

Strategic Policy Statement

Delivered by the Hon. D. Kurt Tibbetts, MLA, JP Leader of Government Business, to the Legislative Assembly Friday 30th November, 2007

This Strategic Policy Statement (SPS) which I lay on the table of this honourable House today sets out the policy and financial parameters that Government intends to use when preparing its Budget for the 2008/9 financial year.

In accordance with the requirements of the Public Management and Finance Law (2005 Revision) (PMFL), the SPS is both strategic and high level in nature. It does not allocate resources to individual expenditure items nor does it specify the particular initiatives the Government intends to pursue; rather its principal role is to outline, for consideration and approval by the Legislative Assembly, the strategic parameters on which the Budget will be based. Additional detailed information will be contained in the Annual Plan and Estimates (the Budget) for 2008/9 when that is presented to the Legislative Assembly in April 2008.

With your indulgence Madam Speaker, I would like to spend a few moments provide this honourable House with an overview of what the strategic policy document contains and its relevance to the business of budget preparation and submission.

For ease of reference:

Section 2 of the Strategic Policy Statement establishes the policy direction for the Government over the next three years and outlines Government's outcome goals in broad terms. Additionally, they will be used by the Government to determine specific policy priorities for the Budget.

Section 3 contains an overview of the expected medium term economic position for the Cayman Islands relative to the global economic outlook.

Section 4 establishes the aggregate financial targets that the Government has established for 2008/9 and the subsequent two financial years.

Section 5 contains long term financial projections for the Core Government for the period 2011/12 through 2017/18. These projections are more indicative than absolute in nature, and provide a sense of the Government's expected performance over the longer term.

Section 6 sets out the indicative allocations to each Minister and Official Member for the 2008/9 Budget, together with indicative planning allocations for the following two years. These allocations are to be used as the basis for Ministers and Official Members and their Ministries/Portfolios to establish their operating and capital budgets for the 2008/9 financial year.

Having said that Madam Speaker, I now propose to speak at some length on the policy considerations which underpin the Strategic Policy Statement. While I will touch on some economic and financial aspects, I will leave it to the Hon. Third Official Member, the Financial Secretary, to highlight the principal features of the economic forecasts, financial forecasts and long-run financial projections.

Madam Speaker and Honourable Members, since assuming office in May 2005, this Government has acted firmly to restore fiscal discipline and improve economic conditions and we are now beginning to see positive results flowing from our responsible actions.

I believe our approach to a broad range of development issues is the most comprehensive, pragmatic, innovative and manageable programme this country has seen since the founding of our nation.

Madam Speaker, it is therefore on a positive note that I can say we are well advanced with the implementation of strategies outlined in the PPM manifesto, and it is my belief that what we have achieved thus far in key areas, since forming government, is significant.

We are not simply operating in a short-term vacuum. We have developed a clear vision as to where we wish to see these Cayman Islands go over the next five to ten years and beyond, and our policies are strategically directed towards the economic and social development of our nation over time.

In my Budget Address to this honourable House back in April, I stated that the principal objective of this Government is to improve the overall quality of life for all people in these Islands, and by quality of life, I speak not only of focus being placed on healthcare, education and roads, but also on the provision of affordable housing, development of human capital, improvements in law enforcement and public safety and a myriad of other such day to day concerns which have an undeniable tangible impact.

As such, it is the goal of this government to be the enabler of conditions and the provider of incentives that ensure that our people have a brighter future ahead, and one which spurs individuals and businesses towards the generation of greater prosperity.

The fundamentals of this enabling environment rest upon several pillars of development which, Madam Speaker, must not only ensure medium term results, but will also direct and manage this growth in a way that will provide lasting benefit for future generations.

The question of development brings with it the argument of which comes first – economic or social development. This Government's vision and strategies are steadfastly based on a combination of both - economic and social development, yielding pragmatic results in the areas of education, good governance and law enforcement, to name just a few.

The stable political and macro-economic environment provided by this government has enabled many existing businesses to grow, and new ones to enter our market. This is not just a stroke of good fortune but is indicative of improved and reliable good governance.

As a result, opportunities for investment and growth are increasing, leaving us with the latitude to well and truly get on with our commitment to further grow the economy, create jobs, boost incomes, and improve the delivery of services for all our people.

Madam Speaker, an examination of the global economy shows that economic uncertainty and volatility is being experienced the world over. While the economic fundamentals of this country are strong, we in the Cayman Islands are not immune from this global phenomenon. The Economics and Statistics Semi-Annual Report released just last week shows that the 3.7% rate of inflation was driven by a 6.3% increase in the cost of goods and services, a 5.9% increase in the cost of food and a 5.3% rise in the price of household equipment. Consequently, questions are being asked as to what this government is doing - and intends to do - to combat rising prices. For some, the obvious answer seems to be instituting a wholesale reduction in duties, particularly as it relates to food items.

