

The Hon Roy McTaggart JP MP

The Opposition's Response to the 2022-2023 Budget Policy Statements

Delivered: November 29, 2021

Regaining Strength Today to Meet the Challenges of Tomorrow.

Mr Speaker, as I rise, I must thank His Excellency the Governor for his Throne Speech. We on the opposition bench understand the vital importance of the Governor's support in ensuring that the elected government can effectively carry out the people's business and the Throne Speech is an important public statement of that support.

The Throne Speech also stands as an important symbol of the ongoing partnership between the Cayman Islands and the United Kingdom. The experience through these last eighteen months has underlined for us all, how essential that partnership can be to the wellbeing of the people of these Islands. I take this opportunity to thank the Governor, and through him the UK, for the ongoing support for the Cayman Islands through the current crisis.

On behalf of the Opposition, I join with the Governor in acknowledging the work of all the Uniformed Services for the important job that they do in keeping us safe – on land and at sea. And I also join in with well wishes to Dr John Lee, Chief Medical Officer; Prison Director Steve Barrett; and Ombudsman Sandy Hermiston. All have made valuable contributions to our country.

And of course, I agree with the sentiments of the Governor when he noted that the pandemic is not over, and prudence and caution is very sensible. I will return to this theme later in my debate.

I thank the Governor for helping remind this House of two of the contributions that we on this side made towards protecting the environment. As he noted it was the Progressives led administration that expanded the Marine Park Area to just under 50% of our coastal waters. It was also the same Progressives administration that advanced the work on the Commonwealth Climate Growth Fund over 2019 and 2020 that the Governor mentioned.

The Governor also spoke of the concern regarding the new Omicron variant of the COVID virus and that the UK had introduced temporary travel bans from affected countries. I was preparing my speaking notes on Friday evening and that earlier draft had noted my concern that despite the UK, USA, Canada and other countries instituting travel restrictions on impacted countries, that seemingly Cayman was not following suit.

Happily, Mr Speaker, I did receive a message advising that appropriate travel restrictions had been instituted by Cabinet late Friday. So, this was one less concern that I have to deal with here today. The Opposition supports the government's action to reduce the risk from this potential new threat and hope that it can be reversed as soon as we better understand the risk. But with confirmation that the variant is now in the UK, Canada, and potentially in the US, we should carefully consider what other actions may be needed.

Before I get to talking about the Budget, I hope you will allow me just to tackle one procedural issue, Mr Speaker. It is an issue related not to the procedures of this House but to the way government operates. However, it is very relevant in the context of the way the House goes about its consideration of the Budget so I hope you and other Members will indulge me as I raise it.

Perhaps it is my professional background, Mr Speaker, but when I get involved in discussions and debates about figures, I like to do my homework so that I fully understand the numbers before I make any judgement upon them. In any case, I am sure the country would expect the Opposition, especially one headed by a former Finance Minister, to prepare as fully as it could for a debate about something as important to our collective future and the government's two-year budget.

Accordingly, we in the Opposition began work using the information provided in the Strategic Policy Statement almost immediately the July session of the House ended.

As we did our work, it became clear that to understand the government's plans and how their budget changed from previous budget allocations we would need more information. When I was the Minister of Finance, Mr Speaker, I recall routinely provided information to opposition Members who requested it, including the current Finance Minister. However, access to information for Members should be a matter of good governance and not reliant upon individual responses by Ministers.

But to compound the issue Mr Speaker, I found myself in the unusual position of having to write to your good self and to the Hon Premier over the weekend to ask that you intercede and have the Finance Minister provide the Opposition with a copy of his Budget Address. I say intercede because despite my asking several times for it on Friday he did not seem prepared to provide it. Indeed, I understand that the Minister refused to also provide it to the Clerk of this House when asked. That was totally unnecessary, Mr Speaker, not only were we denied but so was the press and the public. Any Minister of Finance ought to know and appreciate just how significant the Budget Address is to the overall process. I am grateful, however, that the Clerk and her staff worked on the weekend and did provide us on Sunday afternoon with a copy of the Hansard with the Minister's Budget presentation. This did not have to happen, but I thank the staff of the Parliament for their diligence and commitment in getting this information to the opposition. We truly appreciate it.

I want to propose a solution that means in future, Opposition Members can access information we need to properly fulfil our constitutional responsibility. Including, when needed, to hold this government to account. This is important whether for financial information or public health information. Therefore, I invite the Premier to work with me to agree an information accessibility protocol, perhaps with the assistance of the Cabinet Office, that would establish the kind of information that Members of the House should be entitled to; the processes for accessing that information; and the timescales for compliance. I hope that he will commit now to working on such a protocol.

The government's budget, by definition, looks to the future, Mr Speaker. The key test for the proposals it contains is the extent to which it rises to the challenges that our country and our people will face in the future. However, while looking towards tomorrow, the budget must also be grounded in the reality of where we are today.

I am sure like many Caymanians, I found myself listening to the Premier on Friday, and recognising much of the portrait of our country that he painted. I recognised it because those of us on this side had campaigned with the ambition of addressing many if not all the concerns expressed. The proof of this can be found in our election manifesto and I will speak to some of these as I move through my debate.

I disagree, however, with some of his historical analysis and I would argue that in his rhetorical flights he was sometimes guilty of overstating his case about the issues we face. In my view, COVID did not simply reveal existing fault lines. It widened and exacerbated the issues we face, creating new problems and considerably worsening others.

However, it does not serve the country for us to pick fights over these details. I think we agree that the country is facing a series of challenges that potentially threaten the future viability of Cayman. The path by which we got to this point is less important now than us collectively understanding the reality facing us, and how we address the actions needed to move Cayman forward.

