cayman Islands Tourism Association, the Sister Islands Tourism Association and other private sector stakeholders to develop and implement strategies designed to increase visitor arrivals. The objective has been to strike the right balance between price and value and to offer incentives and promotions that influence consumers to choose the Cayman Islands when making their decision to travel.

This is all part of the economic recovery programme!

As part of this programme, the Government has charged Cayman Airways and DoT to work more in partnership to ensure that we are using the National Airline in the most efficient and effective way possible as an economic tool.

DoT and Cayman Airways continue to work strategically together and co-operation exists at all levels of both organizations. While each organization has a unique business purpose with its own set of goals and objectives, the working relationship between the two entities continues to advance and strengthen.

DOT currently provides marketing, promotions and PR services for CAL in the visitor source markets, which is enabling the benefit from significant economies of scale and cost savings to be realised at a national level.

The new Board and Management Team at Cayman Airways quickly commenced an intensive strategic review of the airline's activities, with emphasis on the financial and operational challenges facing the airline. Several positive changes have been implemented at Cayman Airways, which have resulted in a significant reduction in operational expenses and an improved ability for the airline to be sustainable over the period of recovery and beyond.

From its inception, Cayman Airways has received funding annually from the government, with the intent to cover the airline's operating costs. The level of funding has always been less than what was actually required to cover the airline's operating costs.

In the last ten years, this funding shortfall from the government has forced the airline into just over 50 million dollars in debt, with 19 million dollars of this debt owed to non-bank counter parties. The debt owed to banks has grown to a level that demands approximately a half-million dollars each month to service.

The level of bank debt combined with the additional level of non-bank debt is now of a magnitude which is unsustainable and severely threatens the continued operations of the national airline.

This is one of the issues that we, as a government, have to face and fix!

In this regard, the airline has managed to reduce its expenditure in fiscal year ending June 2010 by between ten and twelve million dollars. The final number will depend largely on fluctuations in fuel prices when compared to what obtained in the fiscal year ending June 2009.

Amongst the measures taken, Cayman Airways proactively commenced reductions in staffing levels in August 2009 and has achieved an 11% reduction, from just over 400 employees in mid 2009 to 355 in April this year.

The annualised cost savings of this staff reduction, along with other staff related cost reductions such as work permit fees and overtime payments is currently projected to be near two million dollars.

Other examples of significant cost reduction include the successful re-negotiation of aircraft leases, which have resulted in annualised savings of over 1.2 million dollars. Strategic reductions in scheduled flying have also been implemented to better align capacity with demand, without any negative impact on revenue.

Significant cost reductions have been achieved in almost every expense category and will be permanent in nature. This assures Cayman Airways a solid and effective cost structure as the airline continues to improve its revenue management processes.

The valued staff of Cayman Airways has also demonstrated a renewed level of pride and enthusiasm in the national airline through a vast improvement in the delivery of service. Let me

recognize the staff for their efforts in working with the new Board and Management Team to achieve the airline's recent success.

Whilst the government commits its support for the national airline through the tabling of the budget for the year ending 2011, I would like to ask the staff of Cayman Airways and the people of the Cayman Islands to recognise that "Rome was not built in a day".

Let us not forget that many of the problems facing Cayman Airways today are the same problems that faced Cayman Airways 40 years ago. Cayman Airways "cannot be all things to all people" and all its problems cannot be rectified overnight, neither are they to be left alone. We must fix it.

It is known and accepted that Cayman Airways is an important lever in our economy, and is critically important to achieving our national priorities in the tourism and financial services industries. Cayman Airways is now poised to go where it has never gone before. Let us embrace and use the opportunity wisely.

This leads us to the role of tourism in the way forward.

Growth and Development in Tourism

The sustainability of our hospitality industry remains a top priority and DoT is working assiduously to continually develop our existing products and infrastructure.

Tourism in the Cayman Islands provides a distinct, high quality experience that attracts more than 270,000 air arrivals and 1.5 million cruise passengers to our shores per year. Since November 2009, visitor arrivals have been consistently growing. This growth persisted in 2010 at rate of some 8.3% over the same period in 2009. And we are cautiously optimistic that this trend will continue throughout 2010.

