



OFFICE OF THE
PREMIER
CAYMAN ISLANDS GOVERNMENT

**Cayman Chamber of Commerce Legislative Luncheon
2019**

**Address from the Premier Hon. Alden McLaughlin MBE,
JP, MLA**

Noon, Thursday, 21 February, 2019

Kimpton Seafire

Good afternoon.

Thank you and your team for inviting us again.

Last year I highlighted the improving relationship between government and the business community and the importance of continuing to develop that relationship.

That spirit of partnership has continued to grow and there are

many examples of how our joint leadership has served to advance the interests of these Islands. I will highlight these as I talk about them, but I thank Past President Paul Byles, the Chamber Council, member businesses, and Wil and his team for their important contributions.

The coming year will be very good for our Islands. The Royal Visit of Prince Charles and the Duchess of Cornwall in March will certainly be a highlight in a year that I expect will have many such, but none more important. And so Government intends to make 28 March, 2018, Thursday, a public holiday in honour of this royal visit.

If you were present last year you may recall that I began with a video in which leading regional economist Marla Dukharan described the Cayman Islands as “the best run economy in the whole Caribbean”. The performance of Cayman’s economy over

the last year consolidates our position at the top of Ms Dukharan's league table.

Government continues to run excellent surpluses with preliminary 2018 results indicating revenues of \$832.3 Million with a surplus of \$178 Million; some \$91.4 Million more than budgeted. We continue to pay down debt and to operate from cash.

GDP growth was 3.7% in the first six months of last year and the official forecast for 2018 year end is 3.4%.

The economy continues to perform strongly and, as we anticipated, our economic success continues to generate jobs and opportunities for Caymanians.

The 2018 Spring Labour Force Survey showed an overall increase in employment with Caymanians in work increasing by 3.4% while employment among non-Caymanians declined by 4.1%. Correspondingly, unemployment decreased to 3.4% from 4.1% in the same period of 2017. Unemployment was lower

across all status groups but the highest reduction was among Caymanians, which fell from 7.3% in the first half of 2017 to 5.3% in the same period in 2018.

When the fall 2018 Labour Force Survey is completed and released it will show yet further improvement. Preliminary results indicate that in fall 2018, when compared with fall 2017, total unemployment would have dropped to 2.9% from 4.9% and Caymanian unemployment has dropped to 4.6% from 7.3% in 2017. This is the lowest level of Caymanian unemployment in more than a decade.

Last year I appealed to businesses here to redouble efforts to employ suitably qualified and experienced Caymanians. These figures represent a significant achievement and I am truly grateful to all contributing employers and in part those of you in the Chamber of Commerce.

I am far from complacent and acknowledge there is more we must do to strengthen the position of Caymanians in the job market. I will talk about the action we are taking in that regard shortly. For now, though, I will simply reflect that the figures I just gave represent a significant step towards fulfillment of this Government's key pledge to keep full Caymanian employment – a strong economy where every Caymanian who is willing and able to work can find a suitable job.

The other key macro-economic indicator, inflation, is one we are watching closely. The latest data for the consumer price index give an annualized inflation figure of 3.5% for the third quarter of last year. While high by recent standards, the figure has dropped back from a peak of 4.8% in the previous quarter.

Economists among you may point out that such is the nature of price variations over time and that these recent figures come on the back of a period of deflation – falling prices – in the Cayman

Islands. And so, taking a longer term view, prices in the Cayman economy in September 2018 were actually only 2.5% higher overall than they had been in September 2014. That represents a significant five year period of overall low inflation.

However, we recognise that the current level of inflation can represent a squeeze on living standards and the cost of doing business, but the tools available to government to reduce inflation are limited. As an example, one of the most significant recent price increases was a jump in electricity prices - but remember, this Government has maintained the significant fuel duty reductions brought in by my last Administration that are still helping keep utility costs down. We also continued reductions on various import duties to licensed retailers to help lower prices. And we increased the duty free allowance at the airport from \$350 to \$500 per person for goods purchased abroad.