What is perhaps unknown by those who suggest such measures, is that the cost of virtually all staple food products such as milk, poultry, fish, salt beef, butter, cheese, cereals, beans, grains and macaroni, to name but a few, are already imported free of duty. Would that the answer to the spiraling cost of living be as simple as some newspaper economists think it is!

Steep increases in energy prices over the past several years have had significant consequences for households, businesses, and economic policy on a global scale and the cost of oil continues to increase way beyond the level of what would have been thought possible a few short years ago. Whilst this affects just about every commodity produced, transported or sold, it is a situation that this government, and indeed governments the world over continue to wrestle with, yet are powerless to control. Notwithstanding, we are fully aware and sympathetic to the pressures that this global situation is placing on our people and local businesses.

I can assure this honourable House that this Government is not merely paying lip service to the promise of combating rising prices. Rather, we are doing everything possible to mitigate the knock-on effect of what is taking place in economic terms at a global level, especially as it relates to the purchasing power of the average citizen here at home.

The requirement to boldly advertise fuel prices at gas stations, for example, has resulted in a reduction in prices at the pump by making it possible for consumers to be more discerning about where they choose to purchase petrol, whilst benefiting from the inherent cost savings derived from a more transparent, openly competitive environment.

In the mean time Madam Speaker, the two reports from the consultants comparing fuel prices with other jurisdictions have been presented to Cabinet and passed on to the two wholesale suppliers. Both have indicated that we will receive their comments by December 10th 2007, and on my return from London at the end of next week, meetings have been scheduled with regional executives. We will then

swiftly decide on the necessary course of action to take. I must warn, that in the public interest, we will have to be looking both at the wholesalers and the retailers. We have to give both parties an opportunity to state their views, but as soon as that is accomplished, we will make the necessary decision coming from an informed position. We have no control over world fuel prices, but we certainly can ensure that both wholesale and dealer mark ups in Cayman are fair and not exorbitant.

Whilst this and other initiatives might at first glance be interpreted merely as small insignificant wins, they are nonetheless incremental steps in the right direction, and form part of a broader strategic initiative aimed at addressing not only fuel costs at the pump, but the high cost of energy overall at a national level.

Madam Speaker, I am pleased to announce today that the Government has reached agreement in principle with Caribbean Utilities Company on the terms of new licences for power generation and transmission and distribution. The new Agreement will take effect on 1st January, 2008.

As you will be aware the previous Government initiated licence negotiations, which resulted in a Heads of Agreement being drawn up in 2004, listing the terms of any new licence(s) to be issued to CUC. However, negotiations then stalled and no final agreement was ever reached.

Shortly after assuming office in May of 2005, this Government appointed a new Government Negotiating Team to get both parties back to the table, to commence new licence negotiations.

We gave instructions to the new Government Team based on two premises;

1. To secure the best possible rate reductions for consumers and at the same time;
2. To ensure that CUC remained a financially viable entity which could attract sufficient capital investment into the company and would allow it to invest over the term of any new licence(s) issued, in new capital assets, thereby ensuring the continued high quality of supply of electricity to consumers in Grand Cayman, but at a reasonable price to consumers.

The agreement in principle reached by this Government with CUC improves significantly on the terms of the HOA of 2004, and CUC customers will see considerably greater rate reductions over and above those agreed in 2004. While I will save the detail of the expected rate reductions until the signing of the new licences, the overall result is expected to produce on average a 15% reduction in bills for residential customers, assuming there are no significant increases in fuel prices.

This has been achieved by a number of factors including the agreement by CUC to cease the Hurricane Ivan recovery surcharge, or CRS, from bills with effect from 1st January, 2008, as well as the decision of this government to provide a rebate of duty on fuel equivalent to 20 cents per gallon to CUC each month on its fuel purchases. This rebate will be passed on directly to consumers and will be reflected on their bills starting in January of next year.

This is a significant departure from what was agreed in the HOA, where the duty on fuel would have increased by 20% in 2009 to the rate in effect at that time, currently 60 cents per imperial gallon.

We have taken the decision to provide this rebate of duty on fuel used for electricity generation because we recognize that the fuel factor is a major component of the bill which consumers receive each month. The price of oil worldwide per barrel has reached its highest point ever, with prices now hovering in the US\$ 100 per barrel range. This is reflected in the fuel factor that CUC customers see in their bill, with a typical residential consumer of 1,000 kwhs a month presently receiving a bill of \$293.12 of which 42% represents the fuel factor.

In addition, this Government has agreed to allow CUC to continue with the 15% duty rate on non fuel items it imports. This reduced duty rate will assist in maintaining lower future rate increases.

