



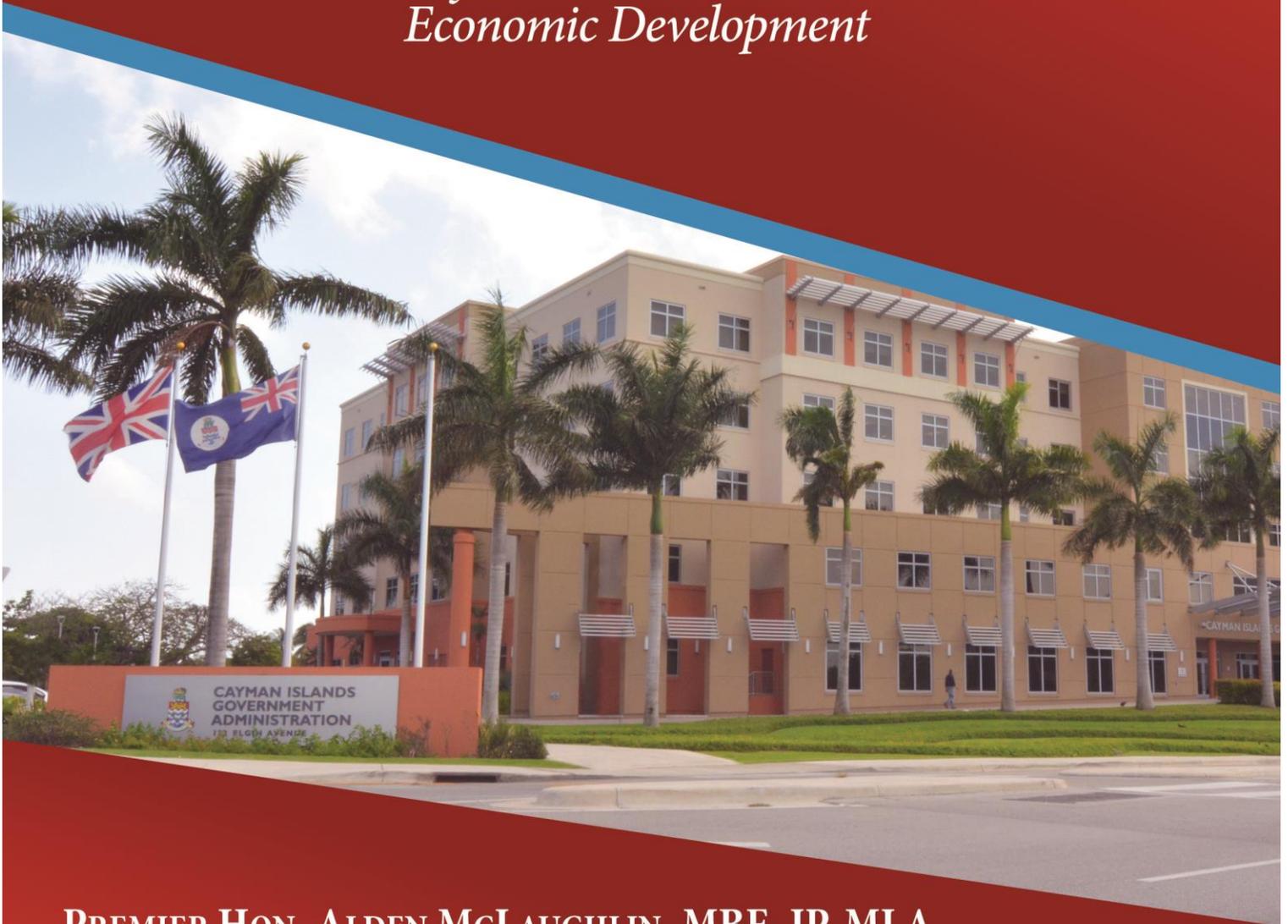
CAYMAN ISLANDS
GOVERNMENT

Budget Policy Statement

27 OCTOBER, 2017

STABILITY • EMPATHY • PROSPERITY

*A Plan for Sustainable Social and
Economic Development*



PREMIER HON. ALDEN McLAUGHLIN, MBE, JP, MLA

Mr. Speaker, as we meet today in this Honourable House I cannot help but be a bit nostalgic. Today we are making history with the Cayman Islands' first two-year budget and this new Government of National Unity's first budget. And H.E. the Governor Helen Marjorie Kilpatrick, CB, who delivered her first Throne Speech at the start of the last administration, has just delivered her final Throne Speech at the start of this new administration. Time marches on. Time marches on.

I want to thank the Governor for her hard work these past 4 years, for her genuine love of these Islands and our people, for her approach to governance and her respect for the constitutional division of responsibilities between the Office of the Governor and the Office of the Premier. She has been a most welcome breath of fresh air. It has indeed been a pleasure and an education working with her and I sincerely appreciate the support that both my previous and current administrations have received from her and her office. I will not, at this point, yet bid her farewell. There will be time enough for goodbyes when she is about to depart some five months hence.

Mr. Speaker, Seneca, the Roman philosopher and politician, is reported to have said that "Every new beginning comes from some other beginning's end". Like us, Seneca understood that the political cycle continues from one administration to the next. And as we begin this new cycle, we in this new administration intend to build on and enhance the good work that has gone before us.

In short, Mister Speaker, the last Progressives-led Government has given the current administration an excellent platform both in terms of strong, sustainable economic growth and the return to fiscal stability. We will use that platform to tackle the significant issues facing this country.

So, in generating the plans that this budget will put into action, we have clearly built upon the work of the last, Progressives-led Government. I make no apology for that Mr. Speaker. I am proud to have led that Government and I am proud of what it achieved. You will see that continuity, for example, in the provision this budget makes to implement the integrated solid waste management strategy. You will also see that continuity also in the plans for the new mental health facility, which has progressed to the design stage.

Whilst that continuity is important, this is also a government with new ideas, generated from all those within the coalition. You will see the results of our collaborative efforts in our approach to extending support for small and micro businesses. You will also see that collaboration in our willingness to tackle the need for reform in our healthcare markets to ensure better outcomes for our people and a sustainable future for CINICO.

This budget also provides the resources needed to make the vital improvements to our nation's infrastructure. We will complete the improvements at Owen Roberts International Airport and continue to progress the work on the George Town cruise and cargo port project to support our tourism industry. We will continue to invest in the country's road network and meet the need

to update infrastructure on the Sister Islands. We will continue the construction of new schools and other buildings to enhance public services. We will do all that – as did the last Administration - without resorting to new borrowing and without introducing new revenue measures. In short Mr. Speaker, this Government has no intention of adding more debt to future generations, or burdening families and businesses with more fees and taxes.