We will continue to do what we can to maintain living standards, especially for the vulnerable. Last month saw the second of our promised increases in the minimum income we guarantee to those in receipt of social assistance, retired seamen and veterans, and retired long-serving civil servants. These individuals saw their monthly receipts from Government rising to \$750. That increase of at least 36% since this government took office under two years ago is directly benefitting hundreds of Caymanians and, I should add, delivering on another of the key pledges we made to the country.

Lest we forget though, the best way to ensure a good standard of living is to ensure we deliver economic growth so our people can access well-paid jobs. Indeed the best social programme is a good job.

The picture of success I am able to paint this afternoon owes much to the continued strong performance of Cayman's two pillar industries – Financial Services and Tourism.

Cayman's Financial Services Industry continues to thrive even as it constantly adapts to changing global circumstances. The ability of the industry to innovate and the willingness of government to combine a business-friendly environment with appropriate but proportionate regulation will continue to maintain our competitive advantage.

But we must recognise that there are major global players determined to undermine Cayman's success. Our position is straightforward. Where there are reasonable demands to raise global regulatory standards we will comply, so long as there remains a level playing field. Our willingness to do so is evident in the economic substance legislation passed by the Legislative Assembly immediately before Christmas.

This is one of those areas where I must thank the representatives of more than 15 financial services and commerce associations that supported the Minister for Financial Services, her team and the Government to tailor that legislation to meet the requirements of those who set global regulation standards as well as our own local business community.

I remain confident that if the EU listing process is fair, we will not end up on any blacklist. But we take nothing for granted and continue our engagement with the EU Commission and member states.

Looking ahead, the future of Cayman's Financial Services Industry will face more challenges; not just from the EU and OECD, but also from the FATF. I am confident that we can manage those challenges and, working together, government and the industry can keep pace with changing global standards while

preserving the special characteristics of this jurisdiction that make it an attractive place to do business.

Given the challenges our Financial Services Industry is constantly facing, it is even more critical that we do all we can to secure the future of our other key economic pillar, tourism, and seek to accelerate economic diversification to reduce our reliance on both those industries.

For that reason, the current controversy over the cruise piers is not something that can be seen in isolation.

Cayman's tourism sector is flourishing. Last year we received nearly 2.4 million visitors; the highest number in our history. The number of stay-over visitors broke previous records and cruise visitor numbers would have also seen a record year but for bad weather in December that prevented 12 ships from stopping here.

This success is the result of a lot of hard work. The Minister for Tourism and his team have a marketing approach that is the envy

of the region. In the end, though, it is the quality of the offer that drives our success. Yes, we have many natural advantages but it is the continual improvement in the standards of our hotels, restaurants and associated businesses coupled with our infrastructure as well as our people that keep bringing visitors to our shores.

Some of our critics of the Government point to our success and ask why we need to change. Surely, if Cayman continues to attract visitors, why do we need a new port?

Even our fiercest critics accept though that the cruise industry is changing. They accept the trend towards bigger ships but seem to believe the changes can leave Cayman unaffected. They argue that these bigger ships will only gradually come into service and that they can continue to tender their passengers ashore in Grand Cayman.

I liken this approach to that of the Kodak company, which enjoyed decades of growth and became a cultural point of reference the world over. It's "Kodak moment" tagline became part of everyday speech. I am sure there were those sitting at the company headquarters during the 1990s saying, 'we are continuing to grow, why do we need to change'?

Kodak did not fail because it did not see digital photography coming; indeed Kodak invented the world's first digital camera in 1975.

Rather it failed to understand the profound impact that change would have on its business – not overnight, but over time.

After a period of decline that lasted some 20 years, Kodak filed for bankruptcy protection in 2012. The company survives but is unrecognisable from the 20th Century giant it had been.

I fear that will be the outcome for our cruise industry if we refuse to pay attention to the way the market is developing. We

will go into a gradual but sure decline and our cruise sector will eventually be diminished.

This government will not allow that to happen.

It was at a Chamber Luncheon in 2015 that I announced that after careful consideration, Government had agreed on the merits of building a cruise port and enhanced cargo port. We not only remain committed to the cruise dock and cargo port project, but are even surer of the merits today.