This Government is taking decisive action to reduce utility bills, and that action does not come without considerable sacrifice. The duty rebate on fuel will cost Government some CI\$ 5.9 million on present fuel consumption rates, and the lower import rate on non fuel items will cost Government another \$ 2 million a year of potential revenue.

However, Madam Speaker this Government considers this money well spent, as it will contribute significantly to reducing the cost of living in Grand Cayman.

Madam Speaker there are many other positive aspects of the terms of the new licences that I would wish to refer to, all of which will have a direct benefit to CUC consumers.

The guaranteed 15% return on rate base Licence that CUC has operated under for the past 21 years is being replaced by a formula where rate increases will be linked to CPI. This Government believes this to be a fair agreement for both parties and ensures that rates are linked to the cost of doing business generally and not to CUC's investment in assets. The HOA in 2004 would have measured CUC's financial performance based on return on equity (ROE), where CUC would be allowed to make an ROE of 10% to 24% before there would be the possibility of rate changes.

In the past CUC had been basically unregulated, and allowed to invest in any assets it decided it needed. This could artificially inflate CUC's rate base on which it measured its RORB. However under the new agreement CUC will have to have its five year capital investment programme pre-approved by the Electricity Regulatory Authority (ERA). Under the HOA there was no such agreement to regulate all of CUC's capital investments.

The ERA will become a truly regulatory body ensuring that consumer's rights are protected.

Licence Fees are again an area where this new agreement will assist the consumer. In the past licence fees paid by CUC were expensed, and contributed to rate increases. In the new agreement all consumers up to 1,000 kwhs will be exempt from any licence fees, thereby again assisting the smaller electricity consumer to see lower electricity bills.

The new licence arrangements will encourage competition in generation, and we may see another generating company set up in Grand Cayman in the future. All additional generation capacity requirements from 2010 will go to competitive solicitation, and this will assist in keeping future electricity bills lower.

The new licence arrangements will encourage generation from renewable resources and this could lead to the possibility of electricity generation from wind, solar power, or ocean thermal exchange. Again, as technology changes in the industry, the changes made by this Government to the ERA Law will allow for more flexibility in allowing generation from alternative sources. At this time the waste to energy proposal is well underway, and Grand Cayman could see the generation of electricity from trash by 2010.

Madam Speaker, I would wish to place on record the Government's sincere appreciation to the negotiating team comprising Chairman, Mr. Olivaire Watler, and members Mr. Charles Farrington, Mr. Samuel Jackson, Mr. Philip Thomas, Mr. Winston Hay and their consultants I.C.F. Their commitment and expertise in seeing this process through is worthy of the highest praise. Our own Minister of Communications, Works and Infrastructure has been the guiding light from our end throughout the negotiations.

Madam Speaker, the Minister will now move forward with arranging for the licences to be prepared and I expect that a date will be announced for the signing shortly after my return from London at the end of next week.

Madam Speaker, responsible fiscal management is not only indispensable to good government; it is indispensable to this Government. Having acted responsibly with clarity of vision underpinned by a sound, decisive and strategic plan of action, and strict adherence to the principles of responsible financial management, the PPM government anticipates a cash surplus of more than \$40 million in 2008/09 and \$35 million in 09/2010.

Consequently, our ability to service our debts is not in question and our ability to fund new capital projects to improve the socio economic infrastructure of this country can move ahead.

These Capital works will include new Prison facilities within the Northward compound which will be constructed during the 2008/09 financial year. This new construction will greatly assist the issues of prisoner overcrowding as well as dilapidated buildings and will better facilitate rehabilitation, whilst at the same time increasing efficiencies within the Prison operations.

Madam Speaker, at present Government office accommodation is spread over 57 separate private sector leases, which not only increases operational costs but hampers efforts to improve efficiency and productivity. Clearly, this situation is one which could not be permitted to continue indefinitely.

I am happy to report that ground breaking on the new government office accommodation project will occur next month and construction will be in full swing by 2008/9 with completion and occupancy taking place in 2010. As well eliminating the need to continually lease private space and eradicating the operational inefficiencies that have gone along with it, this new building will have a positive impact on government culture and our ability to provide efficient service.

I have high expectations for this building and anticipate that it will be energy efficient, whilst at the same time providing a healthy indoor environment for our staff and the visiting public. It is also worth noting that I am committed to achieving LEED certification with this building – making it the first building in Cayman to be so certified, and the first building of its size in the Caribbean region.