Today, as we have done these past four years, we are again presenting a responsible but ambitious budget that not only meets the requirements of the Public Management and Finance Law, but also advances the Government's agenda, which I set out in my Strategic Policy Statement this past August. We are presenting a budget that increases economic opportunities for Caymanians and one that drives social improvement in our communities.

This is a Government with ambition. We are ambitious for our country. We are ambitious for our people. And that is why in this budget we are investing in and prioritizing improvements to the range of services provided to our people that I set out when I introduced the Strategic Policy Statement to this House in August.

I said then, Mr. Speaker, that this Administration would prioritise education. This budget directs resources to significantly raise our game on technical and vocational education and training and continuing to drive up academic standards in our schools.

I also said then, Mr. Speaker, that we would respond to the rising concern in our community over crime. This budget will put more police officers on patrol in our communities – 75 more over the next three years - helping to deter and detect crime. It also provides funding for the long term prevention of crime by investing in at-risk youth diversion projects and measures to cut reoffending.

I said as well, Mr. Speaker, that this would be a Government that looks after the most vulnerable in our society. This budget provides for an increase in the ex-gratia poor relief payments made to Caymanians in need and Seamen and Veterans by \$100 per month from \$550 to \$650 in 2018 and from \$650 to \$750 in 2019. It also makes similar provision for civil service pensioners earning less than those receiving poor relief.

And as I said earlier, this budget secures the funding for a long term treatment facility for those in our society suffering from mental health problems.

We believe, though, that our ambition must necessarily be tempered by the ability of our revenue to fund the programmes and projects we wish to achieve. Therefore, there will be no deviation from the path of fiscal responsibility to which my previous Administration returned these Islands. As a result, the budget before the House recognises that choices need to be made in terms of what we can afford and it therefore targets resources where they can make the most difference.

As I said just now, Mr. Speaker, there will be no new borrowing and this budget imposes no new revenue raising measures on the people of these Islands. Instead, we will continue to pay down debt and deliver operational budget surpluses that help to fund our capital investment plans and provide for contingency against future economic shocks.

That path of fiscal responsibility is crucial in giving businesses the confidence to invest in Cayman. That continued investment is what stimulates the strong and sustainable economic growth we currently enjoy.

This Government will ensure that Caymanians benefit from that growth. This budget reflects our commitment to full employment through the expansion of the Ready2Work.Ky programme and to long term opportunities created through better education and skills among the Caymanian workforce.

Those benefits to Caymanians will be delivered by supporting our people and giving them the opportunities they need. These benefits will not be delivered by needlessly penalising those from overseas who want to come to work here alongside us and help to shore up our economic strength. We are committed to making sure that our immigration and work permit systems are efficient, fair and transparent. All those with a contribution to make to our economy and to our society are welcome here; but skilled, qualified Caymanians must be provided that same opportunity.

We realized early on in the past Administration that some Caymanians who have difficulty obtaining and keeping employment need help to access the labour market. Earlier on I mentioned the Ready2work.Ky programme. This was a successful partnership between business and government aimed at supporting such individuals into work. During the pilot of the Ready2Work.Ky programme, assistance was provided to 137 Caymanians. When the pilot programme ended, 89 individuals had completed the programme; 64 of whom obtained employment and 25 of whom were engaged in ongoing training, development and recruitment activities.

Mr. Speaker, over this budget term, Government will expand the Ready2Work.Ky jobs programme to make Caymanians who need extra help work ready and successful in the workplace. This is an important initiative and one that will be needed for some time to come. We will also continue the National Community Enhancement Project – the annual Christmas clean up - to provide employment during the Christmas season for those in need of work.

But, Mr. Speaker, as I said when speaking to the SPS, work programmes are a necessity in the short to medium term – but they are not long-term solutions. In the longer view, we must do a better job of ensuring that Caymanians enter the workforce with the necessary level of education and skills needed in an increasingly globally competitive marketplace. And by “we” I refer to the collective we – government, businesses and citizens.

Mr. Speaker, while this Government will do all it can to help our people enter and remain in the labour market, we know we have to focus on developing our people for gainful employment early on; while they are still in our school system.

Government has a categorical responsibility to support our young people as they strive to gain knowledge and develop into productive citizens. The 2016 Education Law, passed by the last Administration, was the most important structural reform of our education system in over three decades. Linked to the work we did to understand the baseline needs of schools, it has provided a comprehensive platform to drive improvement in our school system.

So in this budget we have provided an additional \$9.6M to cover special education; the enhancement of science, literacy and math; as well as skills upgrading for 400 teachers and assistants; and for scholarships and youth programmes and additional teachers.

To this end, several new education posts have been added in the 2018-2019 budget, including special needs specialists, teaching support staff, leadership positions, reception, primary and high school teachers as well as for science, technology, engineering and mathematics.

In addition, we have included some \$36M over two years for computer software and equipment and needed improvements at Bodden Town, Red Bay, Savannah, and Cayman Brac primary schools, as well as the University College of the Cayman Islands. This also includes funding to start the initial planning work for a new West Bay Primary School as well as completion of the new John Gray High School.

Mr. Speaker, I want to speak directly to parents and young people now. It is important to understand that there are many good, well-paying jobs available in the vocational trades in this country. As an example, as of June 2017 there were about 2,800 work permits held by people in vocational trades such as air conditioning technicians, dental and lab technicians, personal assistants and secretaries. Another 3,400 in fields like auto mechanics, auto body repairs, electricians, carpenters, painters, masons and plumbers. And there are many jobs in hospitality and health services.

I am pleased to report that the Hospitality and Nursing schools started under the last Administration continue to pay dividends with 28 graduated from hospitality studies and 10 in nursing studies this past year.

We will improve the opportunities for youngsters to be exposed to Trade and Vocational Education Training and, where appropriate, encourage them to consider further TVET training locally or overseas. This encouragement should come from home as well as from school. So we will ensure that schools' guidance counsellors also point youngsters to the kind of vocational careers where TVET provides the right training ground. Training and accomplishment in a trade can bring with it a good livelihood as well as employment security for a lifetime.

Contrary to what many believe and say, Mr. Speaker, there are significant numbers of TVET programmes available through the public and private sectors, including a fledgling but promising programme run by Government's Public Works Department.

