



**CAYMAN ISLANDS
LEGISLATIVE ASSEMBLY**

**OFFICIAL HANSARD REPORT
ELECTRONIC VERSION**

2014/15 SESSION

26 May 2014

First Sitting of the First Meeting

Throne Speech and Budget Meeting

(pages 1–36)

**Hon Anthony S Eden, OBE, JP, MLA
Deputy Speaker**

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PRESENT WERE:

PRESIDING

Hon. Anthony S Eden, OBE, JP, MLA
Deputy Speaker of the Legislative Assembly

MINISTERS OF THE CABINET

Hon Alden McLaughlin, MBE, JP, MLA	<i>The Premier</i> , Minister of Home and Community Affairs
Hon Moses I Kirkconnell, JP, MLA	<i>Deputy Premier</i> , Minister of District Administration, Tourism and Transport
Hon D Kurt Tibbetts, OBE, JP, MLA	Minister of Planning, Lands, Agriculture, Housing and Infrastructure
Hon Marco S Archer, MLA	Minister of Finance and Economic Development
Hon Osbourne V Bodden, MLA	Minister of Health, Sports, Youth and Culture
Hon G Wayne Panton, MLA	Financial Services, Commerce and Environment
Hon Tara A Rivers, MLA	Minister of Education, Employment and Gender Affairs

EX OFFICIO MEMBERS OF THE CABINET

Hon Franz I Manderson Cert. Hon., JP	Deputy Governor, ex officio Member responsible for the Civil Service
Ms Jacqueline Wilson	Temporary Attorney General, ex officio Member responsible for Legal Affairs

ELECTED MEMBERS

GOVERNMENT BACKBENCHERS

Mr Roy McTaggart, MLA	Second Elected Member for George Town
Mr Winston C Connolly, Jr, MLA	Fifth Elected Member for George Town
Mr Joseph X Hew, MLA	Sixth Elected Member for George Town
Mr Alva H Suckoo, MLA	Fourth Elected Member for Bodden Town

OPPOSITION MEMBERS

Hon. W. McKeever Bush, OBE, JP, MLA	<i>Leader of the Opposition</i> , First Elected Member for West Bay
Mr Bernie A Bush, MLA	Third Elected Member for West Bay
Capt A Eugene Ebanks, JP, MLA	Fourth Elected Member for West Bay

INDEPENDENT MEMBERS

Mr D Ezzard Miller, JP, MLA	Elected Member for North Side
Mr V Arden McLean, JP, MLA	Elected Member for East End

APOLOGIES

Hon Juliana Y O'Connor- Connolly	<i>Speaker</i> , Second Elected Member for Cayman Brac and Little Cayman
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**OFFICIAL HANSARD REPORT
THRONE SPEECH AND BUDGET
2014/15 SESSION
MONDAY
26 MAY 2014
9:43 AM
First Sitting**

[Hon. Anthony S. Eden, Deputy Speaker, presiding]

The Deputy Speaker: Good morning. I now call on Pastor Winston Rose to lead us in prayers.

PRAYERS

Pastor Winston Rose: Let us pray.

O Lord, our heavenly Father, high and mighty, King of kings and Lord of lords, we thank you for the opportunity given to us to assemble here today to attend to the business of our nation.

We acknowledge your many blessings bestowed upon us. Today we thank you especially for the institution of government. We pray for Her Majesty the Queen, and thank you for granting her a long and productive life. We pray that you will continue to sustain her and to grant her good health and wisdom and, finally after this life, she may attain everlasting joy and felicity through Jesus Christ our Lord.

We pray likewise for Philip, Duke of Edinburgh; Charles, Prince of Wales; and other members of the Royal Family.

We pray for all the members of Her Majesty's Government and present before you today Her Excellency the Governor, the Honourable Premier, other Members of Cabinet, the Speaker of the House, the Leader of the Opposition, our other legislators, all of our civil servants and all persons in positions of responsibility.

God of righteousness and truth, grant these your servants uncommon wisdom and the skills needed to promote peace and prosperity that would be beneficial to everyone both nationally and globally. We ask that you bless all these persons with health and strength and with your saving grace and power.

We recognise that the challenges we face are many and varied. Therefore, we petition you for stable and effective government.

Holy Father, source of all goodness, by the power of your spirit enable them to be men and women of integrity who faithfully serve these Islands. We pray that the decisions taken will honour and glorify you, and that they will always keep in mind our responsibility to seek to improve the condition of all mankind. Help them to work together in unity and to be good stewards of the resources of this country.

These mercies we ask in the name of our Lord and Saviour, Jesus Christ, who taught us when we pray to say:

Our Father, which art in Heaven, Hallowed be Thy Name. Thy Kingdom come, Thy will be done on earth as it is in Heaven. Give us this day our daily bread, and forgive us our trespasses, as we forgive those who trespass against us. Lead us not into temptation, but deliver us from evil. For Thine is the Kingdom, the power and the glory, forever and ever. Amen.

The Deputy Speaker: This honourable House is now in session. Please be seated.

PROCLAMATION NO. 3 OF 2014

The Clerk: "PROCLAMATION No. 3 of 2014: "BY HIS EXCELLENCY, FRANZ MANDERSON, CERT. HON., JP, ACTING GOVERNOR OF THE CAYMAN ISLANDS.

"WHEREAS section 83(1) of the Constitution of the Cayman Islands provides that the sessions of the Legislative Assembly of the Cayman Islands shall be held at such places and begin at such times as the Governor may from time to time by proclamation appoint:

"NOW, THEREFORE, I, FRANZ MANDERSON, CERT. HON., JP, Acting Governor of the Cayman Islands, by virtue of the powers conferred upon me by the said section 83(1) of the Constitution of the Cayman Islands HEREBY PROCLAIM that a session of the Legislative Assembly of the Cayman Islands shall be held at the Legislative Assembly Building in George Town, in the Island of Grand Cayman beginning at 10:00 a.m. on Monday, the twenty-sixth of May, 2014.