DoT is changing the way it does business in order to align with various consumer behaviours and attitudes and as a consequence, marketing decisions are being developed to address three important concerns:

- 1.** Consumers, even the most affluent ones are continually searching for a better deal that is more value for money orientated.
- 2.** The type of business that the Islands now attract has changed and the emphasis has shifted from business travellers and meetings and incentive groups to domestic visitors that are being lured by attractive offerings in the marketplace.
- 3.** Competition from other tourism destinations is becoming more aggressive as countries fight to retain or increase their market share.

Throughout the recession the Department carefully monitored the indicators and redoubled its efforts to reinforce messages that resonated with smart and sophisticated travellers. Research shows that in spite of the downturn in the US, our targeted consumers are not only still committed to travel, but they are also seeking more life-enhancing experiences for themselves and their families.

Consequently, a number of initiatives have been or will be implemented to capture our target consumers:

Promotional offerings – such as free companion flights, free nights, upgrades, resort credits, discounts,

A comprehensive Customer Relationship Management system is being put into place to more efficiently speak to our customer groups.

With more than 80% of prospective visitors use the Internet to plan their vacations, the Department is looking to completely redevelop the official tourism website in order to incorporate new features, such as user-generated content, e-based marketing tools, multimedia and interactivity capabilities.

DoT is re-launching a cruise conversion programme this summer which is aimed at providing cruise guests with compelling offers to return to the Cayman Islands for a land based vacation.

On-Island Promotions are being developed using a collaborative and results driven approach. These include 'Cayman Summer Splash', a co-branded marketing campaign with Nickelodeon. 'Engage!10', the luxury wedding business conference held earlier this month was also an example of this partnership.

A continued push to increase the level and quantity of customer service through the PRIDE Programme.

DoT in conjunction with the Port Authority will also be working to raise the level of visitor experience at the cruise ports.

The Apprenticeship Program will continue by trying to generate a greater supply of highly qualified Caymanian workers who will not only raise the level of professional competency in the tourism workforce, but can bring a distinct cultural flavour to local tourism products and services.

DoT and the Department of Environment are formulating policies and incentives to encourage businesses in the tourism sector to adopt more environmentally friendly practices and to minimize their impact on the environment. The Cayman Islands Environmental Project for the Tourism Sector (CEPTS) has been successfully launched and two dive resorts (Cobalt Coast and Compass Point) have become Green Globe Certified. Earlier this year, the Queen Elizabeth II Botanic Park was the first Botanic Park in the Caribbean region to gain this noted certification. The CEPTS team is also reviewing the requirements for attaining Green Globe Certification for the entire Island of Little Cayman.

As a result of the pressure to reduce costs and effect greater efficiencies, DoT will be realigning its resources and streamlining its operations in order to better service the unique and evolving needs of consumers and industry partners. This repositioning of services is expected to bring about greater operational efficiencies and will enhance the Department's ability to successfully deliver on its established goals and objectives for the 2010/11 fiscal period and beyond.

Air and Sea Port Enhancements

Cayman Islands Airports Authority (CIAA).

In October 2009 plans for the Authority's proposed redevelopment of Owen Roberts International Airport (ORIA), Grand Cayman, was cancelled because of a downturn in the world economy and subsequent restrictions placed on borrowings needed to fund the development of a terminal and runway expansion project.

Notwithstanding this, the CIAA has recognized that some short-term redevelopment will be necessary to meet current and future airport facility capacity demands at ORIA. Therefore, the CIAA will re-evaluate the 2009/2010 redevelopment plan with a view of implementing an affordable strategic plan with clear objectives that will address current infrastructure needs, enhance services and facilities and meet future capacity demands.

Current CIAA regulations, which are outdated, will be reviewed and revised to bring them in line with current international and local requirements.

One specific initiative in the tourism sector relates to the country's airlift capacity and this requires the expansion of the airport to accommodate long haul flights. But in general, capacity at the airport has to be expanded.

I am again exploring the prospect of obtaining U.S. pre-clearance inspection for customs and immigration as part of the airport expansion project. This will enable us to enhance the service and visitor experience as part of our push to develop tourism.

Increased Airlift

Delta Airlines has confirmed its intention to introduce non-stop service to Grand Cayman from New York's JFK, this month. The service will be once a week – on Saturdays – and is timed to allow for European connections. This weekly service will complement the non-stop service that our National Carrier Cayman Airways has been operating for the past several years and is a positive sign and a vote of confidence in the Cayman Islands by one of the world's leading airlines.