After many years of unnecessary delays with the redevelopment of the Owen Roberts International Airport, the Cayman Islands Airports Authority has commenced redevelopment works. The first phase is currently underway involving construction of a new car park, relocation of utilities, extension of the ticketing hall, construction of a new arrivals hall, and the construction of a domestic departure and arrivals hall. The first phase is scheduled for completion in December 2008. Phase 2 will overlap the completion of the first phase, involving the construction of the new international departures hall on the second floor, concessions areas and installation of jet bridges. Phase 2 is scheduled to be completed in August 2009. Phase 3, the final phase, involves the renovations to those areas of the existing terminal that would not have been touched by the prior redevelopment work. This final phase is scheduled for completion in August 2010.

Whilst much is being accomplished with buildings and capital works, on an individual basis in terms of quality of life Madam Speaker, a home is much more than a roof and four walls. It is the place where we are most comfortable, the place we look forward to returning to at the end of the day, and for many, it represents the single largest investment of a lifetime.

Last year this government announced a reduction in stamp duties from 7.5% to 4% on properties purchased by first time Caymanian home buyers. This significant reduction was designed to place the dream of home ownership within the grasp of many more of our own people, and to give our younger, up and coming generation an opportunity to step on the first rung of the property ladder.

Notwithstanding the significant benefits derived from this initiative, it remained the firm goal and resolve of this PPM government to do even more to change the landscape for Caymanians who are struggling to find affordable housing. And we have done just that!

The Cayman Islands Government Guaranteed Home Assistance Mortgage programme, (GGHAM) administered through the National Housing Development Trust (NHDT) in collaboration with seven participating banks' offers qualified applicants the ability to receive up to 100% of a mortgage, with government guaranteeing the first 35%.

The GGHAM initiative builds on concessions which are already in place to encourage more of our own people to own property. Among these concessions you may recall, Madam Speaker, that first time Caymanian purchasers of raw land are not required to pay duty on the purchase of land valued at CI\$50,000 or less. However, land valued at more than CI\$50,000 but not exceeding CI\$75,000 attracts stamp duty of only 2%.

Additionally, first time Caymanian buyers of property which includes a building on it now pay no stamp duty on the purchase of such property if it is valued at CI\$200,000 or less. Property which includes a building valued at more than CI\$200,000 but not exceeding \$300,000, attracts stamp duty only at the

rate of 2%. This has worked well and many Caymanians have seized the opportunity to become home and property owners as a result of these concessions.

Madam Speaker, I can also say today that based on market trends we will very shortly be reviewing these ceiling amounts with a view to increasing them.

For those who suddenly find themselves eligible to take advantage of these concessions and become property owners as a result, this is truly a dream come true, the magnitude of which cannot be encapsulated in words.

Madam Speaker, the NHDT now has additional property identified in West Bay, George Town, Bodden Town and East End, and we are diligently searching in the District of North Side for property. This is in relation to the new affordable housing programme. Both properties in George Town and Bodden Town are now commencing site works, and construction of the first 72 homes in George Town will commence shortly. As soon as the sale is completed for the Eastern Avenue site, now that planning permission has been granted for the prospective purchase, then construction will begin simultaneously in the other Districts.

The tremendous opportunities presented by schemes such as GGHAM and the elimination of duty on the purchase of land are predicated on the supposition that the intended recipients are on a positive career path with good earning potential.

This leads me, Madam Speaker, to mention the extent to which our people are provided with fair and equitable employment services, and the strides being made by the Dept. of Employment Relations in matching suitably qualified Caymanian applicants with potential job opportunities. I am pleased to report that following the utilisation of a highly manipulative database which cross-references skill-set to skill requirement, a dramatic and positive difference is being seen in the provision of steady and viable employment to job seekers. Both the Work Permit Board and the Business Staffing Planning Board will be working more closely with the Department of Employment Relations to ensure that work permits are not granted where there are Caymanians ready, able and willing to take up the job.

Additionally, having recently received the Labour Consultancy report, it is the intent of this Government to address other labour issues through the creation of modern and relevant employment legislation which focuses on the needs and concerns of both employers and employees.

As you can appreciate, Madam Speaker, the question of employment has a direct and quantifiable bearing on the overall quality of life to be had in these islands and remains of vital significance to us as a government as we endeavour to represent the best interests of our people.

Relating to employment, the PPM has been very clear about its commitment to address the Islands' immigration issues. Much has been accomplished over the past two years in making the immigration legislation more comprehensive, clearer and more equitable. As you know, the Government commissioned a comprehensive review of the Immigration Law which led to substantive changes at the

end of last year. We also approved an increased budget to allow the Immigration Department to recruit additional personnel so that it can perform its duties more efficiently and effectively.

We are committed to making the work permit process more business friendly and service-oriented. Pending a minor change in the Immigration law early next year, the process of issuing work permits will be streamlined to allow certain, non-controversial categories of work permit applications to be processed administratively by Immigration Department personnel rather than by the Work Permit Board or the Business Staffing Plan Board. This change will require employers to pre-qualify before being able to apply for and obtain any work permits and will instill a higher degree of protection for Caymanians in the workforce.