In July this year, after a one-year apprenticeship, five young Caymanian students completed a pilot programme when they were assessed for internationally recognized City and Guilds certifications at PWD and achieved either foundation or proficiency level certifications. This is a significant milestone as it is the first time that this level of construction vocational certification has been delivered in the Cayman Islands.

I am happy to report that the 2017-2018 PWD apprenticeship programme commenced this month, offering both level 1 and level 2 City and Guilds training. Fifteen apprentices are enrolled in the programme. Three of the level 2 apprentices are graduates of the pilot programme. And in September 2018 we are expecting approximately 30 apprentices to be enrolled in level 1, 2 and 3 programmes. It is intended that PWD become an accredited training centre for such internationally recognised construction vocational training within the next 1 to 2 years. This will not only allow PWD to ensure that it has trained individuals available to work for Government, but facilities will also be used to train, qualify and give experience to youngsters so that they can find employment in the private sector.

This is just one programme with so much potential, but there are others. We will develop a coherent strategy to better use these programmes, ensuring that we work with the private sector to determine their workforce needs regarding trained employees.

But, Mr. Speaker, we must ensure that quality available programmes are fully used and supported to avoid unnecessary spending and duplication of efforts. As I said during the Strategic Policy Statement, no one – particularly those seated in the Opposition – should doubt the priority we in this Government give to improving education, including TVET. And to demonstrate it, I again repeat our commitment to a clear target of at least 75 per cent of high school graduates to move on to post-secondary education or training by the end of this Administration's term. This is a challenge we are doggedly determined to meet.

I said in the Strategic Policy Statement that this would be a Government that looks after the most vulnerable in our society. This budget provides for an increase in the ex-gratia poor relief payments made to Caymanians in need and to Seamen and Veterans by \$100 in each of the next two years, going from the current \$550 per month to \$650 and then \$750. Likewise, civil service pensioners who served our country for many years but who are now retired with a pension that is less than what is provided for poor relief will receive a combined sum (pension and ex gratia payment) of \$650 per month from next January. Though this change to civil service pensions may require specific legislative amendments, which will need to be done early next year, I expect payments to begin by the end of March 2018. However, we will ensure that payment is retroactive to January so the recipients are not prejudiced. Further, the monthly payment will increase to \$750 in January 2019.

Mr. Speaker, we set aside each October as Older Persons Month. An Older Persons law was approved in March this year, and commenced in July, to help ensure that older persons are able to freely access and participate in all aspects of society. Cabinet has just appointed a Council of Older Persons that will champion and monitor the promotion and development of programmes, projects and legislative measures as well as monitor and evaluate the implementation of the action plans for the Older Persons' Policy. This is a significant achievement and the appointment of the Council is a significant milestone.

This budget also secures the funding for a long term treatment facility for those in our society suffering from mental health problems.

Under the previous Progressives-led Administration work began on a new long-term mental health facility. This past September this Government signed a contract for the design of a long-term home in East End for the treatment of those with mental health problems.

Mr. Speaker, our own head of the Mental Health Commission estimates that 4,000 people in the Cayman Islands suffer with some degree of mental illness. While not all will seek or indeed need treatment at the facility, the home will enable us to treat our people here, closer to their families and communities, rather than sending them to the United States or Jamaica.

Going forward Mr. Speaker, we expect to begin the tendering process for the construction of the facility in June 2018 and open the six initial cottages for the treatment of patients and a central administration building in early 2019. Other cottages will follow, as needed.

Just as we look after the most vulnerable in our society, we are also duty bound to take care of the businesses that help to strengthen our economy.

Mr. Speaker, I am delighted that in this budget we have been able to continue the major stimulus policies introduced in the previous Administration.

These include reduced import duties, lower business licensing fees, development concessions and support to small business as well as initiatives to improve diversification of our economy and employment of our people. Those policies were critical in supporting economic growth in our country at a time when our economy remained fragile. Now, as economic strength is restored, we have resisted any temptation to reverse those policies in order to continue our support for private sector growth.

A thriving small and micro business sector makes a vital contribution to our economy, ensuring that it remains vibrant, dynamic and robust. On this basis, government remains committed to doing all that we can to positively support this sector. We will continue the work of the last Administration by enhancing the support and assistance available to entrepreneurs who desire to establish or grow their operations. Initiatives like these have helped Caymanians start more than 1,000 new, small businesses over the last four years, which in turn have created more jobs for our people. The resultant economic growth has also renewed investor confidence, leading

to more development, more opportunities and further expansion of large and small businesses alike.

Government will build on that success and continue the positive momentum. Ambitious, entrepreneurial Caymanians need encouragement, not the dead weight of government bureaucracy holding them back. Therefore, we have pledged to abolish at least 25 per cent of the regulations that hinder small businesses. We will also introduce a tiered fee structure so that charges will be levied more equitably across business entities based on their size.

Government will continue to meet with the Small Business Association and the Chamber of Commerce on a regular basis to ensure we are working together to benefit the Caymanian economy and the businesses that drive our success. We will also look at ways to help small firms gain access to funding by working with the Cayman Islands Development Bank, as well as with other private funding institutions.

Just a couple of weeks ago we held a Small Business Development Centre workshop to identify some of the strategies and direction that we as a country, and a Government, would like to pursue in promoting this vital sector.

Promoting business growth and development is key to Cayman's prosperity.

I am happy to report that from 1 January, 2017, to October this year our Department of Planning has approved 1,013 projects at an estimated value of \$688M. That is a sharp increase from the same period last year when 760 projects had planning approval at an estimated value of \$342M. That reflects the increased confidence investors have as a result of the economic performance and fiscal stability that now characterise these Islands.

Just as we help facilitate business growth, and thereby jobs for our people, we want to ensure that Caymanians who are skilled, qualified and want to work are not consistently disadvantaged in the labour market.

To this end, the Ministry of Human Resources and Immigration is leading the establishment of a National Human Resources Department.

The National HR Department will encompass the main administrative functions related to immigration – processing applications for the grant of Work Permits, Permanent Residency, and Caymanian Status. The department will continue to work in collaboration with the various immigration boards to efficiently optimize workflows. The department will also be responsible for monitoring changes within our dynamic labour market to give Government the strategic oversight and planning of future human resource requirements. This will build capacity and capability among Caymanians seeking to more ably compete for employment opportunities.