The new cruise dock is vital to safeguard the future of Cayman's tourism industry; whilst the new cargo facilities will receive larger cargo ships and help support the Islands' growing population and, by allowing greater economies of scale, help to mitigate some of the cost pressures impacting our cost of living.

Whilst we are committed to delivering the port project, cruise and cargo, and to securing the growth and jobs they will bring, we are not doing so recklessly and without regard to the costs. I have

previously made two promises to the country, which I will repeat here.

First, we will structure the financing of the port project in such a way as to not expose the country's finances to disproportionate risk.

Secondly, we will minimise or mitigate the environmental impact of the project.

We have already delivered on the first of those promises. We announced last December that we have concluded agreements with Carnival and Royal Caribbean, the two largest cruise companies, on their financial commitment towards the costs of constructing the new piers.

I am happy to announce today that Disney has also given its commitment towards the financing of the port project. These agreements coupled with the finance to be provided by the preferred bidder on the project, effectively ensure that no public

money will be required to build the new cruise berths and enhanced cargo facility. When I addressed you in 2015 I stated that the cruise companies must have skin in the game to ensure that we receive the necessary volume of cruise passengers over the period required for the financing to be repaid. That promise is being kept and I want to assure the Leader of the Opposition that no current fees paid by the cruise companies to Government will be used to repay the financing package.

Having delivered on that first promise, we will now ensure that the second promise is kept as well. I have said before that I respect the views of those who argue that no economic benefit can outweigh environmental concerns. But whilst I respect their viewpoint, this is not a position that a responsible government can take. In my view this comes down to a question of judgement – do the benefits outweigh the costs? In my judgement and that of my Government, \$245 million of net economic benefit, hundreds of construction jobs and then decades of increasing employment

and business opportunities for Caymanians in the Tourism Industry definitely outweigh the inevitable environmental costs in a part of Grand Cayman's only working harbour. What we can and will do is ensure that the final design of the new piers will avoid as much environmental impact as possible. Where we cannot avoid it, we will aim to mitigate the effects.

The project is now in its sixth year and we continue to move forward carefully and deliberately. The procurement process is winding down and a preferred bidder will be chosen by the summer. Once this is done we will be in a position to speak more to the final designs and projected costs.

So we will continue to support tourism as well as our Financial Services Industry, despite the challenges. But we will also continue to support increased diversification of our economy.

I was delighted, therefore, to attend the ground-breaking ceremony on the first phase of the new campus development at

Cayman Enterprise City late last year, as well as welcome the launch of the new Tech Cayman initiative. Both add further strength to this country's offer to attract knowledge-based industries and other entrepreneurs and both have the support of Government.

I would add that Health City Cayman Islands continues to prove its increasing social and economic value, especially for health tourism. Recently in New York I addressed a Reinsurance Roundtable event where reinsurance businesses spoke in glowing terms of the value of locating in the Cayman Islands. These are market segments that are both ripe for growth and Government will do what we can to attract and support reinsurance and health tourism companies. The brilliantly organised and hugely successful Kaaboo music festival last weekend is also a good indication of the potential value of large scale festivals and conferences to these Islands.

Our development sector continues to help power the Cayman economic engine and the addition of new hotels to our tourism product will help stimulate, as well as support, more growth for years to come.

There is simply no other way to put it; Cayman is doing very well. However, our future success is not guaranteed and in an increasingly competitive global economy this jurisdiction needs to be ready to compete in good times or in bad.

That competition is not just about attracting business to Cayman. It is also about making sure that entrepreneurial Caymanians are able to take the opportunities that the future growth of our economy will bring.

The Minister for Commerce has been pursuing a two-pronged strategy to support small business development. In the first strategy, Trade and Business license requirements have been streamlined and the whole renewal process has been moved

online. Indeed we are making good progress across a range of e-government services.

The second strategy is about improving the support available to small and micro businesses. Just last week the Minister and the Cayman Islands Small Business Association signed a memorandum of understanding aimed at delivering services including workshops, mentoring sessions, grants and individual assistance to small business. The partnership between public and private sectors will be further enhanced through the establishment of a small business centre.

This Government has also maintained the greatly reduced fees for small businesses put in place by the last Administration, and in 2018, some 4,800 micro or small businesses benefitted from these reduced fees.