New procedures adopted by the BSPB has realized significant improvements in the processing times for applications for Business Staffing Plans with some 12-15 plans being considered per week as opposed to 3 plans per week under the old system. Additionally, new technology has been finalized which will allow for the Board to better track training and scholarship conditions on Business Staffing Plans, bringing about greater efficiency and more expediency.

With regards to the public service, as part of the modernization process of Government and the new culture of governance between 2005-2007, the Portfolio of the Civil Service led a process to reform human resources management within the civil service, moving away from a centralized, administratively focused environment, to one that is decentralized and managerially focused.

In response to the new environment, the POCS was restructured to include a Management Support Unit to provide free internal consultancy support to agencies on management issues, an HR Audit function, a Civil Service Appeals Commission and Strategic HR services.

Additionally, a new Public Service Management Law (2006) and Personnel Regulations were developed and implemented in January 2007.

Looking ahead towards 2008/09, the strategic development priorities for POCS will include:

- Expanding the range of services and courses offered by the Civil Service College, including extending the services of the College to other territories within the region.
- Implementation of a revised performance management process for the civil service and preparation for the effective implementation of performance pay
- Development and maintenance of a register of ex civil servants for short-term employment within government
- Assisting ministries and Portfolios to establish robust succession plans.

Madam Speaker, employment is not only a central element of national development, but for many it is also one of the most decisive characteristics of human identity. There is absolutely no doubt that the country today needs a workforce that brings new skills, competencies and attitudes, as well as aptitudes to bear upon a vast range of emerging occupational activities. In cultivating what is essentially a new mindset, full consideration has been given to developing a workforce that has:

- the ability to understand complexity
- the competence to think proactively and critically
- the ability to develop problem solving skills
- the drive to both adapt to new technologies and be in the forefront of technological innovation
- And the characteristics and personality to become well rounded, responsible, law abiding and productive citizens.

To bring this about, we need – and this country deserves—world class quality human resources that will be able to thrive by virtue of their employability and entrepreneurial skills, and who are able to satisfy the utilitarian need captured by the term human capital.

Madam Speaker, given our inherent need to develop our human capital resource in order to be better placed to participate in an ever-changing global environment, we can all understand why there is today a national consensus for fundamental reforms in our education sector with an overall emphasis on quality education for all.

An African proverb says that it takes a whole village to educate a child. I would add that it takes a whole nation to educate a new generation.

Education remains one of our key priorities and much has been accomplished in the transformation of the education system since the first National Education Conference, which defined challenges and identified solutions in a collaborative effort of unprecedented proportions.

The 'schools within a school' concept of small learning environments has proven to be a resounding success on the George Hicks campus. Plans for the construction of three secondary school campuses – John Gray campus in George Town, Beulah Smith in West Bay and Clifton Hunter in Frank Sound, are complete and the projects are on schedule for start of school year September 2009. Design work on GTPS is also progressing with construction slated for May 2008 with an opening date of September 2009.

Intermingled with the myriad of benefits these new facilities will provide to communities and the country as a whole, other less obvious benefits will also be derived as a result of the economic stimulation generated by the need for additional employment and consequent local spending on housing, transportation, food etc.

Improvements in teaching and learning are being realized as anticipated with the introduction of the new governance model for education services and its four regional Learning Communities. The new

model, which was implemented in September, places students in the centre of the education system where they belong, and is already yielding numerous benefits on a variety of levels.

Underpinning the improvements in teaching and learning is the professional development of education professionals. Significant investment has been earmarked for this purpose and initiatives are in place that will continue through to the start of the 2009 academic year and beyond.

The new National Curriculum that will be adopted by all government schools from September 2008, is designed to meet global and local requirements and will ensure that what our children learn at every level of the education system will leave them properly prepared for the next level.

Work is underway to realize the full integration between secondary and tertiary levels, and a strategic alliance has been forged between public schools and university. In this fiscal year, government has contributed \$3 million to UCCI for the ongoing development of programmes designed to better align the secondary system with tertiary requirements

The start of this new school year saw a marked change in the provision of education services for students with special needs. Significant increases in the provision of professionally trained staff has brought about a much faster response time, and I am delighted to note that this aspect of the system can no longer be described as inadequate.

For the first time ever, the take-up of scholarships to pursue studies overseas has exceeded 100 grants in a single year and 4 of our students are pursuing doctorates. Enrollment figures have leaped from 650 annually to more than 3,600 in just two years and it should be noted that 95% of these students are Caymanian.

With enhanced funding for scholarships and 'A' level tuition, and more emphasis being placed on early childhood care, this government has shown that it is relentless in its pursuit and determined in its drive to ensure that our people are given every opportunity to grow, develop and achieve their fullest potential.