"GIVEN UNDER MY HAND AND THE PUBLIC SEAL OF THE CAYMAN ISLANDS AT GEORGETOWN IN THE ISLAND OF GRAND CAYMAN ON THIS SIXTEENTH DAY OF MAY IN THE YEAR OF OUR LORD TWO THOUSAND AND FOURTEEN IN THE SIXTY-THIRD YEAR OF THE REIGN OF HER MAJESTY QUEEN ELIZABETH II."

READING BY THE HONOURABLE SPEAKER OF MESSAGES AND ANNOUNCEMENTS

Apologies

The Deputy Speaker: I offer apologies on behalf of the Hon. Juliana Y. O'Connor-Connolly, who is attending a Commonwealth Parliamentary Association meeting in Cardiff as a representative of the Caribbean region.

MOTION FOR SUSPENSION OF THE HOUSE

The Deputy Speaker: Honourable Premier.

The Premier, Hon. Alden McLaughlin: Thank you, Mr. Speaker.

I move: "That this Honourable House do rise to await the arrival of Her Excellency the Governor Mrs Helen Marjorie Kilpatrick, CB, to receive a gracious Message from the Throne."

The Deputy Speaker: The question is that this Honourable House do rise to await the arrival of Her Excellency the Governor Mrs Helen Marjorie Kilpatrick, CB, to receive a gracious Message from the Throne.

All those in favour please say Aye. Those against, No.

Ayes.

The Deputy Speaker: The Ayes have it.

Agreed: The House suspended to await the arrival of Her Excellency the Governor.

Proceedings suspended at 9:49 am

The Deputy Speaker: I now invite Her Excellency to deliver the Speech from the Throne.

THRONE SPEECH

*Delivered by Her Excellency the Governor,
Mrs. Helen Marjorie Kilpatrick, CB*

Her Excellency, the Governor: Good morning.

Honourable Speaker, Honourable Ministers, Members of the Legislative Assembly, ladies and gentlemen, it's an honour to stand before you today to outline, for the second time, the Government's plans for the coming financial year.

I will begin by congratulating the Government on completing its first year in office. Among their notable achievements has been the passing of the National Conservation Law in December. This long-awaited legislation has set the stage for Caymanians and residents to continue their enjoyment of our local environment for generations to come.

At the end of January this House also approved the historic Standards in Public Life Law,

which requires all senior public officials to declare their interests, assets and income.

In the international arena, a number of developments enhanced the Cayman Islands' reputation as a player of note. The opening of Cayman Health City was heralded across our wider region as an initiative that embodied both innovation and foresight in the fields of medical tourism and affordable tertiary healthcare. Meanwhile, from a sports tourism perspective, international competition of unprecedented caliber arrived on our shores.

The country also continues to play a leading role as an international financial center. Within the span of a few months, the Premier was invited to provide a keynote address on global corruption at Chatham House, to appear on the BBC's Hardtalk programme, and to help ring the opening bell at the NASDAQ Stock Exchange. The Cayman Islands has also taken up membership of the newly created Global Islamic Finance and Investment Group.

This renewed activity benefited from an improved relationship with the United Kingdom Government, including its local and overseas representatives.

In the past half year, both the Minister for the Overseas Territories and the Foreign and Commonwealth Office Director visited the Cayman Islands. This June, we will welcome representatives from Her Majesty's Treasury. Then, in July, we will host Heads of Government from other Overseas Territories at a pre-meeting of the Joint Ministerial Council.

On a personal note, since my arrival in the Cayman Islands, I have grown to appreciate and admire the character of the people. It is these people whom the Members of this House are privileged to serve. Caymanians are welcoming, warm-hearted, intelligent, and proud of their culture. But, increasingly, they are cautious.

The onus is on Government, and on the Members of this honourable House, to be worthy of their trust. To do this we must demonstrate by our words and actions that we have their best interests at heart. The principles of good governance were developed with these objectives in mind.

These principles should, as the Auditor General reminded us not too long ago, characterise all public service management. We must engage our stakeholders—all of them; decisions should be informed and transparent; and we must constantly develop our capacity to be effective; and we must always be accountable. This is what people want to see from us—whether they are an astute investor or the average person on the street.

I noted at the end of my first Throne Speech that the work of Government has an impact that is far reaching. We must therefore do all that we can to help Caymanians and residents meet the challenges of everyday life. Accordingly, with this budget, the Government has sought to lower the cost of living and the

cost of doing business, particularly for small businesses.

Government understands that employment, which is so crucial to quality of life, is the result of business confidence. It believes that a focus on helping businesses will also help people. The present year has seen the establishment of a strong foundation for our economy, upon which Government will build. It has already initiated a number of key projects, and will move forward with plans for the new airport and cruise berths, as well as with needed road improvements.

In particular, it will build several new roads to alleviate traffic congestion in central George Town, and that will assist with the revitalisation of that area. Once these works are underway they will also provide jobs.

On Cayman Brac, Government is collaborating with the private sector to explore the potential development of new marinas which, when completed, will mean jobs for residents of the Brac. The Government will help to develop the island's agri-business sector by taking steps to enhance Agriculture Grounds there. The people of Cayman Brac and Little Cayman should benefit from plans to maximize the impact of the tourism sector on the Sister Islands.