Future aspiration, then, must begin from a sound understanding of the current reality. I agree with the Premier that this must be an understanding of our social and environmental reality as well as an economic one. These are not separate things Mr Speaker, but rather they are linked. The Premier went on to remark that economic growth alone is not the solution. Again, I agree. But conversely, without economic growth, government cannot achieve its ambitions as it will not have the resources it needs. To have the resources to tackle social needs, including income inequality, the country **must** have a strong economy. The only reason, Mr Speaker, that Governments concern themselves with growing an economy and providing a strong atmosphere for business to succeed is so that its people can benefit. That, Mr Speaker, has been what we on this side did when we were in government – and I dare say Mr Speaker that you understand this principle very well. I recall your advice many times to this House that if Cayman does not embrace wealth then we will reap poverty. If I have that quote wrong Mr Speaker then please let me know so I can get it right.

Yet throughout his long speech, the Premier did little to reassure anyone that his government had a clear plan for supporting economic growth. That is another theme to which I will return later, Mr Speaker.

As he began to wind down his presentation The Premier noted correctly that the road ahead will be challenging. I agree, the country and the government will face many challenges.

And so, the government's objective with this budget should be to return to a strong Cayman today, so that we can be ready to meet tomorrow's challenges.

As I address the future and the budget proposals then, Mr Speaker, I must also reflect upon today. In my view, one of the key risks to the delivery of any future budget is the current weakened position that our country finds itself in. We need to address that weakness as a matter of urgency if we are to have a sure foundation upon which to build.

You will recall, Mr Speaker, that back in July, the Premier and Finance Minister presented the Strategic Policy Statement to the House. You may also recall that the government was unhappy that the Opposition challenged and criticised their plans, including the lack of meaningful action and its lack of a coherent policy direction. Well, things do move on, Mr Speaker. I accept we have now seen several welcome actions coming from this government.

We have seen, for example, the Minister of Financial Services and Commerce launch a new sustainable investment fund, as referenced earlier, with guaranteed future investment streams into Caymanian projects. We have seen new laptops delivered to students in our public schools. And according to the government's 100 day achievements report, we have seen 80 students enter the Health Service Authority's annual summer internship programme; four former offenders on the Second Chance programme; and 200 Caymanian families offered the opportunity to own a home via the Government Guaranteed Home Assisted Mortgage. We have seen an agreement signed with the UK Centre for Environment, Fisheries and Aquaculture Science to help Cayman consider the potential implications of climate change and determine the most effective adaptation strategies.

The issue is that all these achievements, and several others, are things that began under the previous Progressives-led Government. With the exception of initiatives taken by the Education Minister, a former Progressives Minister still in post as the Minister for Education, it is hard to discern what new initiatives have been taken and what positive difference the PACT Government has actually made during its first six months in office.

And Mr Speaker, I noted that the Hon Finance Minister was at pains to claim the good financial position of the country since the election as the credit of this government. Yes, Mr Speaker, he also rightly credited your good self and all subsequent finance ministers for making contributions to our financial position. There is truth in the Minister's mantra that we build on the work of those who went before. But it is the decisions and direction that each government takes that makes a difference to the final outcome. As I will address shortly, it was the decisions that we took over two terms to foster and support economic growth that allowed us to halve unemployment, substantially increase assistance to those in need, greatly reduce debt, ensure no new borrowing, to greatly rebuild our reserves and to live within our means. Most importantly that is the strategy that not only helped our people over some eight years but has so far allowed us to avoid the severe economic problems of so many other countries through this current crisis, and has greatly lessened the impact of the pandemic on our people.

The PACT Government has chosen a path that the Premier declared is *'a new day and a new way forward'*. So, the government does recognise its ability to put its own stamp on the budget. As they should. And over time we will all see whether the *'new way'* is successful or not.

The Premier in his speech rightly pointed to the shared ambition that every Member of this House has for our country. We in the Opposition want to see all three Cayman Islands thrive. We want to see a Government that understands what is needed to help the country to regain its strength, ready to take on the challenges of tomorrow. And we want to see **every** person in all three Cayman Islands fulfill their potential and to live and thrive in this land that we love.

Yes Premier, I concur that everyone one of us in these halls are here because we love our Islands and our people and yes, we do share a common burden to make the lives of our people better. Whilst we on this side may differ with you on how we achieve our goal, we do not differ on the belief that the goal for all in this House must be to help improve the lives of everyone in our Islands.

Therefore, when we criticize the government and its plans, we do so not because we are 'playing politics' but because we believe that what the government is doing is taking us further away from, not closer to, that shared ambition. We understand very well that the country is continuing to face a number of crises – a health crisis, an economic crisis and a social crisis.

With their 'new day, new way budget', the PACT Government is freed to set its own priorities and to allocate the resources necessary to achieve them. There can be no hiding now behind claims that the government has found it difficult to act because they were constrained by the previous Administration's budget. This is the time for the government to pin their colours to the mast and make clear what can be achieved.

The test, however, is not what the Premier says about his budget in this House but what impact his budget has in the real world and on the lives of real people – not just tomorrow but in the months and years ahead.

Mr Speaker, this two-year budget covers the period when, if this government is going to achieve anything of significance during its term of office, resources would be put into the delivery of key priorities. We are yet to scrutinise all the details of the budget, of course, and no doubt we will understand more of exactly what is planned once we move into Finance Committee.

From the outset, I should be clear that we in the Opposition broadly support many of the objectives that the PACT Government set out in this first budget. We were pleased to see that much of it reflected commitments we had made during the election campaign and actions we would have taken had we formed the government.

Indeed, Mr Speaker, despite the constant repetition about change, there is an awful lot of continuity between this government's approach and our own. I welcome that of course, but we should not let the rhetoric of the Premier mask the reality. How much new ground is the PACT Government actually breaking? Its language may be different but how different are its stated plans? It would be interesting to hear the Premier or his Ministers in their contributions highlight exactly which of their new initiatives are genuinely new and not just continuations of things that we started or that we promised in our manifesto. I look forward to hearing whether those opposite us will rise to that challenge.