Given the amendments and advancements that I have outlined, students, parents, teachers and the community will certainly be seeing a more responsive education service, designed to provide the support necessary for them to become more engaged in the education opportunities for their children. In the final analysis, our ultimate goal has always been, and remains to this day, inculcating in our people a culture of life-long learning and self development that transcends well into the future.

Madam Speaker, we have taken a long, hard look at whether our education system is adequately geared to face up to those new and emerging challenges and live up to our legitimate national and personal aspirations, and found that we have both shortcomings and strengths. Consequently, the thrust of the education transformation process has been to significantly improve the present system in order to make it more responsive to the emerging needs of society.

This explains why it has been the unwavering policy of this Government to take up the challenge of providing an education system that is not only of a world class standard and accessible to all, but meets high international benchmarks in order to build a better and brighter future for us all.

This has been our pledge to the nation since assuming office in May 2005. We have made no secret about this being our passion and we remain determined to see it through to the end, so as to give the best possible head start to all our children and youth.

Madam Speaker, government is more than cognizant that every effort must be made to facilitate human capital development if we are to enhance the ability of our people to take their place anywhere on the world stage. But in so doing, measures must also continue to be taken to ensure that opportunities consistently exist for Caymanians to participate in the tourism industry in a much more meaningful way, as staff, managers and owners. Consequently, preserving the capability of future generations to earn a living in this robust and viable industry sector has been the focus of many strategic initiatives, ranging from scholarships to environmental programmes.

The Apprenticeship programme for example which was launched this year is providing scholarships and stipends to 20 persons. This group represents both school leavers who are entering the industry for the first time as well as experienced persons within the industry who are seeking additional training in order to pursue managerial positions.

After many years of talking about vocational training, the Ministry and Department of Tourism now offers a programme, with the cooperation and financial support of the private sector, that allows apprentices to be placed where they will learn the most – in a combination of a classroom setting and actual work experience at various hospitality businesses where managers serve as mentors for the apprentices. This programme will be doubled next year with some 40 positions being available and work will commence on growing the number of certified programmes which are available.

Still on the subject of enhancing our tourism product, this Government remains committed to pursuing berthing facilities which will enhance the country's economic return and improve visitor satisfaction. It is worth mentioning here to clear up any confusion or misunderstanding, that cruise arrivals last year were abnormally high due to neighbouring ports being closed as a result of hurricanes. This explains why arrivals this year appear to show a decline in comparison. Even so, this sector of the industry is performing well and the Port Authority estimates that some 1.7 million cruise passengers will visit our shores this year. Whilst 1.7 million represents a decline from the height of 1.9 million last year, the Cayman Islands still remains a popular port for cruise tourism.

Tourism, one of the main pillars of our economy remains steady, recording a 3.3% overall increase in visitor arrivals mainly due to an 8.4% increase in stay-over visitors during the first half of 2007.

Air arrivals showed an increase of 8.4% above arrival figures noted in the same half year period of 2006, with visitors from the USA contributing 81.5% of total air arrivals in the first half of 2007. This modest performance occurred amidst continued improvements in the supply of local accommodation, and

enhanced air service to the Cayman Islands within recent months, such as the re-launching of direct service to the to and from the New York region after nearly 15 years.

Similarly, according to the Semi-Annual Economic Report 2007 our financial services sector has remained upbeat. Hedge funds remain at the cutting edge of global financial markets and the Cayman Islands clearly lead other jurisdictions in the world in this particular asset class with roughly 75% of the world's hedge funds registered here. The report states that mutual funds grew by 14.4% while new company registration rose by 13.2%.

Madam Speaker, too often when focus is placed on the sensational events, the positive steps being made towards the improvement of services to the community and the holistic approach being taken to addressing human needs unfortunately becomes a casualty that is overlooked. However, this does not mean that good things are not going on behind the scenes.

The provision of healthcare and medical insurance coverage has made headlines in recent weeks for a number of reasons. Whilst these are being reviewed with a view to identifying suitable solutions, we should not let those issues take our focus totally away from the other very positive developments in this area.

For example, with respect to the provision of care for the elderly, funding to the Pines Retirement Home has been increased in order to provide better care and services specific to the needs of senior citizens.

The Golden Age Home is being renovated to accommodate 22 persons and provide an enhanced day care facility.

As we head into 2008/09, it is our intent to develop a National Plan for the elderly which will include the provision of more purpose built facilities and programmes specific to this sector of our society.

Funding to the Women's Crisis Centre has also been increased and in 2008/9 it is Government's intention to establish an Office of Gender Affairs which will focus on servicing the specific and unique needs of women and address issues of inequality through the development of a social policy.