An overview of private sector projects is equally promising. Already at the vanguard of the international healthcare industry, Cayman Health City has already begun hiring Caymanians and will continue to grow. Its opening brought key international business leaders to our shores and we look forward to further opportunities that may flow from their visit.

Furthermore, a number of hotel and other developments have begun or are about to start. Employment prospects are looking better than they have for some time, and we can also expect economic growth to come from these developments.

Government will use a number of approaches to capitalise on this positive environment, including reducing the duty paid on fuel and cutting the import duty on goods paid by licensed local merchants. In addition, as you will hear from the Government, it will implement a series of measures to reduce costs to small businesses.

Both of our pillar industries, financial services and tourism, continue to show promising growth. Government remains committed to working with both sectors to build on these trends. It will continue to enhance the ability of financial services providers to better serve clients by continuing to pass needed legislation. Recent examples include the Contract (Rights of Third Parties) Law and the Exempted Limited Partnership Law.

Government is also looking to attract more technology and related business and has asked the United Kingdom to assist in strengthening laws around intellectual property and copyright.

A number of key projects are also underway in the private sector. Several developments of differing sizes have started or are in the works. Some of these are in the Eastern Districts.

Particular attention is being paid to the Ironwood development. Its size and its Arnold Palmer Golf Course make it noteworthy. It's a long term project that will enhance our road infrastructure and help to drive further development.

Establishing what I hope will be a model for future development, the developers, Government, and the National Trust recently came together to agree the best route for the proposed extension of the East West Arterial road.

Government will continue to support sports tourism on Grand Cayman and on Cayman Brac. In particular, we look forward to hosting CONCACAF again this summer, as well as other first-class football tournaments in the future.

Given continuing economic constraints, these projects will be undertaken in a manner that is fiscally prudent, and, with private sector participation where possible.

To ensure that any improved economic growth is sustainable, Government will also continue to explore means of making the public sector both more efficient and more effective. It has already expressed its full support for the current project to right-size Government and improve service delivery.

In the past year, Government finances have been placed on a steadier footing as budget targets have been met or surpassed and no additional debt taken on. Budget reform continues with expectations that the Cayman Islands will be largely compliant with the targets agreed with the UK by the end of 2014/15, and on track for full compliance by the end of 2015/16.

The Government will progress several E-Government initiatives to help it work smarter and more efficiently. Expected projects include automating and improving processes around immigration, such as work permit applications and approvals, as well as an online employment portal. There are also plans to hire a Director of E-Government whose role will be to drive forward the approved initiatives in the quickest and most cost effective manner. This staff member will lead a concerted drive across the public sector to make some government services more accessible to citizens.

Initiatives to strengthen and grow our economy would be fruitless if Government did not also work to ensure that Caymanians are able to benefit from any opportunities that these create. Government will therefore continue the reforms already underway at the Employment Services Unit of the National Workforce Development Agency, in addition to providing additional staffing and improved systems. The Government's objective is to improve the agency's ability

to connect qualified Caymanians with suitable employers.

It will continue to develop appropriate vocational training throughout the school system, and work with private sector businesses that provide such training. A National Apprenticeship Programme will also be launched in the coming year.

Health, too, has a role in determining quality of life, in particular the readiness to succeed. Accordingly, the Government will seek an overseas partner for the Health Services Authority to facilitate training, improve access to services, and maximize efficiencies.

From a mental health perspective, a cross-ministerial working group will focus on key issues and make recommendations to Government, service providers, and other stakeholders on ways to improve the local mental health system. This is an area of high importance to our community and the Government recognises the impact of mental illness on individuals, on families, and on society.

Also central to the continued health of our Islands is the safe disposal of our waste. A committee of experts will continue its efforts to identify a solution for the needs of all three Islands. Government has already committed to ensuring that the process is open and adheres to the principles of good governance. There is more work to be done, and no doubt the Premier and Minister of Health will speak more on this issue.

Of course, a cornerstone of a country's prosperity is the security of its citizens. With this objective in mind, Government will reinforce the number of police and fire officers and has taken steps to bolster the management of both the Customs and Fire Departments. Customs has also recently outlined the no nonsense approach to the interdiction of contraband and drugs that will be enforced at our ports of entry.

As Governor of these Islands, I have constitutional responsibility for the civil service. I am pleased to report that the under the stewardship of the Deputy Governor, real progress in being made to transform the culture of the civil service into one which is more accountable, innovative and value conscious.

Notwithstanding the successes achieved in recent years, including rolling out performance management across the entire civil service and the gradual headcount reductions, there have, understandably been cause to address the overall cost and size of the public service. A Rationalisation Review is currently taking place, the results of which are due in July. During the 2014/15 financial year, the civil service working in tandem with the elected Government will be charged to implement the agreed recommendations coming out of the Review.

It has been an eventful first year for Government and there is no doubt that the coming year will have both its challenges and its victories. By adhering

to good governance principles and demonstrating solid results that build on the achievements of its first year in office, Government will work to deliver the services and outcomes that I have outlined. It will also strive to reward the faith and trust that the people of the Cayman Islands have vested in it.

Thank you.

[Departure of Her Excellency the Governor]

Proceedings resumed at 10:20 am

The Deputy Speaker: Proceedings are resumed. Please be seated.

MOTION OF THANKS TO HER EXCELLENCY THE GOVERNOR

The Deputy Speaker: I now call on [the Father of the House], the Leader of the Opposition, to move a motion.

Hon. W. McKeever Bush, Leader of the Opposition: Mr. Speaker, as the Father of the House, I am pleased to move the following resolution:

BE IT RESOLVED that this honourable Legislative Assembly record its grateful thanks to Her Excellency the Governor, Mrs. Helen Marjorie Kilpatrick, CB, for the Address delivered at this Sitting.