The initiative to reduce the use of single use plastics, for example, was begun during our last term but its delivery was hampered by COVID. It was also one of our manifesto promises and so I am pleased that the government will carry forward the work already started. We will wait to see how this progresses, but will also commit to work with the government on this.

One other initiative I want to commend the Premier on his apparent willingness to face up to the problems in both our health insurance and pension systems. Both were beginning to creak before the pandemic, but COVID has stretched both systems beyond breaking point.

During the pandemic we rightly allowed thousands of Caymanians and residents to access the resources in their pension plans. We also paused, as has the PACT government, the requirement for people and businesses to pay into individual pension schemes. These were necessary yet expedient in the short term, but the reality is, it has left the whole pension system unable to meet the future needs of our people. If, before the pandemic, pensions were an issue that would need to be addressed at some point soon, then now it has become a pressing problem demanding immediate action.

In my view, and I spoke to this during the SPS debate, the pension system we have, based on schemes into which both employee and employer contribute, is right in principle. However, we know that the operation of that system is problematic and, post-pandemic, it will become more so. We need to rethink the details of the current system and address issues such as contribution rates, the

contribution cap and investment guidelines. At the very least, Mr Speaker, our pensions systems need to be updated if not overhauled. And so, I am pleased to see the government intends to review the system and I offer them our full support in bringing forward appropriate changes.

On the other hand, the health insurance system is, I fear, no longer fit for purpose. The numbers of people, especially the elderly, having to declare themselves medically indigent and the resulting spiraling costs to the public purse alone are enough to demonstrate the failings in the current system.

In this case, it appears the government believes it has a ready-made solution in expanding the role of CINICO. Indeed, we started to look at this ourselves and members may recall my stating such. CINICO may be part of the answer, but we came to realise that it would need to be part of a well-thought through reform of the system and not a knee-jerk reaction. It is ironic that elsewhere in his speech, the Premier quoted the World Bank's research on the consequences of market imperfections yet seems willing to ignore the fact that simply giving CINICO a bigger role could serve to further distort and destabilise what is already a poorly functioning health insurance market.

Instead, our election manifesto committed a future Progressives Government to a root and branch review looking again at the potential for a national health insurance option alongside the market-based system. That review is what we need.

I hope the government will listen to what I have said and move forward on both pensions and health insurance reviews as matters of urgency. In taking forward the work that is needed, I also urge them not to carry out the reviews behind closed doors. They must involve the business community and I know the Chamber of Commerce, for example, is already doing work looking at future pension requirements. The government should also find ways to involve the wider community whose lives will be profoundly affected by any reforms the government does finally bring forward. And of course, I trust that they will involve the Opposition members of this House.

One other point I must also make in support of the Premier is to commend the line he took in his speech on improving the safeguarding of our children and young people. Sadly, this is an issue on which the last Administration felt compelled to act and it was our initiative to set up the multi-agency safeguarding hub (MASH) to which the Premier referred. I promise him the full support of the Opposition if further legislation is required to improve Cayman's approach on the issue.

During my contribution to the Strategic Policy Statement debate, I implored the government to complete a review of the Customs Tariff Act and seek to remove import duties from essential products such as medications, disposable diapers, processed baby foods, feminine products, and birth control products and to look more broadly at reducing import duty where possible. This was another of our Manifesto promises Mr Speaker. I also have a Private Members Motion filed, seconded by the Member from George Town South, and scheduled for debate on

Thursday asking the government to consider removing duties from essential products.

So, I am pleased to see that government has listened to the Opposition on this as on so many other things where it is now seeking to take forward Progressive policies. It is smart politics, Mr Speaker, for a Government to claim the other side's priorities as its own and seek to remove a benefit from the Opposition. But we on this side are fine with that – the important point is that the government listened, and the people will benefit. As I said, we want to see the government achieve positive results for our people. If they are willing to take up our ideas to do that then so much the better.

The government's approach on infrastructure investment is one other area we broadly support, and we are looking to this government to continue the significant investment in upgrading the country's infrastructure that was the hallmark of the last two Progressives-led Governments. Several infrastructure projects were started under the last government. These include roadworks, school improvements, the development of an undersea communication cable, ongoing remediation of the landfill, the new National Weather Station, the Prison rebuilding, and more. As a nation develops and grows, its infrastructure must keep pace with that growth. Infrastructure benefits not only the citizens but also helps support the businesses that provide jobs and economic growth.

Among other things, we also support the ambitions to continue to raise standards in education and to increase the opportunities available to young Caymanians. The last Progressives-led Administration oversaw significant reforms in our public

education system, notably the implementation of a new curriculum, but we also invested significantly in supporting teachers to make improvements in their teaching practice and in access to better facilities and new technologies.

Those changes, Mr Speaker, were yielding results. Schools Inspectorate reports continue to note that the quality of teaching is improving, and that young people are being better engaged in education. The result is improved inspection ratings for schools and improved examination results for young people.

I was pleased, Mr Speaker, to hear the Premier comment on how well the education programme was doing when he spoke to the SPS. He said, Mr Speaker, and I quote:

"We have allowed a myth to take over our public education system; that our children coming through the public-school system have been poorly educated... That being Caymanian and being educated within one of the best funded education systems per capita in the region, somehow makes them 'less than' those individuals educated elsewhere. This is a LIE that we have allowed to take root in the hearts and minds of our students and our people. I have seen it impact their self-esteem and self-confidence. It is a lie that we have allowed to chip away at our sense of pride in who we are. But our external exam results, our curriculum, the performance of our students, the dedication of our teachers and administrators, prove beyond a shadow of a doubt that the big lie is just that. A fallacy. A myth. A construction of falsehood."

End quote.

I agreed with the Premier when he spoke those words in July. Those words were a testament to the work we had done over the preceding eight years.