This is another example of partnership with the private sector.

Cruise Berthing Facility

In November of last year, the Cabinet approved the selection of DECCO as the Country's development partner that would finance, design and build the much needed cruise-berthing facility in George Town. Since then, steady progress has been made and last month, the MOU between the Cayman Islands Government, the Port Authority and DECCO was signed for the construction of two cruise ship berthing finger piers — of which at least one will be able to accommodate the Oasis Class ship.

The berthing facility like the airport is a critical lever in our economy. And we have been repeatedly advised that the Oasis Class ships will not place destinations on their itineraries that don't have adequate berthing facilities. The Cayman Islands is the only significant destination in the region without one.

Most of our Western Caribbean competitors such as Honduras, Roatan, Montego Bay and Ocho Rios already have walk-on cruise facilities, compounded by the fact that Cuba is opening, our Islands are at a competitive disadvantage the longer we delay in addressing this issue.

The establishment of the cruise berthing facility will not only ensure that the mega ships will include the Cayman Islands as a port of call, but it will provide a seamless disembarkation experience for passengers, which in turn will improve their overall view of these Islands.

This is the kind of experiential difference that influences whether those visitors will choose to return to the Cayman Islands as stay-over guests in the future.

EDUCATION AND WORKFORCE DEVELOPMENT AS KEY DRIVERS FOR THE FUTURE SUCCESS OF OUR ECONOMY

When all is said and done, the real test of economic recovery is going to be measured by the capacity of our people to share in the common good. More importantly, the recovery must be sustained to the extent that we give our youth hope that they can inherit this country in a state that offers promise of an even brighter future.

Our pursuit of economic growth and development demands us to help every child succeed in our education system. That is how we will truly build a strong nation of caring, confident and competent individuals.

In 2010/11, the UDP will continue to invest heavily in the enhancement of our education system. Here are some of the key strategic objectives that will be pursued this year:

- 1. The implementation of a new governance model and stabilization plan for the education system.** This initiative establishes a new governance structure which will pay more attention to how our education system is being managed, provide a clear and effective focus on support for school improvement, efficiencies and strong teacher morale and participation in decision-making on changes within our education system.
- 2. The implementation of a National Qualifications Framework.** It will answer questions such as: Do CXC and IGCSE qualifications have equal value? How does a B-Tech qualification compare to an IGCSE pass? What kind of qualifications fall under COEA and what skill levels do persons with these passes possess?

3. **The introduction of restructured secondary education system, with two all-through high schools and enhanced graduation criteria.** Minister Anglin and his team inherited a system in transition, but without clear guidance as to how this would be implemented, no comprehensive plan for the programmes that would be available or funding or staffing for these programmes.

In September 2010 students and teachers will enter two all-through 7-11 high schools with a new curriculum model and timetable that will ensure equity and access for all students. The DES and Ministry will focus on supporting these new developments in 2010/11, as well as on the development of new graduation criteria that will, for the first time, include an academic component.

4. **The launch of an innovative Year 12 Further Education programme, to provide a bridge between high school and employment and/or higher education.** In September, 2010, for the first time, students who have sat their external examinations will have access to an entirely new programme of academic, technical and vocational and further education options.
5. The implementation of a range of **enhanced interventions for “At-Risk” students in primary and secondary schools.** The Ministry for Education is in the process of completing a plan which will provide a range of much needed interventions for students who are in danger of becoming educationally disabled because of conditions surrounding their birth or home environment. This will form part of a cross-ministerial National Strategic Planning

initiative for children deemed to be “At-Risk”, which is being led by the Ministry of Community Affairs and Housing.