It is important to note, though, the establishment of the National HR Department, however, will not merely be an exercise of merging functional aspects of the National Workforce Development Agency and the Department of Immigration. Based on extensive stakeholder

consultation, it is clear that a radical shift is necessary in order to modernise the strategies, services, and processes if we are to build effective workforce readiness skills in conjunction with an efficient, fair, and transparent work permit and permanent residency regime.

Over the next two years, the Ministry of Human Resources and Immigration will roll out a programme of modernisation that will lead to legislative reform; introduction of technology to automate business processes; workforce development programmes; and put in place an employer accreditation programme.

The further development of the National Jobs Clearing House will improve the transparency of the work permits process and ultimately make things easier for business and job-seekers alike, as all available jobs in the Cayman Islands will be required to be listed there. Work on this was started by the last Administration and will be completed next year.

Mr. Speaker, employment of Caymanians is a focus of this Administration just as it was of the last. This includes seeking avenues for employing retired Caymanians who are in good health and still wish to maintain employment. This is in part why my previous administration amended the law to allow persons in the public and private sectors to work and be entitled to pension beyond the age of 60. And this is why we also internally sought a way to allow retired persons to serve as security personnel in the Government Administration Building and other government buildings. The challenge we found was that not only were there existing contracts in play to provide these services, but contracts are required by Government procurement rules to be awarded with “value for money” being a major guiding principle. No one can doubt that this is a vital principle in utilising public funds.

However, businesses tendering to provide security services will likely do so by paying minimum wage so as to keep the bid amount as low as possible. These businesses would be challenged to find Caymanians willing to work at minimum wage and often during unsocial hours. One solution that this new Administration recently utilised in the bidding process is to allow extra points to be awarded for companies bidding for government contracts that can demonstrate employing a high number of Caymanians. Yes, Government must get value for money, but Government should also seek as much as possible that companies bidding to provide services to Government employ Caymanians wherever possible. As we have started to do and intend to continue.

The concept of fairness to Caymanians seeking jobs also comes into play when we tackle the issue of competition in the market place and the costs of goods and services.

Ours are but three small Islands, Mr. Speaker. We can be prey to market failure or even to unscrupulous business practice if we do not ensure fair competition and effective regulation. That is why the previous Administration passed and implemented the Utility Regulation and Competition Law last year, which prompted the creation of the regulation office in January this year. It is an amalgamation of the former Information and Technology Authority, the Electricity Regulatory Authority and the Petroleum Inspectorate.

One of the duties of this office is consumer protection, including fair pricing in the fuel sector. And so one of the main objectives of the Utility Regulation and Competition Office (Off Reg) will be to quickly complete the work needed to ensure fair pricing and competitiveness at the gas pump, after which focus will be placed on the wider fuel sector.

Though there has been some delay, a lot of work has been done toward improved regulation of the fuel sector. I have been advised that by and large, the companies within sectors, particularly the main oil companies, are now complying with legislation and providing critical information to OffReg to carry on their work. Pending the establishment of market rules, there has been general agreement between the fuel wholesalers and Government that prior to increasing prices, there will be discussions and review of the necessity of the increase to satisfy OffReg. I am pleased to say that because of this discussion and sometimes pushback by OffReg that there have been times recently when price increases were deferred or foregone.

To aid the creation of market rules, OffReg will commence a robust and comprehensive analysis and assessment of the market, including benchmarking what occurs in other jurisdictions. This market review is expected to be well under way in the first quarter of 2018 after which initial rules will be established to guide future price increases and changes as well as broader regulation of the fuel sector.

More work still needs to be done to ensure that information now being provided about the actual cost of fuel to wholesalers is as transparent as it needs to be. But we intend to get to where we need to be to protect consumers. I am happy that fuel wholesalers are working with Government and I trust that they too appreciate the need for Government to ensure that consumers are treated fairly. I want to say to the fuel companies that whilst legislation provides Government the ability to initiate price controls on fuel, this is not the intention of this Government. Rather our intention is to ensure that consumers pay a fair price for fuel. And so as I said, I appreciate the cooperation we have had from them to date and Government expects that this cooperation will continue to the mutual benefit of the fuel sector and the people of these Islands. But Mr. Speaker, let me be clear about something. If this cooperation does not continue to our satisfaction and Government is of the view that the only way to properly protect consumers would be to institute price controls, then it should be understood that we will do so. But let me say again, this “nuclear option” would be a last resort.

With regard to liquid propane gas, we are seeing new entrants to the market and it is anticipated that this will improve competition. However, liquid propane gas will also be regulated by OffReg and once rules covering price increases and other facets of the sector are in place, this sector will also be required to fully comply with those rules.

Mr. Speaker, just as fuel is a necessity, so is affordable housing.

As I said during the SPS, we know that more needs to be done in the affordable housing market. However, Government does not have the ability to solve this problem on its own, nor should we. The private sector has a role to play and we will encourage private investment in

affordable housing through import duty reductions and by allowing homes to be built on smaller lots. In addition, we will extend the Guaranteed Home Assisted Mortgage programme so that banks can more readily lend Caymanians money to purchase these affordable homes. We are also encouraging the National Housing Development Trust to utilize funds now available to them to invest in new affordable home schemes.

I assure this House and all within hearing my voice that while we continue to work to improve education, sustain our economy, and reduce unemployment, we are also paying close attention to the safety and security of all who live in and visit these Islands.

We have all heard concerns about increases in what is often termed nuisance crimes – everything from petty theft, illegal motorcycles and speeding vehicles, but of greater concern are the incidents of robberies and violent crimes. These too often involve guns and too often arise out of gangs and drugs issues.

The immediate response has to be more effective policing.

We campaigned on the need for improvements to community policing and I was heartened that the Commissioner is of the same view and that this is one of his priority areas. That said, I have asked that he look into utilising what I initially termed a community warden approach, as has been used in the United Kingdom and elsewhere, to enhance the community policing efforts rather than police constables who may be better utilised solving crimes. I was encouraged that he has agreed to introduce what he is calling Police Community Support Officers, which is similar to the community warden approach.

Community policing has the benefit of not only utilising a suitable person who will know the people in the communities served, but importantly the people will get to know and trust the officers. Police Community Support Officers need to be trained to understand aspects of the law and some policing methods, but do not have to fulfil all the requirements of a fully trained police officer. Indeed, there may be former police officers who, though retired, are still fit enough to serve in a Police Community Support Officer capacity.