Indeed, I believe that the adoption of our education minister by the Premier and the PACT government is the best endorsement of the education programme and policies which she as a Minister in the Progressives led Administration promoted and our government adopted. However, I also did agree with the Premier when he went on to say that there are areas in our public education system that still need work.

This is, therefore, the time to stay strong and build on the reforms we began last term in order to develop the education system that our people deserve, and our future economy needs.

If we have any disagreement with the Minister of Education, it is possibly over the details of how she proposes to achieve her goals, not with the ambition for improvement that she has maintained from her time working with us as a Minister. On this side of the House, we have confidence that if she is given the support she needs, the Minister of Education can continue to deliver improvements.

The question that we in the Opposition had coming into this budget process was one I know was also on the minds of many other Caymanians: How would the government allocate its resources across the many and varied priorities it had set out? Could it show that there are clear paths to deliver the things that it has

promised and that the budget had allocated the resources necessary to implement the plans it has?

As yet, Mr Speaker, those questions remain, and the answers are not obvious. As I have said, in many areas, where the new government is continuing the approach of the old, we can expect that the ability to deliver will be there if the government works hard enough. It is in other areas, either because the promise is new or because delivery is complex, where we fear there may be a gap between what they say and what they can actually deliver.

Let us look at some examples, Mr Speaker. Just in the domain of healthcare we can see in the SPS more than twenty promises made by this government. Some of those the Premier referred to in his speech. They range from the sensible and achievable, such as encouraging more wellness checks; to the worthy and ambitious, such as improving efficiency and reducing waiting times at the HSA; to the bold and stretching, such as an unequivocal pledge to provide free healthcare to children and the elderly.

Similarly, under the heading of 'Providing Solutions to Improve the Well-Being of Our People so they can Achieve their Full Potential,' there are, by my count, double the number of promises made than was even the case for healthcare. More than 40 separate promises that the country will be expecting this budget to be providing the resources to deliver. Again, there is a wide spread of commitments made from helping families to meet the cost of daycare; to building new courts and prison; to reducing import duties, improving public transport, and considering a universal basic income.

I am not seeking to debate the merits of each individual promise made by this government now. As I have said, many of these we will wholeheartedly support. Others we will challenge. But the real issue we need the government to face up to is deliverability. First, are the resources provided adequate to achieve the stated goals? Secondly, does the government have the capacity and competence to achieve the goals? There is a real danger, Mr Speaker, that expectations among our people are raised, only to see those expectations dashed.

One way of demonstrating that the government is putting its resources behind its promises would be for the Premier or his Finance Minister to produce for us a record of the promises made in the SPS, and the resources allocated to each of them in this budget. This would seem to be in keeping with the promised value of transparency and it would certainly help us in the Opposition and, more importantly, voters outside this House, to hold this government accountable for its achievements and any failures.

In the last SPS produced by the Progressives-led Administrations we recognised the need to reform the government's whole budget process to focus it much more clearly on outcomes. However, as the Financial Secretary told Public Accounts Committee in January of this year, the mammoth task of moving from the current system meant that this was unlikely to be achievable for the budget we are discussing here today. Instead, full reform would need to wait until the 2024-25 budget.

Of course, I understand that Mr Speaker, and I am not asking this PACT Government to do something in six months that we were unable to complete during our terms of office. However, it should be possible to work through the exercise I have suggested to map spending plans against the SPS objectives. The analysis does not need to be exact to the dollar and I am not asking for more clarity from this government just to be difficult. There is much in their announced plans that we in the Opposition would like to get behind and support but to be supportive we need to hear from the government exactly what they plan to do and to see that the necessary resources have been allocated to the programmes that would make them successful.

Let me give this Parliament a very tangible example of that, Mr Speaker.

The SPS made a commitment to *'address the root causes of criminality in our communities in order to develop and implement an effective anti-gang strategy to reduce crime and to support vulnerable young people.'* We very much support that objective. There was a very similar commitment given in our manifesto at the election. But we also know, Mr Speaker, that the 'root causes' referred to are complex and require coordinated and long-term action by a number of agencies inside and outside of government all coming together to take the actions necessary.

We know from the work we did on this issue prior to the election that tackling the causes of crime and meeting the challenges of keeping young people from falling into gangs and criminality will take considerable effort and significant resources. Very simply, we want to know if the PACT Government was serious in

making this SPS commitment and, if so, what resources it has allocated in this budget to delivering on that commitment.

The procedure we adopt in Finance Committee of scrutinizing the government's proposed budget line by line has its benefits. It ensures that every dollar of proposed spending is properly examined. However, the system has several flaws. The first is highlighted by the example I have just given. The solutions to complex social and economic problems do not fall neatly into the penny-packet lines of our budgeting system. Where action is necessary across many budgets and involving multiple Ministries and outside organizations, we need to see the bigger picture before we look at the detail. It is that bigger picture that I am asking the Premier and the Minister of Finance to give to the House.

The second major flaw in the approach we take is that we can ask as many questions as we like about any line of expenditure in the budget but how are we to challenge the things that are missing? If the government fails to allocate the resources necessary, then how do we hold them to account for that choice. Again, more transparency linking the resource allocations would allow us to debate areas where that analysis revealed important gaps.

Finally, Mr Speaker, we spend what seem like endless hours going through \$500 budget lines but very little, if any, time discussing the government's overall financial strategy.

To give us the chance to question and debate that financial strategy requires the sitting government to clearly state the direction it is taking and the fiscal principles it is working to.

I am sure that you, Mr Speaker, and others in this House will recall that the last two Progressives-led Administrations consistently set out the financial strategy we were working to. I will repeat the mantra again. We worked towards: the achievement of year-on-year substantial budget surpluses; no new taxes or fees levied on families or business and reducing existing 'tax burdens' where possible; no new borrowing and the paying down of existing government debt; all capital investment to be paid for from operating revenues.