6. This financial year will see the recommencement of **work on the construction of the new high school campuses**. In addition, the UDP government has also allocated some **10 million dollars for critical improvements to the physical plant at primary level**. Madam Speaker, the needs of our primary schools are critical, and they have been neglected for far too long.
7. Despite our financial challenges, the UDP government has also remained committed to investing in the potential of our young people through our **national scholarship programme**.
8. We need better ways of career counselling, interest assessment and educational planning for both young Caymanians and those who need to retool to remain current in the workforce of the future. We will therefore be investing carefully to strengthen our capabilities in this area, with the launch of a new **careers assessment, guidance and counselling** centre.
9. I note with much pleasure the strong beginnings of turn-around we are enjoying at the **University College of the Cayman Islands (UCCI) under the new President Mr. Roy Bodden and the Chairman Mrs. Berna Thompson-Cummins**. The selection of President Roy Bodden has proven to be effective not only in distancing the institution from the dubious dealings of its former President Mr. Syed, but in laying a foundation for better Ministry oversight in partnership with the Board of Governors, better attention to student needs, and better progress toward alignment of UCCI offerings with programmes and projects in our compulsory education facilities.

And what we must do going forward is institution-building at UCCI. We need to strengthen UCCI to fulfil what it does with greater vigilance and care concerning its standards, its programmes, and its output—the graduates. We must do that without regard to any one person or set of personalities—it must be truly institutional.

Overall, we must plan a future for higher education that allows for local professional scholarship of a high standard; but also for acquisition of life-long learning and especially vocational and technical education skills.

10. My Government remains committed to the introduction of **new legislation for the more effective supervision and regulation of education in the jurisdiction**. In the first year of this administration, the Minister of Education, Training and Employment has consulted widely with stakeholders in our education system; advanced the secondary transition in the government system; put in place preparations for a variety of post-16 options; and is in the process of reorganizing the management of education.

The Minister for Education will elaborate on these initiatives.

Training and Employment

The protection of employees under the National Pensions Law has failed and it is high time we admit it. Given the manner in which this system is structured Government would require a small army to carry out the mandate under the current law. Labour has been a vexing issue for many years and the Department of Employment Relations has been the target of much criticism for not delivering to a high standard. No tweaking will address the fundamental issues underlying these critical areas of government, wholesale change is required.

In this regard, the Ministry has already secured the services of a very experienced Caymanian lawyer to carry out the complex legislative reform agenda outlined by the Minister and approved by the Cabinet. In broad terms the National Pensions Law and the Labour Law will be revised to produce:

1. **a revised Pensions Law** to focus on regulating pension plans and administrators.
2. **a revised Labour Law** creating a single inspectorate to deal with all labour related matters (including non-payment of pension contributions) with a “fixed ticket penalty” system to more efficiently bring delinquent/unscrupulous employers to account for labour, pension or health insurance infractions.
3. **a new Human Capital Development Agency** (to focus on work placement and national training, including the scholarship secretariat).

This will provide for greater clarity of roles and a more efficient regime surrounding these very important aspects of our labour market.

Madam Speaker, the high social and economic costs of the current large numbers of unemployed youth in the Cayman Islands are all too clear to us. Our employment statistics tells us that there are increasing numbers of unemployed Caymanian youth. However, any solutions must seek to understand why our youth are not employed. Feedback from employers regularly cites that Caymanian youth lack workplace readiness skills. They tell us these barriers include basic workplace skills, poor interpersonal skills, lack of motivation and attitudes of entitlement.

This year, Minister Anglin and his team responded to this challenging issue by piloting an innovative and timely programme called Passport2Success for unemployed youth. Through this programme, 25 of our young Caymanians have been given second chances at success. In 2010/11 the Ministry will be seeking to apply the learnings from this pilot programme to enhance this initiative, with a view to making it available to other youth. I understand there is already a long waiting list.

This brings me to another important partnership for recovery the:

Young Nation Building Programme (YNBP)

A productive, caring, engaged and entrepreneurial young generation is necessary if we are to realise the future we have identified for ourselves. That is why funds have been allocated again in this year's Budget to continue to assist with physical plant, civic and religious programmes, the arts, history and culture that will contribute towards our children becoming Nation Builders – a society where we are each others' brothers and sisters; a just society that recognises country above self; a society where criminal activity is a rarity; a society where its members are

prepared to confront each challenge with optimism that they are equipped to face the challenge. That is what the YNBP will contribute towards being *Caymanian*.

Improvements to Immigration Policy

Focusing on education and workforce development would come to naught without a robust policy with respect to Immigration.

The Immigration laws and policies of any country are vital to the economic and social well being of that country and all those who reside there as residents and citizens. In 2003 this Government brought to the Legislative Assembly a new Immigration Law which modernized and recognized much of what had been recommended by Vision 2008 and the original Immigration Review Team as being much needed changes in our immigration policies and laws.