In so doing, a Public Health Department will be established under the Ministry which will, among other initiatives, implement Government's intention to afford communities greater access to health services through the provision of more physicians and an increase in the availability of related services within district health centres.

As we forge ahead with healthcare initiatives, the provision of a purpose built, fully functional mental health facility for the long term residential care of persons afflicted with psychological, emotional and mental disorders will not be overlooked. Rather, they will be carefully considered and provided for.

As it is this Government's conviction that veterans and seniors should be able to retain their independence to the greatest extent possible, over the course of the past two years, we have increased the stipend to seamen, veterans and those persons receiving ex-gratia payments through the Department of Children and Family Services.

Today, I am happy to announce that Government has decided to grant an additional \$500 to enhance the lives of the elderly and those in need of assistance during this Christmas Season and enable them to share in the holiday festivities in a way which might otherwise not have been possible. This extraordinary payment will be paid along with their regular monthly cheque on December 17th.

Madam Speaker, I have said that this government is resolved to improving quality of life for Caymanians and residents and when speaking of quality of life, the negative impact of sitting in traffic for upwards of one or two hours each day getting to and from work cannot be understated. With more than 40,000 vehicles on the road, this Government has adopted an aggressive and multi-faceted approach to reducing traffic congestion, and is delivering 165 lane miles of roadway - the largest road development programme in the Cayman Islands history. Roads left to deteriorate for years are also being renewed mile by mile under a long-term plan for infrastructure stability.

The soft opening of the Esterley Tibbetts Highway on the 28th September 2006 provided much relief and benefit to residents and the general motoring public of West Bay in particular. I have no doubt in my mind that the work currently underway on the Esterley Tibbetts Highway and the East-West Arterial will undoubtedly eclipse those sentiments, but more importantly, will pave the way for finalization of the Go-East initiative, which provides an ideal opportunity to spread the economic benefits of tourism to the eastern districts of Grand Cayman.

Notwithstanding the fact that these and other smaller, but equally important, traffic and infrastructure improvement projects constitute the short-term component of a long-term national roads plan, the bigger picture so to speak, with regards to the development of roads for 2008/09 and beyond, will also include major enhancements, such as the development of an airport expressway (Esterley Tibbetts Highway to Owen Roberts Airport) and an examination of the viability of a 'Park and Ride' system for George Town.

The 2008/09 financial year will see the introduction of the use road safety cameras which are an important safety initiative and law enforcement's latest innovative technology, specifically designed to slow the speed of traffic subsequently reducing the occurrence of collisions, resultant injuries and fatalities while simultaneously assisting in transforming motorists' attitudes towards speeding.

It is this Government's intention to complete a coastal protection programme in Bodden Town (which will include road protection and protection of the cemeteries in Bodden Town), to ensure that should another major hurricane hit the Cayman Islands that the people of Eastern Districts are not cut off from the rest of the island and to prevent the remains of our loved ones from being disinterred. Development of flood-protection measures for flood-prone areas, Island-wide will continue once funding is in place.

Additionally, the Savannah Gulley Flood Protection wall will be completed prior to the beginning of the next Hurricane Season. This much needed initiative will offer a great relief to the residents of this vicinity and to the motoring public that traverses this area regularly.

Madam Speaker, a peaceful environment is an essential element which underpins all aspects of development and this Government has remained committed to the imperative of law enforcement and public safety. Accordingly, it will come as no surprise that a high degree of attention is being paid to building partnerships with the community in the fight against crime so that we may continue to safely walk down our streets, travel our highways and sleep safely in our houses.

- In the 2008/09 financial year the RCIPS, Fire Service and Emergency Medical Service's capabilities to respond to the Eastern Districts in Grand Cayman will be dramatically increased due to the completion of the Bodden Town Emergency Response Centre. This will include state-of-the-art facilities and equipment as well as a complement of over 75 trained and qualified officers and staff within the respective agencies.
- The Country's Border Security will be greatly enhanced in the 2008/09 financial year by the delivery of 4 new marine vessels, the construction of the new Drugs Task Force Marine Base as well as an increased complement of Police, Immigration and Customs Officers who will receive special training to effectively and efficiently protect our shores.
- In the 2008/09 financial year the construction of the National Emergency Operations Centre will commence which will house the newly formed Hazard Management Cayman Islands, the 911 Emergency Communication and Electronic Monitoring Services, the Met Office as well as the Office of Telecommunications which is scheduled for completion in 2009/10.

Madam Speaker, it is often said that Cayman Brac and Little Cayman are sometimes left behind when it comes to investing in social and infrastructural development. That is clearly not the case under the PPM government.

Whilst we must remain cognizant that not everything that happens in Grand Cayman is suitable, or even necessary for the Sister Islands, several of the initiatives being undertaken here are also being undertaken, as appropriate, in those locations.