As such, our Government has agreed to the request from the Police Commissioner for new resources to tackle crime on our streets. A new Inspector of Community Policing was appointed in September and 12 community policing sectors on Grand Cayman have been identified where community officers will be deployed. This is in addition to the Sister Islands where all officers are considered community officers.

Of the 75 new officer positions included in the budget for the next three years, at 25 per year, nearly one-third will be dedicated to community policing. A job description for community policing has been developed, and the current plan is to engage a few individuals to fill these roles in a pilot project in three of the main community policing sectors before the end of 2017.

As we provide additional resources to the RCIPS we will insist that resources are used as agreed and hold the Commissioner to account for the results of those expenditures. We also intend to discuss with the UK the establishment of a Police Authority to help create new approaches in fostering accountability and enhance the responsiveness of the RCIPS to the people's concerns.

We are also committing additional capital funding to bolster coastal defence.

A Strategic Maritime Security Management Committee will oversee the evolution of the Joint Marine Unit into a National Coast Guard Service. The Committee will be chaired by the Chief Officer for the Ministry responsible for immigration, and comprise senior executives of ministries and agencies involved in maritime border security, law enforcement, and public safety.

Suitable expertise from the UK's Maritime and Coast Guard Agency along with the experience of our local experts will be utilized to develop a modern maritime safety and security organisation that will provide search and rescue capabilities as well as the detection and interdiction of boats arriving in Cayman waters with illegal cargo.

The transition to a Coast Guard Service will entail significant change including legislation and policy, organisational standards, structure, and operations. This transition will involve a carefully planned approach over the following two years.

Mr. Speaker, we are increasing resources to the Fire and Prison Service, the Department of Community Rehabilitation and Hazard Management to enhance delivery of criminal justice, public safety and disaster mitigation services. This will result in safer communities and improved opportunities for offenders to reintegrate into society after incarceration.

As we continue to fund these various initiatives involving security, we also need to be mindful of those already caught up in the criminal justice system. It is important to cut repeat offending by encouraging the rehabilitation of offenders and support them into employment on their release from prison. Government – that is civil service - is leading the way with its Second Chances programme that seeks to provide employment to former prisoners. There are also several private sector companies that do their part - but as I have said before, more needs to be done and this will be a focus area.

Mr. Speaker the previous administration developed and passed the Conditional Release Law. The new Conditional Release Scheme has been operating for one and half years now. This means that all prisoners that serve sentences of one year or more have to spend a minimum of 60 per cent of their sentence in prison and the remainder in the community under strict license assuming they have been behaving well. Mr. Speaker, research has shown that community reintegration is an important part of rehabilitation and the more time released prisoners spend in the community under supervision the greater the likelihood of reduced recidivism. The new Conditional Release Board considers prisoners who have undertaken the required rehabilitative

programmes whilst in prison with the option of continuing their rehabilitation in the community and carefully assessing suitability for release to society.

Previously prisoners were released under the old regime after 2/3rd of the sentence was completed regardless of the risk involved or the extent of the rehabilitation. Mr. Speaker, I am happy to say that only three prisoners in the last 18 months have been re-incarcerated for breaking license conditions. This means that the Conditional Release scheme is working. Over time this will have a positive effect on re-offending rates and consequently the safety of our community.

Mr. Speaker, another important development in improving the Criminal Justice System was the passing of the Criminal Records (Spent Convictions) Law, 2016 which allows for criminal records to be expunged.

Expungement is essentially having a conviction removed from one's criminal/police record after a specific period of time has elapsed and after certain requirements have been met.

The principle underlying this is that a person who has made a sincere and successful attempt to be a law abiding citizen should be given the opportunity to start afresh without being haunted by his or her unfortunate past indefinitely.

Since the 28th March, 2017, the Criminal Records Office has been processing applications for automatic expungement for those persons that were sentenced to imprisonment for a term not exceeding five years. This means that persons who have met the crime free period specified in the law are receiving a clean police record and are afforded an opportunity to be productive citizens. For those persons that were given a sentence exceeding five years, and have a crime free period of 15 years, the Expungement Board will deal with these applications.

In addition the Board will deal with applications for expunging records for persons convicted of minor marijuana offences such as possession or smoking of marijuana where trafficking or intent to supply is not involved. This will benefit young people specifically in getting employment.

Mr. Speaker I am pleased to be able to report that the Board has now been established and training of Board members has commenced. It is expected that the Board will be fully operational and will begin processing applications in just a few weeks.

On the judicial side of law enforcement, the Office of the Director of Public Prosecutions will establish a Justice Protection Administrative Centre as is required by the Justice Protection Law (2017 Revision). The Centre will develop, manage and administer a witness protection programme for the Islands. In tandem with the proposed Centre, a new Witness Care Unit will also be established in order to provide closer liaison with victims and witnesses.

All these measures are about dealing with crime now. In the longer term, the answer lies in stopping our people turning to crime in the first place. I believe the most significant

contribution to crime reduction, besides a good education, will come from the early identification of young people at risk of offending behaviour, and implementing programmes to help them make better life choices – choices that will benefit them, their families and their communities. Work on this commenced during the last administration and an Inter-Ministerial Committee on Youth Affairs has been established to serve as the coordinating and advisory body to implement plans in this area. The Department of Children and Family Services will be an important part of the overall solution through social workers who specialize in family crises resolution and trauma. But they cannot do it alone. This requires work and cooperation across many ministries for there to be real success.

Mr. Speaker, a Multi-Agency Safeguarding Hub Team, or MASH, was created in 2016 where the Ministry of Community Affairs, in conjunction with the Department of Children and Family Services, works with the Royal Cayman Islands Police Service, Education Department and Health Services to enhance the safety of our children.

That Ministry is now under a new interim acting Chief Officer who, with her team, will strategically plan and restructure the Department's resources to enhance services and meet the needs of its clients in a timely, effective and efficient manner across all three Islands.

Another of the major social issues facing our country is to ensure people have access to quality, affordable healthcare.

We have some of the most modern and best healthcare facilities available anywhere in the region with three hospitals here on Grand Cayman – George Town Hospital, The Doctors Hospital at CTMH and Health City – as well as Faith Hospital on Cayman Brac. The advent of Health City has allowed affordable and easily accessible tertiary care, for a wide range of health concerns here at home instead of mandatory, expensive overseas travel.

Unfortunately we have all heard concerns expressed by Caymanians who are unable to readily benefit from that facility. There are times when patients are being sent overseas when quality tertiary care is available locally - at less cost to Government and to families.