The new law created a new system of progressive rights which recognized the rights and aspirations of long term residents to move forward to security of tenure through the grant of permanent residency based on a stringent point system and the opportunity for those permanent residents to eventually move on to citizenship and Caymanian status.

This system of progressive rights was also in line with international norms for recognizing a states obligation to offer security of tenure to those long-term residents who had lived here, contributed to our community and to our economy and wished to remain here for the long term.

Whilst recognizing such security was only fair right and reasonable for persons working here under our work permit system for lengthy periods the law also recognized that as three small Islands we could not offer such security to all our work permit holders and therefore the law also created a fixed term policy of seven years for all work permit holders not exempted from it by definition in the Law and at the discretion of the various immigration boards.

The law also recognized the need to ensure that our own Caymanian people were being trained mentored, and promoted to the best of their ability by creating the requirement to file a business staffing plan for all employers who held more than 15 work permits for any one business.

It also recognized the need to attract both wealthy retirees and new entrepreneurs and investors for whom a 25 year certificate was being offered for a one off fee of CI\$20,000.

As with any new law there have been issues arising from its implementation and this Government has since its election a year ago sought the input from the private sector and the Department of Immigration as to the difficulties being experienced by businesses and those resident here.

It became apparent from very early on that turnaround time in the granting of work permits and the difficulties in obtaining key employees who would be exempted from the seven year fixed term policy were two of the major complaints that businesses had.

In addition it became clear that if we wanted to attract new overseas investors we would need to offer a new direct investment certificate as the original Entrepreneur and Investor Certificate has been removed from the law.

Another pressing need was the suffering being experienced by our elderly, the long term ill, the handicapped when helpers, and other special cases, that they were familiar with and who were familiar with their care were forced to leave under the fixed term policy leaving many Caymanian families with no one they knew to care for the most venerable in our society.

We have sought to address these immediate concerns whilst appointing a new review team to review the entire process of work permit applications policies and procedures and to make recommendations for the long term improvement of the entire immigration system.

In January the Cabinet issued The Immigration (Financial Services Sector) Directions to the Immigration Boards. These directives directed the Chief Immigration Officer to give priority to the processing of all work permit applications from the financial services sector or where necessary to refer such applications to the relevant board or committee.

It was also directed that the Chair of the Business Staffing Plan Board to create a Sub Committee to include himself or his deputy and at least two members with expertise in the financial services sector to hear all applications from the financial services sector and to make recommendations to the Business Staffing Plan Board for the designations of key employees to that sector.

It created a presumption of key for certain top positions in the financial services sector provided the company was accredited and provided no Caymanian was available for the post.

The Directives also directed the Boards to consider granting longer work permits of three to five years for domestic helpers, teachers, doctors, nurses, ministers of religion and workers for positions authorized in business staffing plans.

Finally they directed the Immigration Review Team to work in collaboration with the subcommittee to establish an accreditation system for employers based on certain key criteria.

The Immigration Review Team have been diligently working on the accreditation system because we recognize that whilst quicker turnaround time for work permits, the red carpet treatment for existing and new businesses, and the retention of key staff is important to all businesses on the Island it cannot be done at the sacrifice of our own Caymanian people and there are certainly those who are unemployed or underutilised under motivated or under paid in some corporations.

Good corporate citizens are always welcome in the Cayman Islands and those who maintain a high standard of business ethics, encourage talent development programmes, have good employment practices, participate in community programmes and train and promote our growing Caymanian work force must and will be given preferential treatment by our work permit system.

The accreditation system will begin as a pilot project with the financial services sector before it is rolled out across all industries.

Whereas this Government recognizes and cannot afford to ignore the competition for our financial services providers we also recognize the contribution being made by all other sectors of our economy including small businesses who will be assessed for accreditation based on a different criteria and one more appropriate to their role as small businesses owners with limited resources but just as much demand for good workers who give high levels of service.

It is hoped that once the accreditation system is implemented both employers and employees will feel better protected and that it will provide an accurate and quantitative measurement of a company's performance and its ability to train and promote our local talent.

This Government is committed to attracting high net worth investors from overseas and in order to do so incentives will have to be offered, as there is much competition out there for their funds.