For Caymanians not inclined to open a business, a high quality education is a crucial gateway to future employment and so I am

grateful to those in this room and beyond who support the work being spear-headed by the Education Minister. Amongst other measures, the Minister and the Chairman of the Education Council Mr. Dan Scott recently returned from a fact finding tour in the UK looking at how we can learn from their experience, including through an upgraded and modernised curriculum as a key tool in helping to raise standards in Cayman's public schools.

Also critical is our ongoing investment in enhancing our school infrastructure – both at primary and secondary levels. And we continue to encourage, and support as best we can, private schools to enhance their facilities as well. Of course as important as a curriculum and school buildings are, attracting and keeping good teachers is especially key – and so we have ensured that the remuneration of our teachers is being increased.

I have spoken before about the various vocational studies initiatives – including the very successful City & Guilds vocational

studies programme run by Public Works Department. This has grown over the past few years and today provides a variety of training courses to some 17 Caymanian apprentices. Our plans are to expand this to serve at least 50 students during this year with training provided in a number of fields including air-conditioning, plumbing, electrical and carpentry.

The improvements in education will help future generations but we also need to further improve the position of Caymanians in the job market now. As I indicated earlier, unemployment among Caymanians has fallen significantly, but now is the time to put in place improvements that will maintain that position as we go forward.

That task will be spearheaded by the new Workforce Opportunities and Residency Cayman – or WORC – Department. WORC officially went live this month and implementation of the changes will follow in the next few months. The first of those will

be the online jobs clearing house – due to go live around Easter - through which all jobs in the Cayman Islands will be advertised allowing Caymanians full access to the opportunities available.

Improvements that the government has promised in the work permit regime are also progressing. I wish to acknowledge the Chamber's assistance in helping develop a new simplified and modern work permit system. We have more to do to road test the proposed changes and we have undertaken to work with business as we do so.

As a country, we need to embrace the opportunities of growth but it is time that we do so in a planned and measured way. For that reason, we are consulting the public on a new National Planning Framework for the Cayman Islands known as Plan Cayman. This encompasses several things to which the Government is already committed. For example, it recognises the work we have been doing to modernise this country's

infrastructure. The framework incorporates the much needed revitalisation of George Town and also reflects the ambitions in our National Energy Policy.

It also seeks the views of the public on new ideas and approaches to how we develop and ensure our future is sustainable. I hope the Framework will ignite a national debate about our future. To that end, I would like to thank the Chamber for hosting an event on the framework last December. We have extended the consultation deadline until the end of this month to give everyone as much chance as possible to contribute their ideas and I would encourage everyone in the business community to take part.

We are of course continuing to invest in the infrastructure this country needs for its future.

We are picking up the pace on George Town revitalisation and I would like to say how welcome it is to see the appointment of

Mr. Colin Lumsden as the country's first Town Manager to take that work forward.

Having put in place some of the necessary infrastructure improvements, the time has now come to reimagine what our Capital might be like in the future. The Government wants the exercise of planning and delivering that future to be a fully inclusive process. For that reason, we will put in place a steering committee of stakeholders to guide the project. I hope the Chamber will accept our invitation to be represented on the committee.

We want the committee to involve the wider community and so we are planning a town hall charrette to engage everyone in the future design of our Capital and its town centre.

To those who will be involved as the project progresses, I want to encourage you to be bold. This is an opportunity to think more radically about what might be possible in terms of how we utilise

the space and the activities we want to see in the Capital. The Government has previously removed some of the restrictions that prevented sensible development. So I want the committee to explore the freedom we will give them to develop exciting plans for innovative mixed-use development in George Town, including considering sensible building heights as necessary to encourage investors to redevelop and breathe new life into our Capital.

We also continue to invest in much-needed road infrastructure. This year we will progress the second phase of the Linford Pierson expansion project that will give four lanes between the Agnes Way roundabout and the Bobby Thompson/Smith Road traffic lights.

Nearing completion is the connector road and new roundabout joining Printers Way to Crewe Road in the proximity of the Mango Tree restaurant and bar.

In the next few months, the Olympic Way-Walkers Road connector will be constructed to help reduce congestion on Walkers Road and more effectively segregate school traffic.