These were principles that we kept repeating but, more importantly, they were principles we lived by. As I have said in this House before, going through two full terms in government and meeting those strict financial strategies must be a record for these Islands. Even as the pandemic struck, forcing government revenues to fall while government spending to keep families and businesses afloat increased, the resilience we had brought to Cayman's public finances enabled us to meet the challenges head on and to do so utilising the reserves we had built up for just such an occasion.

We believe that was the right financial strategy to follow then and, we believe, it is the strategy The Cayman Islands needs to continue going forward. Strong finances today provide the resilience to meet the challenges and uncertainties of tomorrow.

Yet the PACT Government has turned its back on the past eight years of prudent financial principles that brought stability to government finances; underpinned our consistent economic growth; and created the headroom that allowed the country to chart a steady and safe course through the initial stages of the pandemic. I remind the government of the advice of the Governor when he noted that the pandemic is not over and prudence and caution is very sensible.

Our biggest concern with the PACT budget, therefore, lies not in the detail of the resource allocation decisions, but the disregard it shows for the long-term financial interests of the Cayman Islands.

At the heart of this budget lies a single choice made by this Administration. That choice is to go down the path of massive borrowing once again.

The contrast with our Progressives strategy is very clear, Mr Speaker. Over the period of the Progressives-led Governments, the national debt fell from around \$560m in 2013 to under \$250m on the day we left office. A reduction of over \$300m or over 55% in Cayman's national debt, Mr Speaker. No other Government in the history of Cayman **ever** achieved this.

That meant a rock steady credit rating with major agencies; reduced financing costs, so more to spend on services for people; and more flexibility to meet future challenges, including COVID. Most importantly, it meant that government paid its way, investing for the future while not saddling future generations of Caymanians with the millstone of debt around their wallets.

This PACT Government has thrown a highly successful strategy into reverse. Instead of prudently paying down debt, they are borrowing with abandon. In taking out new loans totaling some \$350m, \$20M more than stated during the SPS, to fund infrastructure, this government is negating with one stroke the hard work done by the last two Progressive Governments. By the end of the period, debt will have spiraled back up to around \$400m. In just the two years covered by this budget, the proportion of debt to Government revenue nearly doubles, while the cost of servicing that debt goes up by nearly a third.

I can imagine what the Finance Minister might respond to the concerns I have raised, Mr Speaker.

First, he might well say that the borrowing that he is doing is in large part utilizing the line of credit that I set up. That is of course true, Mr Speaker. However, my government negotiated that line of credit for contingency and security purposes, to be used only if it was needed. As we said to the country at the time, we viewed it like how one would view an insurance policy. Not to be used for a spending spree. Thanks to our financial strategy, the reality was that while other Governments around the world had to borrow what in some cases were truly eye-watering amounts to get through the crisis, the hard work we had done to build up cash reserves meant we could meet the needs of businesses and families without recourse to borrowing.

As I said earlier, Mr Speaker, the crisis is still with us, but this borrowing has not been necessitated by the crisis. Rather it reflects a choice made to fund large

amounts of capital spending from borrowing rather than paying for it from operational revenues as the Progressives-led governments did.

At this point, the Finance Minister may object that this is a financial choice made by governments all over the world and again that would be true.

But look at the consequences of that choice. All around the globe, national debts have escalated with little thought as to how debt will be reduced over time. Politicians are mortgaging the future and leaving their children and grandchildren to pick up the check. The Minister kept repeating that, like the last government had done, this budget did not place additional tax burden on the shoulders of people. But what it is doing is placing the burden of increased debt on the backs of our people today and into the future. That is not a path Cayman should be treading, not just for reasons of inter-generational fairness but because it is unsustainable. For a government that professes to believe in sustainability I strongly suggest that they rethink this strategy.

In my view, the PACT Government is taking this approach to avoid difficult political choices. New and inexperienced Ministers are naturally keen to see the priorities of their Ministry funded in the budget. By borrowing for capital purposes, it means that all the available revenue can be dished out for Ministers to use on their Ministry's projects without any need to choose between relative priorities. Rather than enforce fiscal discipline, the Premier and Minister of Finance have presided over a free for all. I listened carefully to the Minister explain how prudent they had been as they set out to prioritise the budget. He spoke of compromise, and how the Premier reminded his colleagues that they

cannot go crazy with borrowing. But the reality says something else Mr Speaker. Despite initially forecasting a surplus in 2022 we are now seeing a deficit of \$15.8M for the year and just \$8.5M surplus for 2023. I say **just** \$8.5m Mr Speaker because it would not take much to go wrong for such a small surplus to turn into a deficit. This suggests to me a government not willing to make hard choices and trim its spending to match the resources available.

So, what happens in the longer term? The reality is, once the revenue spending begins, it will be very hard to reverse, even as times get tough. Once new programs are funded, no one will want to see them taken away. The only alternative then is to carry on borrowing more and more to fund the capital investments, and God forbid, operating expenditures. Mr Speaker, there are certainly projects where it can be sensible for government to borrow or to utilize other forms of long-term financing – especially where the infrastructure need is a specialist one or the cost too large for government to go it alone. The ReGen project is a good example of this Mr Speaker, where a detailed financial appraisal demonstrated that a public private partnership was the best way to progress the project, not just to spread the cost but also to allow government to transfer appropriate risk to the private sector. But projects such as roadworks should be afforded from existing revenues.

We are not the United States. There are limits on our ability to borrow – legal limits, and I would add perhaps common-sense limits. At the same time, as interest rates rise from their historic low, and it is increasingly likely that they will start to rise in 2022, debt financing costs will increase putting further pressures

on revenue budgets. How then can government respond? Will it be forced then to put up taxes to balance the books?

Mr Speaker, I also want to draw the attention of the House to three further issues arising from the budget presented to the House by the PACT administration.