The Deputy Speaker: The question is BE IT RESOLVED that this honourable Legislative Assembly record its grateful thanks to Her Excellency the Governor, Mrs. Helen Marjorie Kilpatrick, CB, for the Address delivered at this Sitting.

All those in favour please say Aye. Those against, No.

Ayes.

The Deputy Speaker: The Ayes have it.

Agreed: The honourable Legislative Assembly records its grateful thanks to Her Excellency the Governor.

MOTION TO DEFER DEBATE ON THE THRONE SPEECH

The Deputy Speaker: I now call on the Honourable Premier.

The Premier, Hon. Alden McLaughlin: Thank you, Mr. Speaker.

I beg to move the following Motion:

BE IT RESOLVED that the debate on the Address delivered by Her Excellency the Governor

nor, Mrs. Helen Marjorie Kilpatrick, CB, be deferred until Thursday, 29th May 2014.

The Deputy Speaker: The question is: BE IT RESOLVED that the debate on the Address delivered by Her Excellency the Governor, Mrs Helen Marjorie Kilpatrick, CB, be deferred until Thursday 29th May 2014.

All those in favour please say Aye. Those against, No.

Ayes.

The Deputy Speaker: The Ayes have it.

Agreed: Debate deferred.

PRESENTATION OF PAPERS AND OF REPORTS

ANNUAL PLAN AND ESTIMATES FOR THE GOVERNMENT OF THE CAYMAN ISLANDS FOR THE FINANCIAL YEAR ENDING 30 JUNE 2015

~TOGETHER WITH~

ANNUAL BUDGET STATEMENTS FOR MINISTRIES AND PORTFOLIOS

PURCHASE AGREEMENTS FOR STATUTORY AUTHORITIES, GOVERNMENT COMPANIES AND NON-GOVERNMENTAL OUTPUT SUPPLIERS

OWNERSHIP AGREEMENTS FOR STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES

The Deputy Speaker: I now call on the Minister of Finance.

Hon. Marco S. Archer: Mr. Speaker, I beg to lay on the Table of this honourable House the following document with respect to the Government's financial year which will end 30 June 2015:

- Annual Plan and Estimates for the Government of the Cayman Islands
- Annual Budget Statements for Ministries and Portfolios
- Purchase Agreements for Statutory Authorities, Government Companies and Non-Governmental Output Suppliers
- Ownership Agreements for Statutory Authorities and Government Companies.

The Deputy Speaker: So ordered.

STATEMENTS BY HONOURABLE MINISTERS AND MEMBERS OF THE CABINET

The Deputy Speaker: I now call on the Honourable Premier.

POLICY STATEMENT

STABILITY— THE ROAD MAP TO PROSPERITY

The Premier, Hon. Alden McLaughlin: Thank you, Mr. Speaker, it is my honour to present the Government's policy statement entitled, "Stability—The Road Map to Prosperity."

Mr. Speaker, today is three days shy of the first anniversary of this administration assuming the helm of government, it is, indeed, my honour and privilege to present to this Honourable Assembly the details of the Government's policies, which along with the pre-existing requirements of the FCO, have shaped the budgetary proposals for the coming financial year.

The past 12 months have been eventful and challenging and filled with significant achievements and successes. On Thursday coming I will have the honour to lay on the Table of this Honourable House, the Government's first year report and to speak to those achievements in some detail. But today is about the year to come.

Last year we told the Country that this Government's goal was to put the Cayman Islands back on course, basing our plans on economic growth through fiscal prudence. Our mission has been to stabilise, prioritise and energise.

Our goals through the budget being presented today are the ongoing commitments by the Progressives-led Government to make no supplementary budget expenditure appropriations; to continue to enhance the financial management framework; to keep to our stance of no new borrowing and, I am happy to say, we have made such progress with government finances that this year we no longer need a temporary overdraft facility as we did last year.

Mr. Speaker, the Progressives-led Government realises that the economy is key to everything else Government can and should do. And we also recognise that the confidence of investors and business people is critical to the recovery of the Cayman economy. Because of our fiscal prudence and good governance, which will be evident when the Minister of Finance presents the budget shortly, confidence in the Cayman Islands has been restored.

That restored confidence comes from the fact that Government finances are once again stable and the Government is conducting its affairs with integrity and in an open and transparent manner. This is inspir-

ing investment, getting the economy moving and putting our people back to work.

Many will recall that when we took office a year ago, Cayman's relationship with the United Kingdom was rancorous. Thankfully, the Progressives-led Government has been able to mend fences mangled by the last administration, and I have personally devoted a great deal of time and energy to building good relations with Her Excellency the Governor, the Overseas Territories Minister, Mark Simmonds, and the team at the Foreign and Commonwealth Office. We have an excellent working relationship and I wish to especially thank Her Excellency for her support and guidance over the past nine months.

I have striven to and will continue to promote the Cayman Islands internationally and to seek out opportunities on the global stage to tell our good story as I did this past year at Chatham House and on BBC's Hardtalk in London and in New York at the opening bell of NASDAQ.

Despite the claims of our detractors to the contrary, what this Government has been doing is working. We've achieved a remarkable increase in Government revenue in our first year in office and our intention now is to keep that momentum. Mr. Speaker, my Government set ambitious but realistic budgetary targets in 2013/14, which have been surpassed both with respect to collecting revenues as well as cutting costs. It would, therefore, be remiss of me, Mr. Speaker, not to acknowledge the hardworking men and women in the Civil Service who have diligently pursued the Government's policies and helped to deliver such notable financial results.