Over the course of this budget term we will improve the working arrangement with Health City, and with other medical facilities, to ensure that more Caymanians, especially those insured through CINICO, can more easily benefit from the high-quality healthcare they provide.

On the subject of CINICO, Mr. Speaker, the Cayman Islands National Insurance Company looms large in each budgeting process Government undertakes.

CINICO was created nearly 15 years ago. Since that time, welcome advances in medical science and changes to insurance markets have occurred at unprecedented rates while CINICO itself has remained largely unchanged. As a result, it looks out of date. Therefore, while this budget does provide for further significant investment in CINICO, we do not believe the answer does

not lie in continuing massive annual increases to CINICO's budget but in recognizing the need for reform.

Part of the solution to making CINICO more financially viable is to broaden its role as part of an overall reform of the insurance market. At the moment it falls to CINICO to cover those people unable to afford private insurance cover – essentially with Government picking up the full cost. Frankly, this is unsustainable. CINICO must be able to provide insurance cover to a broader demographic to lower the overall costs to the public purse.

At the same time, as we all know, the medical services offered through the Health Services Authority must not only be of a high standard but must be run efficiently. The Auditor General's Report on the Cayman Islands Health System, along with their health industry survey, provides useful insight into the state of local healthcare - what we are doing well and where there are challenges.

As I said when I recently spoke to the SPS, improving the efficiency and effectiveness of our healthcare system will require a long term, strategic change, including devising new working arrangements that will create the changes needed and identify what services should be focused on in future years. A first step is to talk with the industry players, including those at the HSA, to determine what reforms are needed, and to devise new working arrangements that will serve as the impetus for the changes we need to see and identify what services should be focused on in future years.

Mr. Speaker, during the last Administration, my Caucus as well as the elected members of Cabinet had our own concerns regarding HSA, particularly around the management of its finances. And so Government insisted that the Financial Secretary or his designate be appointed to the HSA Board. I can say that this took considerably longer than we expected, but we persisted and in the end the HSA Law was amended to allow for this change. Ironically, Mr. Speaker, I recall that several of the current members of the Opposition objected to this change, but I suspect given the concerns that they have recently expressed, they now see the wisdom of ensuring that there is oversight at board level from the Finance Ministry and the Ministry of Health.

As a Government, we have yet to sit down to fully consider, with the help of the Board, what reviews of the HSA may be useful or necessary. But certainly prior to the elections my Progressives team and I did consider the matter of reforms and, as we noted on page 12 of the Progressives Manifesto, our thinking at the time was that a private sector partner should be engaged to work with Government and the HSA Board to determine suitable reforms that would deliver both better health outcomes and lower costs. As this new Government progresses past the budget stage to delivering on our plans, decisions will be taken regarding addressing areas of concern at the HSA, as well as ensuring that there is a focus on the many areas in which they perform well.

On a positive note, I understand that the HSA has targeted next year as its deadline to obtain a clean audit opinion on its finances and have employed Deloitte to advise on how to successfully progress this.

On another positive note, in terms of procurement, work has already begun to reduce costs with the use of the reverse auction system to purchase pharmaceuticals and medical supplies. To date the potential savings are substantial, at a projected 32 per cent of the cost, compared to using traditional procurement methods.

Mr. Speaker, the status of our health also extends to our environment, starting with the George Town Landfill.

As has been previously reported, a Dart-led consortium won the bid for the proposed Integrated Solid Waste Management System which, among other things, will replace the current landfill in George Town. The next stage of the process is for government and the Dart-led consortium to finalise technical, financial and legal details before the contract can be signed.

When negotiations are finalized, we will be well on our way to a developing a modern waste management system that will include recycling and composting and ensure that residual waste is not just dumped but used to generate electricity to power Cayman's homes and businesses.

The existing George Town landfill will be capped and closed and the landfills on Cayman Brac and Little Cayman will also be closed with the garbage from those Islands brought to Grand Cayman to be treated under the new waste management system.

Ground-breaking is anticipated next summer for a phased implementation of the new waste management system, with the aim to have it fully operational, including the waste management plant, by 2021. This budget ensures we have the finances in place to progress against that timeline.

Mr. Speaker, continuing with the environment, I said during the SPS presentation in August:

“We remain committed to protecting our environment, but we must also ensure that we get the balance right between preserving our environment and the need to responsibly develop our Islands to help provide employment and opportunities for our people. We will continue to support the environment but we cannot ignore some tension that exists between allowing necessary responsible development and protection of our environment – particularly following the passage of the National Conservation Law. As an example, we are being told that going forward almost every new government road will require some form of Environmental Impact Assessment - increasing the cost as well as the timeliness of completing necessary roads. Truth be told this tension has always been there – and perhaps in the past too often development has won over protecting the environment. However, both aims are important and need to co-exist, with Cabinet receiving proper advice and having the ability to mediate or decide in cases where

a side must be chosen. And so, we will look again at the National Conservation Law to determine what amendments need to be made to ensure the proper balance is struck.”

Mr. Speaker, to further explain my position, it is perhaps useful to note that as an integral part of formulating policy, the Cabinet is charged in Section 44 (c) of the Constitution with the responsibility for directing the implementation of such policy insofar as it relates to every aspect of government except those matters for which the Governor has special responsibility.

In seeking to meet the dual policy mandates of protecting the environment and encouraging responsible development to provide employment opportunities for Caymanians through sustainable economic activity, the Government must ensure that a proper balance is struck between these sometimes competing goals and objectives. The need for this balance to be struck is enshrined in Section 18 of the Constitution.

Whilst my remarks on the SPS were limited to road building, it has become clear since then that the road building issue is only representative of the potential difficulties that are likely to arise in the context of the day-to-day application of Sections 41 and 43 of the Conservation Law. These sections allow the Council broad and generally unfettered discretion to require Environmental Impact Assessments in a wide range of cases. These and related provisions have the potential to serve as material impediments not only to the orderly business of government bodies and agencies that must consult with the National Conservation Council, but also for those persons who may apply to those bodies and agencies for approvals or permits of one type or another and where the approval of the Council becomes necessary in order to proceed.

Other provisions of the Law raise similar concerns as to whether the right balance exists between conservation and development, such as Section 21 dealing with Coastal Works permits.

Given the varied concerns expressed, the Cabinet has determined that it will appoint a stakeholder committee with a sufficient cross section of representation to review these and any other issues that the Committee may come across as a part of the exercise. It is expected that the Committee will make recommendations for ways in which the legislation can more effectively satisfy the twin goals of Section 18 of the Constitution regarding fostering and protecting the environment while promoting justifiable economic and social development.