The first is that it remains unclear whether the government can move forward the big decisions that will resolve some of Cayman's most significant problems. Beyond the obvious issue of the COVID crisis, I am thinking in particular, Mr Speaker, of Project ReGen, which I mentioned just now. The completion of the ReGen contract will end this country's unsustainable reliance on landfill and turn our garbage from a problem to be dealt with to a resource to be harnessed as we compost and recycle more and ultimately use waste to create energy in a state-of-the-art facility. Preventing the methane generated by the landfill from leaking into the atmosphere and diverting it to help produce energy for electricity is one of the single most important things that we can readily do to limit the emission of greenhouse gasses in Cayman. This was highlighted at the recent COP26 summit where the dangers of methane were restated several times. ReGen is a sustainable project that is good for Cayman and it is good for the planet Mr Speaker.

The last Progressives-led administration signed the project agreement that would achieve the solution to our solid waste problems our country desperately needs. Yet the incoming PACT Government proved incapable of getting the contract to financial close by the 30th September deadline.

In response to my questions about the lack of progress with the project, the Premier told the country he and his colleagues had other, higher priorities to work on and that the contractual 'conditions precedent' that needed to be resolved were complex. Of course, they are. It is a complex, technical project with a decades long contract that needs to cover every eventuality. That is why it needs to be given the time and attention the project deserves not simply left to one side.

I have submitted a very simple and straightforward question in the House asking the Premier what new deadline has been established for financial close on the contract. I hope he is willing to answer that question, Mr Speaker. The Premier has told the country that he is committed to the project, but that commitment needs to be real and we need tangible progress from this point if we are to have any chance of seeing the new facilities in place before the existing landfill space is exhausted.

Whatever new deadline he has established, the Premier should also level with the country about the consequences the delay has created. We know that with any delay comes increased risk, higher costs, and more environmental damage as the solution to the waste problem gets kicked down the road. I have previously asked the Premier to set out for the country the answers to a series of questions about these consequences. Despite his professed commitment to transparency and accountability he has declined to answer those questions. Mr Speaker, I invite him to do so before the House now.

But it is more than this single project that is concerning me. I mentioned earlier my fears over the deliverability of many of the promises made by this government. Many of the ambitions set out by the government are laudable but I doubt their capacity for delivery when the solutions required are, by definition, complex, and difficult.

The last two Progressives-led Administrations had a proud track record of delivery Mr Speaker. I will mention just a few: the expansion of the airport terminal and other improvements at Owen Roberts International; the rebuild of the John Gray High School; expansion of the East-West Arterial road and the various road improvements across the entire Island; fixing the dump; the new small business development centre and expanded and improved support services; the implementation of e-government, improving the efficiency and accessibility of public services; greatly expanding vocational opportunities for young Caymanians, for example through the highly successful Public Works apprenticeship programme; investments in neighbourhood policing, border security and the new Coastguard service; the long term residential mental health facility in East End; new affordable housing schemes and reductions in stamp duty helping young Caymanian families into home ownership; new marine parks and the buying of land for preservation and protection; increased salaries and better professional development programmes for teachers that have improved the quality of teaching in our public schools; the new education curriculum; and increased stipends for seamen and veterans and increases for long serving civil service pensioners.

These are just some highlights, Mr Speaker. Progressives-led Governments consistently delivered to meet the needs of Caymanians today while ensuring we were building strength to meet the challenges of tomorrow. Governments that took hard decisions and recognized the obligation both to deliver in the short term and plan for the long term. The budget leaves unresolved the question as to whether the PACT Government can deliver against the raised expectations it has created.

The second issue I want to raise is whether the government has been robust enough in its financial planning to handle the very real risks we now face to Government finances both in terms of spending pressures and risks to revenues. The government's own Plan & Estimates provides the following warning on page 24: *"The uncertainty about the economic impact of the COVID-19 pandemic, including restrictions imposed to slow the spread of the virus, creates uncertainty for the Cayman Islands' economic and financial outlook. The forecasts assume the ongoing successful suppression of the transmission of the virus to tolerable levels and are therefore more dependent on assumptions about future developments, than normally is the case. The COVID-19 pandemic still has lasting impacts on the economic and development landscape of Cayman Islands. The cost of the pandemic continues to linger longer than expected and has left little room for expenditure budgets to be increased unless either taxes or borrowing also rise. However, if the economy performs better than expected, there could be more room to manoeuvre and more programmes funded."*

Let me repeat a key part of this warning Mr Speaker, *“The cost of the pandemic continues to linger longer than expected and has left **little room** for expenditure budgets to be increased **unless either taxes or borrowing also rise.**”*

These are sobering words Mr Speaker, and they are found in the government's own budget document.

I spoke earlier about the crisis the country is now facing thanks to COVID and, as I said, I will return to that. The consequences of the spread of the disease through our community, the impact on our health services and the consequences for our economy all need to be reflected in government's thinking and, as noted above, there are clear budgetary consequences that need to be understood. The plans for government spending need to be flexible enough to respond as changes occur. The implications for revenues need to be taken into account. It is not at all clear that this budget properly reflects the financial risks facing the government.

The changes between the SPS allocations and the budget now being presented show that more work has been done. But unfortunately, that work appears just to have considered how to spend more money. Instead of thinking through the implications of the changing picture they were facing, the government simply decided to present a deficit to the House and hope things are marginally better by 2023. That is not proper financial planning, Mr Speaker, and nor is it prudent stewardship of the nation's finances.

In the current circumstances, the government should be managing its spending carefully and giving itself headroom to manage future problems that may develop.

During the SPS debate, I urged the government to consider future uncertainties and risks as it prepared the detailed budget.