As with private businesses, Mr. Speaker, the Government relies upon its human resources to succeed. And like a private business would seek to do, it is important that the Government's leadership acknowledge and reward positive results. The forecasted surplus in 2013/14 is set to exceed CI\$100 million, personnel costs are forecasted to be below budget and the Government's cash position is even stronger than originally forecasted. Having taken all of that into consideration, I am therefore pleased to announce that the Government has taken the decision to award its staff a one-off gratuity payment equivalent to 2.5 per cent of annual salary.

[Applause and pounding on desk]

The Premier, Hon. Alden McLaughlin: This amount, which will be payable along with civil servants' salaries at the end of June, is in recognition of the fact that the consumer price index has steadily risen and that with the help of its staff, this year the Government has the means to provide compensation in the form of this one-off payment. To clarify, the proposed payment is for the Civil Service only and does not apply to elected representatives or statutory authorities and govern-

ment owned companies that pursue their own remuneration strategies, which typically include regular cost of living adjustments and/or performance bonuses. It will be calculated on the basis of the 2013/14 fiscal year.

Mr. Speaker, I wish to again thank our employees within the Civil Service for not only meeting but exceeding the Government's financial targets. I implore them to keep up the good work. The past year's financial performance has only been possible through shared sacrifice as many departments have had to cope with fewer resources to meet the same or increased demand for services. However, this award proves that when our staff succeed in the challenge 'to do more with less', not only does the organisation succeed but its staff can share in the fruits of that success.

Mr. Speaker as our economic circumstances continue to improve, we shall be able to affect greater influence on the economy through the introduction of various budgetary measures. Some of these measures will target growth in certain sectors. Others will be social in nature. The one thing the Progressives-led administration is committed to is stability in the management of our economic affairs through responsible government and transparent governance.

The American novelist Tom Robbins describes the truly stable system as one which "expects the unexpected, is prepared to be disrupted, and waits to be transformed."

It is the transformation that concerns us here today, Mr. Speaker. With all the economic numbers going in the right direction, the Government's development policy in this year's Budget focuses on energising the business sector. In so doing we are honouring a Manifesto promise that seeks to breathe new life into our economy by reducing the cost of doing business.

It is well known that collectively the small business sector has the potential to provide hundreds of jobs. Furthermore, many of the jobs will be available to Caymanians. Economic activity in this sector always has positive knock-on effects on the wider economy, which can then in turn accelerate further growth. So there is a huge value in investing in small business in any country and we are no exception. In Cayman, 60 per cent of businesses are classified as small, employing less than 11 people.

The Minister of Finance will address incentives for businesses in greater detail in his speech about the Budget, but I can tell you that we plan the following:

- Reduced import duty rates that will become effective 1 July, 2014, for licensed traders only. Government will reduce import duty rates from 22 per cent down to 20 per cent on items imported by licensed traders. The items in this category include most items offered for retail

sale. This will allow merchants to offer products for sale at a lower price and should encourage residents to purchase more products locally rather than going overseas.

- Reduced trade and business licence fees will come into effect 1 July, 2014, as an incentive to support the creation and development of new businesses in the outlying districts.
- Government will allow small businesses—that is those with 10 or fewer employees—to pay their annual trade and business licenses fee in quarterly instalments instead of the usual one-time payment.

In addition, Mr. Speaker, Government will allow small businesses who are struggling with penalties that have been imposed for failure to pay their Trade and Business Licence on time, to have those penalties removed if they keep up with their quarterly payments under this new provision.

Mr. Speaker, these are first measures rather than a comprehensive list of the proposed fee reductions which this Government has planned over the course of this term. Both the impact of these reductions on the volume of business and on government revenue will be carefully monitored over the course of the upcoming year. If, as we expect, Government revenue continues to strengthen, then the country can look forward to additional reductions in a range of Government fees over the course of the following budgets.

We are looking at other measures to help businesses thrive and grow, such as Daylight Savings Time, putting us more in line with business hours kept in the United States. We are proposing a consultation process over the course of the coming year. Both our Financial and Tourism sectors could benefit from the transition to Daylight Savings Time. It would end early arrivals and departures of cruise ships, we would be in sync with the Financial Industry in New York and it could eliminate some confusion over travel times.

Sunday Trading is another option being considered by the Progressives-led Government, but the decision will be made democratically. We will take the issue to the public, again for consultation. We know that there are businesses opening in contravention of the Sunday Trading law without penalty. We believe that the law could be changed in a way that it doesn't impact our Christian traditions. We also need to ensure that people who do not wish to work on Sundays, because of religious reasons, aren't discriminated against in the job market. If Sunday trading was to be made legal for all businesses that desire to open, it would give employees a chance to supplement their incomes, as well as create more full and part time jobs for Caymanians.

Mr. Speaker there is another Manifesto promise that we will keep in this budget, namely the reduc-

tion in the duty on imported diesel fuel used to generate electricity. With effect from 1st January, 2015, we will reduce the import duty charged from seventy-five cents per imperial gallon to fifty cents. This will benefit personal pocket books by reducing the cost of electricity to individuals, but it will also help to further reduce costs to businesses and it is hoped that this will translate to lower prices for goods and services.

Many will remember that shortly after the UDP government was elected in 2009, one of its first actions was to re-impose the twenty cents per gallon import duty on diesel fuel used by CUC for generation of electricity, which had been removed by the PPM administration in order to reduce the cost of electricity to consumers. Then, less than a year later, the same Government imposed another twenty-five cents per gallon to the cost of diesel fuel. So the actual cost to consumers went up by forty-five cents under the UDP.

Today, we appreciate the opportunity to offer some relief from this oppressive tax. We promised in our Manifesto to reduce the cost of diesel and therefore electricity, which affects all households and businesses. I am proud to say that through the Progressives-led Administration's prudent fiscal management, we are able to make good on that promise in the coming year. And as I noted earlier in this Speech, this is not the be all and end all of this matter. We will monitor Government revenues carefully with a view to a further reduction if the circumstances permit.