With respect to Cayman Brac, the Sister Islands Affordable housing Programme which includes six homes and a recreational park for use by residents is well under way, and construction is expected to be complete by 2008.

The opening of the UCCI Brac satellite campus, expected in January 2008, will be the first tertiary education facility on the Sister Islands.

Funds have been allocated for the purchase of land on the Bluff for a new high school and construction is underway on a FIFA regulated sports complex.

Additionally, a new public daycare facility has been completed and the Aston Rutty Centre now has improved hurricane shelter capabilities as well as a new medical wing.

The completion of the new wing at the Kirkconnell Community Care Centre and redeployment of staff means that the Centre can now provide accommodations for an additional 16 persons, bringing a new level of comfort and care to elderly persons resident on our Sister Island.

I wish to thank Mr. Linton Tibbetts, OBE for his funding of the entire cost of the new wing, and I am sure all of Cayman Brac would wish to do the same.

In the 2008/09 financial year, design and conceptual drawings will be complete for a new tri-purpose facility in Cayman Brac which will house a new Immigration, Police and Domestic Fire Department.

Major improvements have been made to the airport runway in Little Cayman and drawings are in hand to upgrade the existing facility. In addition to this, funds have been set aside to acquire public beach facilities, including Point of Sand, for the enjoyment of both residents and visitors alike.

The road works at Spott Bay Road and Ken Hall Road are nearing completion and future plans include the upgrading of hurricane shelter facilities to minimize the need for evacuation.

And finally, the office of the District Administration, through the launch of a new website, continues to promote the Sister Islands as a tourist destination.

Madam Speaker, these are indeed challenging, but exciting times. They represent a period of unprecedented growth, development and maturity of this nation. As this occurs it is increasingly critical that our constitutional framework is modernized to encourage, accommodate, and facilitate this increased maturity and the opportunities it presents.

In this context, therefore I would like to provide an update on the Constitutional Modernisation process which this Government has started. I announced the launch of the Constitutional Review Secretariat on February, 16th of this year and it is now fully operational.

The Constitutional Modernisation Initiative consists of a four part programme. Phase one which comprises the creation of a Public Discussion Paper is nearing a close. The Discussion Paper has now been formulated and is in the production stage. To mark the end of Phase One, the Discussion Paper which is entitled "The Cayman Islands Constitution: A Reflection of Who We Are" will be released early January 2008. The release of this Paper will kick off Phase Two of the constitutional modernization programme which comprises a series of public and private meetings to discuss the constitutional proposals with members of the public and receive the necessary feedback. Public consultation is to begin in January 2008, immediately after the release of the Discussion Paper and is expected to last approximately two months. The national discussion on constitutional reform is perhaps singularly one of the greatest opportunities for we, the people of the Cayman Islands to actively participate in the model of governance we would like to see in the Cayman Islands.

Following public consultation and feedback, Caymanians are encouraged to vote and support the proposed constitutional reforms in our first ever national referendum which is scheduled to be held early in May 2008. We should therefore see voting in the referendum as a national and international

signal that we in the Cayman Islands take participative democracy very seriously, especially when it relates to implementing measures in our constitution that promote good governance in our islands.

Madam Speaker, the people of Cayman Islands have in this administration, leaders that are vibrant, energetic and willing to face the odds in order to bring about positive changes to the lives and living conditions of our people. We have demonstrated our maturity as a government by taking on policies that we believe are not only in the best interest of the nation, but appropriate to our current circumstances.

We have succeeded in laying the foundations for more growth to take place, not just in the next term of government, but well into the future. To date, as a direct result of this government's interventions there are more jobs today in the market place, our tourism product remains steady and our financial industry continues to prosper.

We have invested heavily in our people, from the rebuilding and recovery of homes in the aftermath of Ivan, to concessions on stamp duty on land and homes, to increases in the provision to seamen, veterans and the indigent and to increased provision of scholarships to Caymanians.

This government has from the very beginning had a very clear vision of where we expect our beloved Cayman Islands to be by the end of this decade from a local, regional and global perspective. By adopting a comprehensive, holistic and inclusive approach we have introduced inter-dependent reforms on several fronts and during our time in office, have provided for better governance, an enhanced public service, improved law and order, and provided numerous infrastructural services. All of these achievements to date are geared towards achieving a better quality of life and maintaining a high standard of living for all Caymanians.

The past two and a half years have proven a period of both challenge and opportunity. We have met the challenges and seized the opportunities. Without a doubt, more challenges lie ahead. But so are more opportunities for the growth and development of our people and of these beloved Islands. As we move forward let us do so in our unique Caymanian style, using creativity, flexibility and pragmatism, imbued with the spirit of optimism for the future, trusting always in our God - for that is the hallmark of our people.