The Government has therefore introduced a Certificate of Direct Investment which will permit businessmen who invest 2.6 million in employment generating businesses in the Islands to receive a 25-year certificate for them and their families with a right for the investor to work in the businesses in which he has invested. The type of businesses that we are hoping to attract will diversify our economy increase development, add to our financial services and will have a positive effect on the economy as a whole as more funds are invested locally.

Needless to say such investors will be closely scrutinized before being issued with such a certificate and only those with a proven track record and of good character will be awarded such privilege.

We will also be introducing an annual certificate for special caregivers which would allow them to remain in the Islands on a year-to-year basis beyond the normal seven years where the needs of a family to have that caregiver continue to care for an elderly, handicapped, long-term sick patient, or other special cases justify it.

Whilst we understand and appreciate the need for workers on work permits to take a break in stay we remain committed to reviewing the length of that break in stay and to providing some flexibility in the system for those in most need of care and protection.

A BETTER WAY IN TERMS OF STRATEGIC PLANNING

If we set ourselves the task of providing a better way forward, we must be able to plan our way.

This is why we must engage in strategic planning.

The partnership for recovery needs an anatomy that tolerates a well managed immigration system. The system must reward the most community responsible and Caymanian friendly businesses. This allows for the harmonious co-existence of Caymanians, residents and expatriates in a way that appreciates their inter-dependence on each other.

The Islands' first ever 20 year national strategic plan, a result of the National Planning Initiative, will be presented to this Honourable House by the end of the 2010/11 fiscal year. As mentioned, the Plan will be the first official document to holistically address the Islands' economic, socio-cultural, physical and environmental opportunities and challenges from a long-term perspective.

It will be the first time we embrace and learn from the future. The Plan will be the blueprint of a future full of hope and opportunities and void of challenges for present and future generations. The Plan will detail the steps necessary for us to backtrack from the future to the present in order to build that future that we as a nation have agreed upon. None of us has a crystal ball to see 20 years hence and that is why the Plan will be designed to allow for modifications based on changing situations.

An important part of the strategic plan is to give Cayman a chance to properly discuss the opportunity of whether we embark on a sensible plan of public transport for this country and that includes involving those who are now the operators of the business as true partners in the business. This could be a chance for us to set the future right. Can we afford to build as many roads? Does everyone here need to own two cars? Does every maid need to have a car? These are valid questions that must be assessed and answered. We need to utilize our funds better. We must come to grips with the reality that we cannot continue to build new roads at a rate that challenges our availability of funds. We need a proper Public Transport Plan, that's important.

As we embark on the journey to this bright new future, a future with a 21st Century educated workforce to take advantage of full employment opportunities; a future with minimal crime so that public funds can be spent more wisely; a future where the natural environment is empowered to protect our biodiversity; a future where Caymanians' identity is appreciated socially and culturally; a future where the physical environment is the envy of the region. All of these futures can simply be amalgamated into one – the future of the *Common Good*.

This is the future that my Government envisions for its people and even though we have had some setbacks, we still have much to save – the Plan will provide us with the tools to enable and facilitate this bright new future.

I invite each and every person living here to join the Government on this exciting journey into the future of the *Common Good*. This is not a future of the unknown; we as a people have decided what future we want, so the road is clear, but there will be hills and valleys that we have to navigate carefully.

Safety and Security

Madam Speaker, while we must be concerned about economics, our Government has also been concerned about our safety and security in that regard, in the face of the challenges our Islands are experiencing, steps taken by the Commissioner is moving in the right direction.

There is much work to be done- but let no one feel that this administration will be lackadaisical. We found a bad situation and call upon our community to continue to do their part in giving any information to the authorities.

We have funds in place to put the CCTV system in place and while our strategies will take some time to implement, we are sure it will strengthen safety and security in these islands. There are too many challenges in that regard.

CONCLUSION

In the introductory remarks, I spoke of this occasion being a piece of history, given that it is a first for a Minister of Finance. This comes just after our first year in office. And as mentioned, the journey began in the midst of a World economic recession that persisted longer than expected. But our focus is on economic recovery that is predicated on the back of a home-grown programme through partnerships for recovery.