As a prerequisite to providing an enabling environment, Mr. Speaker, you will recall that I said that the numbers were trending in the right direction. The Minister of Finance will provide far greater detail on this, but we have a good story to tell and the Minister and his team must be commended for sticking to the task of maintaining a fiscal surplus, lowering the debt and increasing output. Specifically, Mr. Speaker, the Government's Operating Surplus for the year ending June 2014 is forecast at \$108 million—some \$7.9 million more than the \$100.2 million originally budgeted.

We have achieved this surplus for two reasons: an increase in revenue of \$7.4 million; and a small decrease in expenses.

The Progressives-led Government has been able to bring revenues to almost \$31 million above the 2012/13 figure. We've brought expenses down by \$13.3 million from the previous year and Government's overall surplus is \$48.6 million more than the previous administration. Compared to this Government's budgeted amounts, overall we're some \$8 million better off than planned in total surplus across the entire public sector. Our performance proves we can meet targets we set and then surpass them.

As I reviewed the revenues and expenditures I was minded to go back and look at the revenue generating measures the former UDP administration imposed through higher work permit fees, increases on stamp duties on certain real estate purchases and

increases to certain fees in the financial services sector in the 2012/13 fiscal budget that raised \$93.5 million in extra revenue. Those increases were on top of fees the UDP Government introduced in the 2009/10 budget that added \$126 million annually to Government coffers.

While in fairness I must acknowledge that the extra revenue, combined with much better money management under the Progressives-led Government over the past year, has helped to bring us to a comfortable surplus position, one has to wonder why, with such an increase in revenue, things could not have improved faster under the last administration.

We have also been able to reduce debt, which at 31st January this year was \$559 million and now stands at \$532,405.00. Debt for 2012/13 was \$573,850.00. Over the course of the coming year, we will continue to pay down debt, and, I want to reiterate, there will be no long-term borrowing.

Our challenge continues to be with expenses—that is to even further lower the cost of government. We must stabilise the situation and create a sustainable course in which we have the right people in the right positions to provide the right services to the people of the Cayman Islands. Our goal is a sustainable Civil Service that gives the biggest bang for the buck. Greater efficiencies are therefore urgent and crucial.

The constant upward pressure on personnel costs and the measures employed thus far to contain them are not sustainable in the long term. The reason why we were unable at this point to grant the Civil Service the 3.2 per cent increase in salary—and we think they should get more—is because the personnel costs are just too high. We have reached the ceiling. This is going to continue to be a struggle going forward. The solution of the past of leaving positions in the front lines vacant, is simply not working. It is creating deficits in service in critical areas like Police, Customs, Immigration and the Fire Service.

We have to contain personnel costs in a sustainable way. That's why, through a competitive bid process, EY [Ernst & Young] was selected to undertake a strategic overview of the public service and identify those functions that would be better carried out with private sector involvement. Part of their remit is to review government's assets and make recommendations of those that could be sold where a fair market exists. But they will also consider areas for consolidation and, at the request of the Government, they will also examine allowing Caymanians now employed by Government to become small business owners and to contract their services back to Government on a fair basis.

Through this exercise we hope to streamline Government even more and to devise a roadmap for implementation, as well as to ensure that Caymanians

have an opportunity to become entrepreneurs where possible.

Mr. Speaker, even without the benefit of the EY report, the exercise of making Government leaner and more efficient has been ongoing and we will be making some announcements of further amalgamation probably in advance of this report. But, Mr. Speaker, I hasten to add that while we recognise the need to rationalise Government services, before we make any moves toward privatisation, amalgamation or restructuring, this Administration will have to be satisfied that the action will be in the best interest of the public and the public purse.

Part of Government's solution to greater efficiencies will be afforded by E-Government. The Government has already approved the creation of a Director of E-Government and is now moving to recruit someone with the requisite experience and skills to fill that role.

In the meantime, next-day electronic scanning of all Trade and Business files is saving time in filing as well as in searching for files. Staff efficiency has been improved by about 18 per cent. An online Department of Planning System enables clients to submit their requests for inspection online, which has drastically reduced the time it takes to process, execute and document an inspection. At the General Registry, for service providers who are registered to use the online service, expedited service has been reduced from 24 hours to four hours and regular service from five days to just 48 hours.

At the end of May there were more than 900 registered users. In January the Department introduced limited registry services to Cayman Brac, allowing company owners the opportunity to file and request various documents at the District Administration Offices in Stake Bay.

Mr. Speaker, online services at Immigration will mean a reduction of long lines and wait time in the Immigration Hall and a lessening of the burden of cumbersome forms and documents. Customers will have 24-hour access to fill out forms and make payments online. It is envisioned that Immigration will be able to interact with the Health Services Administration and the Royal Cayman Islands Police Service on behalf of its clients for medical and criminal records. However, Immigration does now have access to National Workforce Development Agency data relating to job-seeking Caymanians and it is anticipated that this will be further improved in the coming year.

From 1 July 2013 to 9 May of this year the NWDA has found employment for 128 people. Working with Baraud and the Department of Tourism, a further 34 people have been employed, bringing the total of newly employed Caymanians and those with the right to work without a permit to 162. So far, 500 companies have registered their employment needs online with NWDA.

In fact, our first year in office has also seen a reduction in unemployment. In 2012 unemployment stood at 10.5 per cent for Caymanians. In 2013, that number dropped to 9.4 per cent and we intend to see it drop even further.

You will read in the new Budget that Government intends to introduce a portal system that will allow traders and citizens to submit declarations for imported goods online.