As is often the case when a law is first enacted, the practical application of its provisions may often differ, and sometimes materially so, from what was envisaged when it was enacted. The proposed review of the legislation is reflective of that reality and is not abandonment by the Government of its commitment to protecting and enhancing our natural environment. We anticipate that the NCL Review Committee will be constituted before year end and begin its work early in the New Year.

While we are discussing matters dealing with the environment, Mr. Speaker, I am pleased to advise this Honourable House that we will be further strengthening the public's rights to beach

access through policies, procedures and regulations that guide the operations of the Public Lands Commission, which was established in June this year. This Commission will ensure that beach access by the public is safeguarded and maintained on all three of our Islands. This continues the work started last year by Government to reopen and protect the public's right to access to our beaches.

This budget also includes \$1.1M for a more aggressive approach to eradicate the green iguana; and a further \$1.7M for the eradication of the Aedes Aegypti mosquito with continued assistance of Oxitec.

Mr. Speaker, from an environmental perspective the sheer number of green iguanas, due in part to their extremely rapid reproduction rate, means they are wreaking environmental damage to the areas they inhabit, devouring plants, defoliating and killing native trees, and stressing and out-competing indigenous animals for food sources, not to mention what they do to farmers. And it is important that we keep the disease carrying Aedes Aegypti mosquito in check to prevent zika, chikungunya and dengue in the Cayman Islands. Government will continue its support of the Mosquito Research and Control Unit and the various programmes they are so effectively implementing.

There are specific environmental as well as other needs on the Sister Islands to which we will respond. We will continue to build infrastructure to deliver piped water throughout Cayman Brac. Work continues on the multi-purpose centre as well as at the sports facility, both on the Bluff, and jetty docks on Little Cayman to facilitate small craft access to shore.

Our pristine and healthy environment is both precious and profitable. It draws more and more visitors to all three Islands each year.

More and more people are flocking to our paradise in the Caribbean Sea.

Our air arrivals are significantly outpacing projections bringing us closer to registering 400,000 tourists by air by the end of 2017.

Our September air arrivals are up by 14.7 per cent with 16,845 visitors arriving during September 2017 compared to 14,677 in September last year. Visitors from the United States, Canada, the UK, Brazil and Latin America are all up over the corresponding period in 2016. The Tourism Industry's performance remains robust and is exceeding expectations. I have no doubt the Deputy Premier and Tourism Minister will have more good things to tell you in his budget contribution.

The numbers demonstrate that the strategies the minister then and minister now has implemented to boost the shoulder season and slower periods during summer are working well. This is an excellent achievement for the Cayman Islands.

I commend the Ministry and Department of Tourism and the Islands' private sector partners for their unified, innovative and consistent efforts to promote the Cayman Islands as the

destination of choice for a magnificent vacation. This budget allows them to continue their work.

When visitor numbers are up, the economy gets a corresponding boost as more tourists mean more business for restaurants, taxi and tour operators, retail stores and more revenue for tourist attractions.

This growth is spurring development of new hotels such as NCB's newly proposed boutique hotel in George Town. Planning for new hotels and condos are also in the works.

Mr. Speaker, this Government will continue to support enhanced tourism marketing to high value source markets and fully implement the new five-year National Tourism Plan in 2018.

Also helping facilitate the growth in tourism is the redevelopment of Owen Roberts International Airport.

The renovation project there is well under way and when completed in early 2019 will allow it to serve nearly 2 million passengers a year.

Work to provide a modern cruise berthing facility and an enlarged cargo port is progressing with the completion of preliminary design and cost estimations.

Prequalification of bidders is complete and negotiations with cruise lines are in the final stages. Coral recruitment has been completed and an application submitted to the Department of Environment for trial relocation. The bid documents are being finalized, with the next procurement stage in November 2017.

An enlarged, modern cargo facility is key to our ongoing economic development and will give us the ability to accept larger ships, reducing shipping costs and consequently reducing the cost of goods bought locally. The Port Authority has also received considerable interest from shipping companies that not only want to bring their larger ships here, but have indicated that Grand Cayman could serve as a transshipment port for perishable cargo out of Central America. The economic potential for George Town to serve as a transshipment port is certainly welcomed and will be pursued.

Part of our tourism strategy includes the revitalisation of George Town. And so the work on the George Town Revitalisation project will move past the phase one roadbuilding stage and, starting in 2018, other aspects of the project will be introduced, including making George Town more visitor friendly.

We are in the process of hiring a town manager for the capital. The town manager will initially work within the Ministry to help finalize the revitalization plan. And in the new year Government will work with the private sector to establish the George Town Urban Development Commission.

The major impetus over the last three to four years has been the completion of the necessary roadworks deemed instrumental to the revitalisation project as a whole. The first phase of Linford Pierson Highway is part of that and is due for completion early next year with Phase Two to be completed in 2019.

And, Mr. Speaker, it is worth repeating what many have heard me say before, all of this work is being done from cash surpluses, not from borrowing. Indeed, this Government, like the last Administration, continues to operate from a cash position for both operational and capital commitments.

One of those capital projects is enhancing the Government's Information Technology services, including cyber-security and E-government initiatives.

The E-Government programme, which we began to implement in the last term, is being rolled out and will deliver improved access to more responsive public services while achieving considerable efficiencies in their delivery. Government will introduce more online services to improve customer experience. Already people can apply for Police clearance online and beginning next month customers will be able to clear goods through Customs electronically. This will be the first phase of the business modernization and refining process that Customs will embark on over the next three years. The Minister responsible for Commerce, Planning and Infrastructure will, I am sure, speak more to these initiatives.

Mr. Speaker we know that the Cayman Islands Government has to keep up with modern technology if we are to continue to be a world leader in the all-important Financial Services Industry.

This Government is committed to continuing to ensure this country provides the right legislative and regulatory frameworks to allow the Financial Services Industry to continue to flourish here. This budget targets resources to enhance the Financial Services policy functions of the Ministry of Financial Services as well as the regulatory services provided by the Cayman Islands Monetary Authority to keep pace with evolving international regulatory requirements.

We will continue our partnership with the financial services sector, including Cayman Finance, to not only improve and market our financial services products, but to also defend our financial services business as and when needed.