Later this year, work is due to start on the extension of Godfrey Nixon Way from the Blue Marlin restaurant on Eastern Avenue to the Fish Shack on North Church Street creating an important link for cruise and port traffic.

Looking a bit further ahead, design work is under way for the expansion of Shamrock Road and Hurley Merren Boulevard from 4 to 6 lanes. This will ease congestion that motorists coming from the east encounter. This work will commence later this year.

We are also looking at how best to move forward later this year with the much needed continuation of the East West Arterial Road through to Frank Sound, with phase one connecting Hirst Road to Northward.

Meanwhile, work will be completed at the airport and it will be opened at the end of next month by His Royal Highness the Prince of Wales. This will be a proud moment for all who call these Islands home.

Much has been said about the delay and added costs of the airport expansion. I will say this: When the airport expansion was designed some years back we considered what we thought was affordable at the time. Government was unable to borrow in those days. As our finances improved we looked again at what was needed to make a very good new airport experience even better – and so broadly half of the additional spend was the result of positive decisions to improve the quality of the redeveloped airport for the benefit of travellers. I and my Government are satisfied that decisions taken in this regard were sensible and affordable and I am satisfied that the public will also agree once the expansion is complete and the airport is fully operational.

As we think about the future of our Islands, we must also consider Cayman's place in a changing world. To that end, I announced last year this Government's intention to create a new Ministry of International Trade, Investment, Aviation and Maritime Affairs.

The new Ministry has now been established, with me as Minister, and will focus on advancing the economic and political interests of the country, the Caymanian people and the business community and will make it easier for potential overseas investors to do business in the Cayman Islands. This includes business that may flow to Cayman as we seek opportunities to participate in the UK's Global Britain Initiative post-Brexit.

The new Ministry will take direct responsibility for the Cayman Islands Government Office in London and a limited range of existing government departments and entities, including the Shipping and Aviation registers. Over time the Ministry will

develop a select network of international offices to better achieve its stated purpose. Plans are already under way for the establishment of an Asia Office in Hong Kong. I must thank those business leaders, led by past President Byles, who gave their time to the development of that business case. An office in Washington is also being considered for 2020 as is one in Brussels if it is thought useful after the UK leaves the European Union.

In setting up both a new Ministry and an Asia Office, the case for change is underpinned by the view that international issues will become increasingly important to the wellbeing of these Islands. The Government accepts that there are costs and indeed potential risks in this approach. However, having done the business case, we believe the benefits are significant enough to justify the investment we are making. This same analysis will be done prior to any new international offices being established.

I have concentrated today on the Government's economic record and our view of the future of our economy. Before I sit down, there a few other matters I thought would be helpful for Chamber members to hear about.

Firstly, whilst I am confident that our economy will remain very strong over the next 12 to 18 months; the picture is less clear after that. Indications are that growth in major economies will slow over the next year. I believe that the momentum we now have, coupled with sound finances, place us in a good position to manage any such slowdown but the Minister for Finance and the entire Government are paying close attention and bearing this in mind as we start planning for the next budget cycle.

The latest constitution talks were held in London in December. Our requests have been generally well received and I am encouraged by the willingness of the UK to respond positively to what I believe to be a sensible and pragmatic set of proposals.

Clearly, we will not get everything we want, but the negotiations are proceeding well and I hope they will be brought to a positive conclusion in the coming months; hopefully in time for our Constitutional celebrations that kick off in July, another key event in this year's calendar to Celebrate Cayman.

I also wish to acknowledge the Governor, Mr. Martyn Roper, for working in such a spirit of partnership since his arrival – including assisting with and supporting the establishment of the new Ministry.

The Governor and I are also working together to ensure the country's safety and security and we share an ambition to reduce crime and criminality and improve the security of our borders.

This month saw the launch of the Cayman Islands Customs and Border Control Service but already the new intelligence-led approach of the service is bearing fruit. One good example is that at the same time that we launched the green customs channel at

the airport and higher personal import duty limits, both customs revenues and successful interdictions by border control officers are up.