Government is also continuing to reduce expenditure by taking various Government Departments out of rented facilities and bringing them to the Government Administration Building.

We are also committed, Mr. Speaker, to establishing a Central Procurement Office, which will be responsible for ensuring the transparent and efficient procurement of goods as well as contract management across Government.

Now Mr. Speaker, I turn my attention to the Sister Islands. I know it must have warmed the hearts of Madam Speaker and the Deputy Premier to be able to host the April sitting of this honourable Assembly on Cayman Brac, for the first time since 2003. It was certainly a joy for the Deputy Premier whose smile was only bettered by his pride in having us on the Brac.

The Government is doing all it can to encourage tourism on Cayman Brac and Little Cayman. For starters, improvements made to the Charles Kirkconnell International Airport will mean additional and improved airlift to Cayman Brac and, by extension, Little Cayman. It is our desire for international flights to go directly to and from Cayman Brac without passengers having to traverse through Grand Cayman if that destination is not part of their itinerary.

I am happy to say that tourism in the Sister Islands should get a boost following a Department of Tourism hosted global meeting on the Brac this past March for 40 DoT representatives from Canada, Europe, the UK and Western and Central United States for four days. They had local interaction, took tours and the Islands received excellent exposure. I want to thank the Deputy Premier and Tourism Minister for his vision in hosting this important event.

In addition to the generation of much needed economic activity in Cayman Brac, the possibility of three new marinas may also constitute a tourism draw. Plans for Marinas have been presented for consideration and Government is working with the developers and is hopeful that these will come to fruition in the not-too-distant future.

We hope that Sports Tourism takes hold on the Brac, so much so that we have committed to seeing that the Sports Complex on Cayman Brac is improved to FIFA standards, which will give us the ability to have visiting teams play on a top-notch surface. We are completing a running track, entrance and exit access, warm up and field event area, changing rooms, hard courts and a swimming pool. The site has al-

ready become a weekend Mecca for hundreds of families who gather at the playground, which a private individual donated to Government. While we know that tourism will have a positive impact on the economy of the Sister Islands and bring much-needed jobs, we also know there are things this Government can do to improve the welfare of our residents on Cayman Brac and Little Cayman.

I was happy to be a part of the Agricultural Show on Cayman Brac this year along with my staff. The displays of local crafts, produce, livestock and booths was proof that agriculture is alive and well in the Cayman Islands. I am happy to report that the Agriculture Grounds on the Bluff will be home to a new slaughter and butchering facility. Farmers will be required to slaughter at the facility, but they will have the option to butcher and retail their product either at the facility or at their own place of business, provided it meets and maintains standards of sanitation and safety.

I am encouraged by the growth in the agriculture sector on Cayman Brac with the imminent introduction of a goat farm that will produce milk, cheese and meat and the efforts of a visitor resident to experiment with food producing plants not normally found in these Islands. I congratulate the entrepreneurs in the Sister Islands who have found ways to further enhance the diversity of agriculture in Cayman Brac.

In another effort to lighten the economic load on residents of the Sister Islands, the Progressives-led Government will continue the 100 per cent duty waiver on building materials imported to Cayman Brac and Little Cayman, the import duty concessionary rate of 12.5 cents per gallon for the importation of motor gasoline to Cayman Brac and the 100 per cent waiver on stamp duty for the purchase of land on Cayman Brac.

Mr. Speaker, back on Grand Cayman, Government has constituted a team that is looking holistically at revitalising the downtown area in keeping with our Manifesto pledge. We have already approved road works and the team is studying what is needed to bring this area back as an economic hub, including residential, retail and commercial use. While the revitalisation exercise takes into consideration the impact of the proposed Cruise Berthing Facility, it is seen as an independent project that must be implemented for downtown to become re-energised and to once more play the important economic and vibrant role that any proud capital should. Once Government has the team's recommendations, public discussion will follow with an aim to start implementation by the fall of this year.

We are cognisant of the lack of parking spaces in the capital city, including this Legislative Assembly where the public is encouraged to attend sittings to see Government at work. Plans are in the works for

improved parking as well as a new park and market at the former Tower Building site.

We want to make George Town more relevant, not just to visitors, but to Caymanians and those who make Grand Cayman their home. The Progressives-led Government believes that it is of critical importance that the downtown not be allowed to die, but that it regains its once pre-eminent status as a hub of economic, commercial and social activity. There is simply no reason why George Town should roll up the sidewalks as the last cruise ship sails over the horizon each day.

The Progressives-led Government will propose legislation to amend the Development and Planning Law to ensure that downtown George Town is developed with a modern Caymanian feel throughout. We want to be able to draw new restaurants and businesses back to George Town and for property owners to have the ability to eventually refit some buildings for apartments for residential use or develop new living spaces. It is our plan to make downtown George Town more pedestrian friendly with wider sidewalks, trees, benches and one-way or no traffic.

During the different phases there will be the added benefit of new jobs, companies getting contracts and new businesses encouraged to start or move to George Town. It's all about enhancing the experience of the Capital.

Mr. Speaker, we all know that the Financial Services Industry is the strongest pillar of our economy. The Progressives-led Government will continue to maintain its positive relationship with Cayman Finance. We signed a Memorandum of Understanding (MoU) with Cayman Finance last year, giving us new momentum in promoting the Cayman Islands as a top-performing financial services jurisdiction. The MoU solidifies the dialogue between private and public sectors as one unified voice. As a result, the membership of Cayman Finance has grown, ensuring more organisations are properly represented in discussion on important initiatives that could affect the industry.

The Minister of Financial Services has been working closely with Cayman Finance including attending a breakfast seminar in New York City this past January where about 150 attendees heard him discuss Cayman's latest regulatory improvements.