I, along with Minister for Financial Services and Home Affairs and other Government officials recently returned from Brussels and the United Kingdom. We were in the EU to assist ministers of finance in their understanding of Cayman's compliance efforts, prior to the EU's December 2017 proposed announcement of the jurisdictions that it considers to be noncompliant with global tax good governance standards.

We were well received in the EU and had an opportunity to meet with some of the most influential politicians including European Commission Vice-President Mr. Valdis Dombrovskis,

who is in charge of Financial Stability, Financial Services and Capital Markets Union, and other business leaders. Everyone we met agreed that the Cayman Islands is highly compliant with OECD regulations, putting us in the league of countries such as Germany, Canada and the United Kingdom.

However, there were some who were challenged in understanding our no-direct taxation regime and with whom we took time to explain that the Cayman Islands has never had direct taxation, but we do have substantial indirect taxes. We also explained that we do not have double tax treaties that allow for the shifting of tax liabilities and businesses that operate in Cayman understand full well that they have an obligation to pay taxes due in their home jurisdictions.

The Minister and I came away from these meetings with a full appreciation for the need for regular ongoing engagement. To a man and woman, everyone we met with indicated the usefulness of personal engagement and noted their appreciation for our willingness to cross the pond to see them.

Similarly Mr. Speaker, in the UK we took the opportunity to attend the Conservative Party Conference and to meet with as many senior members of the British Government as we could, including Priti Patel, Secretary of State for International Development; Philip Hammond, Chancellor of the Exchequer; Michael Fallon, Secretary of State for Defence; and Boris Johnson, Secretary of State for Foreign Affairs. There were others as well.

Mr. Speaker, as recent press announcements regarding the hacking of databases of international financial services providers underscore, the challenges to financial service jurisdictions such as the Cayman Islands are grave. This remains so despite our exceptional performance in meeting, and in some instances setting, the global standard with respect to our measures in fighting money laundering, tax evasion, terrorism financing and other financial crime and our excellent track record of international cooperation. The latest threatened expose' by the international media is no doubt timed to influence the views of EU Ministers with respect to the imminent list of uncooperative jurisdictions to which I have just referred and which is due out at the start of December. This example provides the plainest evidence of why it is imperative that as a jurisdiction, the Cayman Islands seizes every opportunity to engage with those that shape policy internationally with respect to financial services matters. They need to hear the true story from us; they will not get it from the media.

Mr. Speaker, one of our final meetings in the UK was with Lord Ahmed, the Overseas Territories Minister, who, like all of the other ministers we met, was aware of Cayman's humanitarian assistance efforts to our sister British Overseas Territories that were recently damaged by hurricanes Irma and Maria. We talked about the need for the UK to commit, not just short term financial help with the devastation, but long term to help their economies get back on their feet. The Overseas Territories are, after all, part of the British family and we are all British citizens.

Lord Ahmed again expressed his thanks, as had other cabinet ministers that the delegation met over the course of the trip, for the assistance that the Government and the people of the Cayman Islands are providing to those islands affected. He reiterated how grateful the UK government is for the help.

We will continue to work with the BOTs when we travel back to London in November for the annual Joint Ministerial Council where we will continue to discuss hurricane recovery and the economic stability of all BOTs.

I would add, Mr. Speaker that I and the Minister for Home Affairs travel tonight to Miami where we are hosting a meeting for the leaders of the Caribbean British Overseas Territories to discuss the needs of the islands impacted by the hurricanes, prior to the JMC meeting. The goal is to ensure that the needs of those territories impacted by the storms are a key part of the agenda for the London talks.

Mr. Speaker, whilst this plan and budget is forward looking, it is important that we also pause to look back and reflect on where we have come from and celebrate key moments in our history. I am pleased to advise this House that Cabinet has approved the formation of a project committee that will create a full plan to celebrate the 60-year anniversaries of the Cayman Islands Coat of Arms and our first Constitution.

Her Majesty the Queen approved the Royal Warrant assigning “Armorial Ensigns for the Cayman Islands” – that is our Coat of Arms – in May 1958 and our first Constitution was approved by Order in Council in May 1959 in the run up to the independence of Jamaica.

Mr. Speaker, in addition to celebrating momentous occasions in our history, it is important that we also take time to recognise the work of individuals. We already celebrate our people on Heroes Day and we also award worthy individuals with the Cayman Certificate and Badge of Honour. But we need to do more.

Mr. Speaker, several years ago you sought to establish a local Honours system. Regrettably those efforts did not fully take root and there was only one ceremony held. I commend you for that early attempt and I want you and those in this House to know that we will be reviving and reforming the awarding of the Order of the Cayman Islands to worthy individuals. Plans are being firmed up for the Honours scheme, but currently the intention is to award up to three classes, namely Companion, Officer and Member of the Order of the Cayman Islands. We will also be incorporating medals for valour or bravery. As these plans come to fruition, I will keep this House and the public advised.

Mr. Speaker following consultation with you, we will progress the work for making the operations of this House more autonomous. We can expect a draft bill early next year.

Mr. Speaker, you will see that this Government has not been sitting by idly since the May elections. As I said in my Strategic Policy Statement to the House and the public in August, this is a Government of National Unity in which all views are valued and respected.

Just as this Government's Strategic Policy programme was a result of our collaboration and hard work, so is the budget we are presenting to the members of this Honourable House.

I thank the Minister of Finance and Economic Development and his team, particularly the Financial Secretary, for their hard work and dedication in producing this budget. Many hands, heads and hearts have contributed to its preparation and I offer my profound gratitude to those who have toiled many late hours to produce this important document.

Mr. Speaker, I thank my entire team, Ministers and Councilors, for their hard work and commitment. I also wish to thank the Deputy Governor, Attorney General and the Cabinet Secretary for their work and support.

To the civil servants who are charged with implementing our policies, programmes and projects, I thank you.

I also thank my small but dynamic team in the Office of the Premier that provides support to me and the Government Caucus.

I agree with former Alabama Governor and politician Bob Riley who said, "Nothing is worse, or more of a breach of the social contract between citizen and state, than for government officials, bureaucrats and agencies to waste the money entrusted to them by the people they serve".

We understand that when our people went to the polls in May that they were looking for a Government worthy of their trust.

The National Unity Government, which I have the honour to lead, is that Government.

As I did last year, I urge the House to remain focused on those things that are good, those things that are right, and those things that are in the best interest of the people of the Cayman Islands. After all, that is why they accorded us the great privilege of being here.

Thank you.

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