Further innovations will follow during this year. Just a couple of weeks ago the Border Control Service began a procurement process to introduce new immigration and passport control kiosks, very much like the ones you will have used at various international airports. We expect a pilot utilizing four such kiosks to be in place by the end of 2019. Also this year, we will introduce a fully online visa application process.

Another important step is the creation of the new Coast Guard Service. As well as being part of that border security network, the Coast Guard has other vital functions related to safety at sea, including maritime search and rescue. The next significant development for the service will see the opening in the coming weeks of the new operations and rescue coordination centre,

which will play a key role in ensuring Cayman can coordinate search and rescue and other activities on a 24/7, 365 day basis.

The approach the Government is taking can also be seen at the community level, including the drive to reinvigorate neighbourhood policing. Alongside things like the creation of the new neighbourhood watch schemes – something the Government has been very keen to see – this more accessible, visible and responsive policing is having a direct and positive impact on the lives of Caymanians, visitors and businesses.

Delivering that kind of direct impact on the lives of Caymanians is central to what this Government has set out to do and it is not just in the area of crime reduction that our success is being felt.

We have responded to concerns that Caymanians are being priced out of the housing market by pushing forward the National Housing Development Trust's affordable housing programme. Last month, ground was broken on a scheme in East End that

followed the successful completion of 16 new homes in Bodden Town last year.

As the six East End homes are finished, work will begin on eight more homes in West Bay. The Trust is also buying 10 acres on which to build in North Side and recently bought a 24-acre plot of land in George Town. I thank the Trust and the Minister for Housing for their tireless efforts.

The government has also significantly increased the stamp duty thresholds for first time Caymanian home buyers, allowing greater numbers of Caymanians to purchase first time properties without having to pay stamp duty, or to pay it at discounted rates. This represents a welcome leg up on to the property ladder for many young Caymanians and their families.

Elsewhere the Government has continued its work to create a healthier environment and to preserve more public land, particularly beaches for the enjoyment of our people and visitors.

We have procured 634 acres of protected land, increasing the total amount to 4,111 acres – about 6.3% of Cayman’s total land mass. This year we will continue the policy of acquiring land for public use, including beach land and land for parks. The East End housing scheme will also create a new recreation park in the district.

We have purchased the property used by the Scranton community for many years as a park. This purchase safeguards public access to that important community space in perpetuity. Government is working directly with the Central Scranton community on plans to improve the property.

Land has also been acquired to create a park that will serve the Red Bay and Prospect constituencies. Those communities will also help guide the development and public use of the park.

Work will commence this year on Smith Barcadere addition once planning and design are completed. And the South Sound

Boardwalk has been completed and provides a safe walking zone as well as preserves beautiful vistas of the sea for the enjoyment of all.

Work continues on the Integrated Solid Waste Management project and after more than five years of work and negotiations we are nearing agreement with the preferred bidder, DECCO. The project addresses the solid waste management needs for these Islands for the next 25 years. This is a design, build, finance and operate Public Private Partnership that will not require any capital investment by the Government. This is a key deliverable of my Government and we are very pleased to have made it to this juncture.

Much is being achieved by this Government and it is all being done in a fiscally responsible way. We continue to operate with surpluses even higher than those that we budgeted to achieve.

Our capital investments are being paid for from cash without increased borrowing and we continue to repay government debt.

We have not increased fees or taxes since I was sworn in as Premier in 2013.

This Government's track record of delivery and sound stewardship of the finances is the result of the hard work done by my Ministers and Councillors, as well as the Civil Service. I thank them for the support they give me and for the work they do every day for the people we serve.

I want to pay a special tribute to the Deputy Governor, the Attorney General and Cabinet Secretary for the support we receive every day.

Ours is indeed a Unity Government – one where we may take different views but where we are all willing to work together towards our shared ambitions for these Cayman Islands.

I also want to pay tribute to the Speaker, Mr. McKeeva Bush for his continued support of the Unity Government.

We have achieved much together but our ambitions are not yet fulfilled. We have a lot left to achieve and just over two years in which to do it. With the same determination and pragmatism demonstrated in our first two years, I have no doubt we will achieve what we set out to do.

The best - the best for Cayman - is yet to come.

ENDS