The growing optimism is strengthened by gathering evidence of a World economy that is past mid-night and heading for dawn. We welcome the light, but we must enhance the conditions for that light to create life in our economy, to reflect change in our society and to inspire hope in our politics.

This budget presentation is another step in the process of informing the people and to inspire them to work with the government to make a better way forward in pursuit of the common good.

Given the economic recovery mode we are in, the government is fully prepared to face problems and fix them in a spirit that invites greater partnership with the private sector and the people generally.

The shift in emphasis will not compromise the short or medium term economic objectives. Indeed we are advocating that as the economy is driven by private-sector led growth, the government's relative share of the economy would naturally decline. This would leave the government to concentrate on doing what it does best, in the provision of services to the public.

As part of the better way forward, the UDP Government successfully had the Cayman Islands removed from the OECD's grey list and onto its white list by negotiating and signing Tax Information Exchange Agreements as the OECD required for us to be on the white list.

Since coming into office just over a year ago, we have signed 10 TIEAs which is more than the 8 TIEAs signed by the previous Government. To date, the number of signed TIEAs is 18. We have most recently signed a TIEA with Germany and we have concluded negotiations with Japan. Next week the Government is scheduled to sign a TIEA with another major country: Canada.

Madam Speaker, it should be made clear that these agreements are immensely important to our financial industry. Information did come to us from the private sector that while we were on the grey list, this island lost business, so now each agreement that is signed means an increase in business for our financial industry.

We have worked tirelessly into the long hours of the night and wee hours of the mornings and I confess I was discouraged at times as we were pounded by opposition and those whom we were supposed to work with us, found time to put obstacles in our path. Throughout this past year we did well in the face of those troubles.

- 1.** We have issued directives to the Immigration Department that make the Cayman Islands a more competitive financial centre and emphasized the need for our immigration regime to be more business friendly.
- 2.** We issued a directive that certain businesses are reserved for Caymanians only. Examples of such business are trucking, commercial fishing, painting, auto repair, radio stations, electrical and plumbing, air conditioning, water sports, office supplies, beauty salons and real estate businesses, security companies, transportation to name just a

few. The directive awaits a revision to the Trade and Business Licensing Law, but the board has been made aware of this directive and will not grant any such license at this time.

- 3.** We have promoted inward investment in the Cayman Islands and now a major Chinese company is looking at investing here. And we have had talks with a firm interested in the former Hyatt Hotel property.
- 4.** We established the National Investment Council and the Department of Commerce and Investment to facilitate more business investment.
- 5.** An agreement was signed for the construction of two cruise ship piers.
- 6.** A multi-destination tourism partnership with Cuba was re-established. This partnership is going to prove important to the future of our tourism industry.
- 7.** We re-established the defunct Tourism Advisory Council.
- 8.** There is now new management at the Turtle Farm.

- 9.** We signed an agreement that will facilitate the establishment of medical tourism and provide tertiary medical care for Caymanians.

- 10.** An HPV vaccine programme was launched.

- 11.** A Cancer Registrar was appointed.

- 12.** We made an agreement with the HSA for a resident cardiologist to join their staff complement.

- 13.** Public Consultation began on the proposed National Conservation law.

- 14.** Financial, and in some cases logistical, support was provided to a number of international sporting events such as CARIFTA; support was also provided to the Cayman Open 2010 Squash Tournament, Cayman Islands Sailing Club's Race Cayman 2010 and the NORCECA beach volleyball championships.

- 15.** We restructured secondary education to all-through high schools.

- 16.** The first initiative of the National Employment Passport programme was launched with Passport to Success for young people.

- 17.** A health check of the education system was conducted.

- 18.** Educators' Appreciation Month events were held.

- 19.** The University College of the Cayman Islands was stabilized and a new college president appointed.

- 20.** We established the Principals' Consultative Council that will channel feedback from educators and recommend initiatives to the Ministry of Education.

- 21.** We managed the crisis surrounding the unplanned, unfunded, and unfinished high schools.

- 22.** We began the restructuring of the National Pensions and Labour Relations offices.

- 23.** We fully started the low cost housing programme in East End and West Bay.

- 24.** We have expanded and renovated the Golden Age Home for senior citizens.