What is not clear from what has been spoken about in this debate so far is what modelling and contingency planning, if any, the government has undertaken. And if it has done the work, how is that reflected in the figures that have been put to the House? More importantly, how will the government manage risk and uncertainty in the public finances as we continue through these troubled times? For it is not just COVID that presents significant risk to these Islands. Only a couple of weeks ago, the United States reported that inflation had hit 6.2%, its highest rate since 1990. We all know that inflation in the US will mean inflation in Cayman. We are seeing that already in the prices at the gas pumps, utility bills, and in the grocery stores. Businesses will see it as the prices of materials rise. Government will see its own costs rise significantly and if its forecasts are fixed by a two-year budget that has not addressed the issue, it will find financial challenges ahead.

Inflation often hits the poorest and most vulnerable in our society hardest, Mr Speaker. As costs rise due to inflation, so must government support for our people. Mr Speaker, at the time of the SPS I called for the government to reverse its announced halving of the stipend paid to displaced tourism workers. I am pleased they listened.

More listening is required. The Opposition has consistently made the case for an increase in the stipend to \$2,000 per month. Current and projected rises in the costs of living and the ongoing crisis in our tourism industry makes that case ever more pressing. So, I repeat the plea today that I made to the Premier and the Minister for Tourism in the Summer. Now is the time to stand with our tourism workers not to sell them short. Raise the monthly stipend to \$2,000.

The need to respond flexibly and raise stipends if necessary is just one example of why contingency planning is so important at this time.

Fortunately, Mr Speaker, the government is still reaping the rewards of the legacy of strong financial management that the Progressives-led governments have left to the country. In addition to benefits of the overall strategy I spoke about earlier, the Progressives put in place changes to the Government revenues system, in particular for financial services, that will help to maintain some buoyancy in Government finances even as other revenue streams are threatened. I am thinking of the new Private Funds fee structures that we introduced last year that have contributed in such a big way to the positive variance in revenues in recent months – over first eight months of this year alone it brought in some \$50 million. While the strength in such revenues will help to mitigate risk in other areas, Mr Speaker, it does not eliminate that risk and over time, as other benefits from the Progressives' strategy are eroded, more robust handling of the financial situation will be required.

Mr Speaker, the immediate budget needs to be based on a long-term understanding of how Cayman can create and sustain the levels of economic growth it needs.

Before the Premier accuses me of being preoccupied with what is good for investors rather than for average Caymanians, let me remind him of what I said earlier - without growth, government will not be able to afford to deliver on its ambitions for the people, no matter who is in office.

In this country, private sector investment is the driver of prosperity not government spending. A healthy, confident private sector, willing to invest and create jobs and opportunities for Caymanians is an essential part of delivering the very improvements for Caymanians that the Premier has described.

We agree that more needs to be done to spread the benefits of prosperity more evenly and that COVID has made it even more imperative. But if government's actions stifle investment and growth, everyone loses. **Levelling the playing field must not become an exercise in levelling down.** Again, the Progressives-led Governments understood this. Our focus was on developing and maintaining what we described as a virtuous circle.

We delivered the sound public finances and stable government that created confidence and spurred private sector activity and investment. That in turn yielded employment and opportunities for local entrepreneurs and greater government revenues that allowed our strategy of creating substantial surpluses, investing in the future, and reducing debt to be successful. I am sure Premier

Panton will recall his pride and that of his colleagues as our positive economic actions, when he was Minister responsible for commerce in the 2013-2017 Progressives Administration, helped revive and significantly grow the number of small local businesses in our Islands. That success continued and was greatly expanded when the Member for George Town North was the Minister responsible.

So, I have to admit that I found it difficult to understand how, as a key part of a Progressives government, the Premier could stand here on Friday and accuse the previous administration of locking out Caymanians from opportunities for economic prosperity and entrepreneurship. The last Progressive led administration continued the successful economic and growth strategy that was in place during the 2013 to 2017 Progressives government that the Premier was a part of. The Premier helped create those strategies and campaigned on them at the 2017 election. And he supported them in Cabinet and in Caucus when he was a Progressives Minister.

And Mr Speaker, while the Premier complains now about waivers of the Local Companies Control Act, formerly known as the LCCL, I must remind him that between 2013 and 2017 requests for LCCL waivers would have been brought to the Cabinet by him and nobody else. There were certainly no more waivers done as best as I can recall during the last administration than was done when he was a Progressives Minister.

Our economic strategy was highly successful, Mr Speaker and Caymanians benefited, including entrepreneurs. The Premier knows this and knows it very well despite what he said on Friday. By removing red tape that was stifling small businesses, and reducing fees, almost 5,000 small and micro businesses benefitted during the last Progressives led administration.

So, not only did we create stable and robust government finances, but we also delivered the economic growth that fueled employment and created business opportunities for Caymanians. It bears repeating that under the last two Progressives- led governments growth rates peaked at 3.8% in 2019 prior to the impact of COVID and we oversaw five years of consecutive growth averaging 3% through to the end of 2019. That success meant that nearly 3,000 more Caymanians obtained jobs, with Caymanian unemployment falling to under 5% prior to the pandemic. This represented an improved position from a high 10.5% Caymanian unemployment when we took office in 2013. Again, Mr Speaker I feel certain that this too is a record that no other government has achieved. Our government understood how the Cayman economy functions. We delivered strong government finances and supported private sector enterprise to create jobs and improve the lives of Caymanians.

I see no such understanding from this government. Nowhere in either of the speeches that we have heard does it seem that the government has any kind of coherent financial strategy. The dash for debt while mismanaging revenue will dent confidence and undermine future investment decisions. Confidence among businesses and investors is already waning. Local businesses continue to suffer, as the anxiety felt by local people keep them at home rather than out spending.

Some investors are postponing investment decisions, and others have already sought opportunities overseas.

I will pause here to reflect that revenues earned from the volume of property transactions through to September was some \$51 million. In my view, there is no action being taken by this government to instill confidence, drive future growth in our pillar industries and no strategy to further diversify the Cayman economy. I am not scaremongering Mr Speaker I am only saying what is happening and what everyone in this House knows even if we do not want to accept it as fact. There is much that we agree with the government in doing but they cannot achieve it without adequate economic growth.