- 25.** The Young Parents' Programme, the National Parenting Programme and Women's Resource Centre were integrated as the Family Resource Centre which has eliminated duplication of some services.
- 26.** A Youth Therapeutic Programme was established at Bonaventure House for young people with behavioural problems.
- 27.** The construction of the Government Offices Accommodation Project continued and is due to be completed in the first quarter of 2011.
- 28.** The method of damage assessment under our Caribbean Catastrophe Risk Insurance has changed to a per square kilometre basis – which mean, in effect, that each of our three Islands will be assessed individually, which increases the likelihood of a pay-out if we were unfortunate to suffer disaster.
- 29.** A nation-building programme was started that assists children and youth programmes.
- 30.** The government assisted the economic recovery effort with a 10 million dollar injection into the Cayman Islands Development Bank.

- 31.** We stimulated economic activity by facilitating the construction of condos on Seven Mile Beach.
- 32.** We employed 700 people with the Pride Clean Up Programme.
- 33.** We reimbursed small Caymanian businesses that lost money in the Matrix fiasco.
- 34.** A new scrap metal programme was started. We contracted to remove over 6,000 tons of baled scrap metal from the George Town landfill and tendered for all remaining scrap in the three Islands, cleaning up 15 acres at the landfill.
- 35.** We acquired property to house the Watering Place Post Office that was destroyed by Hurricane Paloma.
- 36.** We resurfaced **90** district roads.
- 37.** We commenced construction of MRCU hangar.
- 38.** We acquired road-building equipment for Cayman Brac and Little Cayman.

39. We upgraded public beaches including Smith Cove and Coe Wood Beach.

40. Public consultation of the Draft Prevention of Gender Discrimination Bill 2010 was undertaken.

41. Completed the East End retaining wall.

42. Created the Cayman Islands National Weather Service.

43. And we set up Ministerial Councils for Tourism and E-business, Waste Management, Telecommunications

Madam Speaker, I would like to take this opportunity to offer a special word of thanks to His Excellency the Governor, Mr. Duncan Taylor, for his great assistance in organizing meetings, in particular those which took place last week, and for having accompanied me to meetings with the FCO in London.

Madam Speaker, it would be remiss of me not to offer a word of thanks to the hard working members of the Ministry of Finance, Tourism, and Development; to the members of the various Government Boards and private citizens who have given up their time for the good of this country without pay; to members of the Tourism Advisory Council; members of the PFI

Committee; members of the Financial Services Council members and of the National Investment Council, just to name a few.

I want also to personally thank my elected colleagues who have worked extremely hard over the past months, through the days, nights and weekends to help bring us to this point.

Madam Speaker, from the government's budget and the financial services industry to tourism to the needs of our children and our elderly, the UDP Government is taking care of the people and protecting the interests of the Cayman Islands.

The UDP Government continues to move forward on a path of economic recovery to achieve sustainable growth in which businesses can flourish and people have decent jobs.

Let's keep our heads up high. Let's put our hearts and minds to recovery. Let's work together to secure our children's future. And in the spirit of unity:

"Let us climb towards the peak in search of the light, knowing that our destiny will be determined by our foresight, a partnership for recovery would bring the sense of unity we seek, so march on both the strong and the weak."

One quote from His Majesty the late King George 6th in his famous 1939 New Year's message, is appropriate:

“And I said to the man who stood at the gate of the year: Give me a light that I may tread safely into the unknown. And he replied: Go out into the darkness and put your hand into the hand of God. That shall be to you better than light, and safer than a known way.”

Madam Speaker, let us start a true “Partnership for Recovery”.

Hon. W. McKeeva Bush OBE, JP

Premier and Minister of Finance Tourism and Development

Hon. Julianna O'Connor Connolly, JP

Deputy Premier and Minister of District Administration, Works and Gender Affairs

Hon. Rolston Anglin

Minister of Education, Training and Employment

Hon. Mike Adam, MBE

Minister of Community Affairs and Housing

Hon. Mark Scotland

Minister of Health, Environment, Youth, Sports and Culture

Hon. Cline Glidden Jr.

Deputy Speaker and Councillor with Responsibility for Tourism

Mr. Ellio Solomon

Councillor with Responsibility for Housing and E-Commerce

Capt. Eugene Ebanks JP

Member of the Legislative Assembly

Mr. Dwayne Seymour

Member of the Legislative Assembly