I do not wish to get into economic semantics with the government about trickle down or middle out economics. I am talking about common sense economics Mr Speaker. This is not rocket science!

The decline or lack of economic activity directly impacts government finances. We risk future revenues flatlining or falling as debt and financing charges spiral. Any fiscal difficulties for the government would then further undermine confidence and reduce business activity and investment.

This creates a new vicious circle. Government inaction and fiscal weakness undermine confidence and dampen investment. Lower levels of economic activity hit government revenues, further weakening our fiscal position. That in turn has further real-world economic impacts and so it goes on.

Meanwhile, the approach that the government is advocating whereby government steps in to provide an abundance of seemingly free services creates both resentment among those who are paying for those services through Government fees and the risk of a culture of dependency among recipients. Cayman has a proud tradition of self-reliance, Mr Speaker. The Premier referred to this during the lengthy history lesson in his address last Friday. Most Caymanians want to provide for themselves and their families. They feel proud to support others in their community. They look to government, not for perpetual handouts but for support when it is needed. That, Mr. Speaker, is the Caymanian way. As Progressives, we have supported families in need directly but, more importantly, we have given thousands the opportunity to get into work so that they can get back to self-reliance. We have expanded support for small businesses so that they could grow, flourish, and move away from the need for government help. We have stood behind and supported tourism workers and businesses, but we have been clear about the strategy for reopening while minimising risk.

That, Mr Speaker, is the proper role for government.

I have no wish to come across now as the prophet Jeremiah, prophesying disaster, Mr Speaker. However, by failing to think through the long-term consequences of the choices they are making and by playing fast and loose with the government finances, the PACT Administration is exposing the Cayman Islands economy, its businesses, and its people to considerable future risk.

Mr Speaker, I said that before I closed, I would return to the issue of the ongoing COVID crisis. We believe that the government has made mistakes in its handling of the crisis. The introduction of a five-day quarantine was but one such mistake and it is no coincidence that within two months we had identified our first case of community spread in over a year. To compound matters the Premier admitted at a press briefing that the government was expecting an outbreak after the border reopened but was unprepared for one before then.

We understand that managing this crisis is difficult. Particularly as circumstances shift as we are now seeing with the new variant. There is no playbook to follow, and Ministers are asked to make judgements based on imperfect information. We were in that position in government when the crisis struck so we do understand.

However, times when things are difficult, and information is scarce, are times when it is all the more important that the judgements made are sound. Ministers therefore need to be prepared to listen to others whose experience can help inform their judgements.

It is a pity therefore that the Premier has chosen not just to ignore those on these benches who could help but to question our motivations. When we warned about the increasing risk of community transmission that would stem from the apparent weakening of enforcement of existing restrictions and new government's decisions, notably the decision to relax the quarantine rules, we were told we were scaremongering or playing politics. The Premier's reaction

was not to stop and consider his course of action but to accuse those who challenged him of letting down 'Team Cayman'.

Well, being a team player does not mean sitting idly by while others in the team are making mistakes or heading in the wrong direction. If things in Cayman are going wrong, then it is part of the Opposition's job to challenge and to suggest alternatives. That is our constitutional role, and it is in the interests of Cayman if by challenging we can prompt improvement.

By way of example, when we implored the government to delay reopening until we had boosters available to protect our people and ensure that our systems and health care services were robust, we were said to be politicking. But within weeks the government did just as we suggested. It took them a while and a conversation with UK experts to understand what we were saying all along. While we believe they have mismanaged the re-opening, I nonetheless acknowledge again that we had to re-open our borders and we are where we are. I pray though, that our people remain safe, and that our people do what is necessary to protect themselves and others.

I will pause here to thank everyone in our public and private health care institutions as well as those in public health for the brilliant work they do to keep our people safe and to get them on the road to recovery if they fall ill. Cayman owes them a debt of gratitude for their unwavering commitment to see us through this crisis.

Returning to reopening, as I have said previously, before we return to cruise tourism we should have a national discussion on the direction we want to take regarding this important part of our tourism mix. I speak from experience Mr Speaker and again I pray that the government will listen.

Mr Speaker, I have concentrated my remarks today on the bigger, more strategic issues arising from the government's budget. As I have indicated, we share the government's ambition to improve the lives of Caymanians. Therefore, I am sure there will be spending in the budget that we will want to support, including the very large number of actions that are being carried over from our Administration or were promised in our own manifesto. But also, as an Opposition, we have, as you would expect, many concerns about the details and those we will raise as we go through Finance Committee discussions. Most of all we remain concerned over the lack of clarity around how priorities will get delivered on the ground. I hope Ministers in their contributions will say more on that subject, Mr. Speaker.

As to the budget as a whole, I have concluded from my initial examination of it, that it is not in the long-term interests of the Cayman Islands. Sound finances to support economic growth seems no longer to be the guiding principle for budget setting in Cayman. I regret that, Mr Speaker. The only guarantee in this budget is that we will end this period much deeper in debt while significant risks to our economy and to government revenues remain unaddressed. And, in the end, that puts at risk the whole mission that the government has set out.

Our private sector is resilient. I know businesses will do their best to adjust to these new risks. I only hope that it will be sufficient to mitigate the impact of this

government's approach. And I pray too that the average Caymanian family who look to their elected representatives to make decisions that better their life over the long term will not be the worse for the financial decisions of this government and the choices made in this budget.

Meanwhile, the current COVID crisis must be addressed as a matter of urgency if Cayman is to return quickly to future prosperity. It is only by regaining strength today, Mr Speaker, that we can properly meet tomorrow's challenges.

Finally, I acknowledge the efforts of the Financial Secretary and his team of professionals in the Ministry of Finance for the excellent work they have done in putting the budget documents together. I know firsthand the many hundreds of hours it takes for them to achieve this. A huge 'THANK YOU' to you all.

Thank you, Mr. Speaker.

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