The Ministry of Financial Services is hard at work on modernising Cayman's intellectual property regime, which will entail new legislation dealing with copyright and trademarks protection. While there will be a cost associated with increasing the capacity of the General Registry to introduce direct registration of trademarks, this is forecast to be offset by an increase in revenue relating to these services.

Modernisation is important as part of our international obligations and is being supported by the Foreign and Commonwealth Office and the United Kingdom Intellectual Property Office.

Speaking of international obligations, to keep in line with evolving global standards, Cayman continues to implement automatic information exchange for tax purposes. This includes the implementation of FATCA (Foreign Account Tax Compliance Act) as an Automatic Exchange of Information initiative (AEOI). Government's approach to AEOI was agreed with the financial services industry, with the understanding that there would be a significant cost to implement the necessary AEOI systems.

The Ministry is pursuing the centralisation of trade licensing functions such as trade and business licensing, liquor licenses and tobacco licenses in an effort to convert the different systems into a single system that is more efficient and effective.

Late last year, Government tasked a committee to review the Liquor Licensing Law and the moratorium that is in place on the issue of new licenses. While work on an amendment to the Liquor Licensing Law is still ongoing, the Liquor Licensing Review Committee has recommended that the moratorium be lifted. This recommendation will be discussed in Cabinet shortly. However, the proposal is for the moratorium to be lifted in July so that new applications can be heard at the September meeting of the Board.

Mr. Speaker, the Progressives-led Government has an increased focus on enforcement to ensure a level playing field in local commerce. As an example, our Government has successfully passed the Contracts (Rights of Third Parties) Law, which allows persons who are not direct parties to a contract to enforce the contract's provisions.

The Exempted Limited Partnership Law has also been passed and introduces increased flexibility for partners to determine their affairs. It also includes some concepts, such as transfer by continuation and registration of foreign limited partnerships, used in the Companies Law. It is expected that the law will enhance the Cayman Islands as a domicile for partnership formation.

The Directors Registration and Licensing Law passed at the last meeting of this House introduces a regulatory framework for directors, which addresses improvements discussed with the industry for the past few years. Anticipated revenue from the fees associated with these licenses and registration will result in a decrease in central government's required contribution to Cayman Islands Monetary Authority (CIMA).

Other legislation we have been successful in getting approved includes the National Conservation Law, the Standards in Public Life Law and Phase One of Immigration Reform.

The Completion of Phase One of Immigration Policy Reforms resulted in comprehensive amendments being made to Immigration legislation in October of last year. These included changing the term limit from seven to nine years for all workers; abolishing the key employee mechanism; creation of a new,

stricter, permanent residence points system that focuses more closely on the needs of the Cayman Islands and making the appeals process more robust.

The legislative changes also dealt with the problem of some 1,500 Term Limit Exemption Permits expiring at one time and the economic impact that would have resulted if all those workers had to leave the Islands immediately.

Phase Two of Immigration Policy Reform is under way and focusing on the work permit system. A review team is looking at ways of improving efficiencies in the work permit application process, including the introduction of online applications and ways to ensure that Caymanians have access to available jobs.

Mr. Speaker the Progressives-led Government continues to support new business and development. The opening of Health City Cayman Islands in February in East End ushered in a new economic pillar for the Cayman Islands—Medical Tourism. It is anticipated that the number of tourists will significantly increase as patients and their families come to the Cayman Islands for healing and care. It means more money for our economy as there is immediate impact on Cayman Airways, hotels, hire car businesses, restaurants, shops, attractions and more.

Health City Cayman also means jobs for Caymanians and once the medical school is open, it will mean added educational opportunities for Caymanians who want to enter the medical field. We also believe that there will be many spin-off businesses that develop because of the new hospital.

Ironwood Development on Frank Sound Road in the District of North Side will be a residential golfing community. A memorandum of understanding has been signed between Government and the developer and an agreement has been reached with the National Trust on the route of the East West Arterial leading from Hirst Road in Savannah to the development site. Negotiations with the Developer with respect to funding and construction terms are ongoing and proving positive. Importantly, the Foreign and Commonwealth Office is aware of the agreement and supports continuing negotiations.

The next step is to secure a Strategic Business Analysis and Value for Money Report. The thesis of the arrangement is that the cost of the road will be paid for by duties and taxes generated by the development. We wholeheartedly believe completion of the East West Arterial will spur other developments along the corridor. By this summer the deal should be well in hand and the design of the road should be finalized. Barring any unforeseen events, Government anticipates construction to begin in the latter part of this year.

Another positive step in development will be the Gran Palazzo, a major Caymanian-owned waterfront condominium complex to be constructed on the

North Sound side of West Bay Road. The Government has been working with the developer to ensure that this quality project proceeds quickly. Construction of this high-end, 126-unit development is expected to start before the end of the year and to create 250 jobs during its five-year build out.

Work on the Dart owned Kimpton Hotel project is proceeding well and the build-out of Camana Bay continues apace. Both projects are creating employment and welcomed economic activity in Grand Cayman. The Government is hopeful that it will reach agreement with the Dart Group over the course of the next few months on a range of other projects which will further spur economic activity.

Progress continues on the procurement of the proposed cruise berthing facility. The Environmental Impact Assessment began in May this year and is being conducted by W F Baird and Associates and Bolas Engineering. Increasing cruise numbers show us the need to get on with this project. We've already seen 21,978 additional cruise ship passengers in the first four months of this year (677,663, compared to 655,685 in the same time frame last year).

Anyone who has flown in and out of Owen Roberts International Airport recently can see that work continues to make our residents and guests comfortable with expanded waiting areas. The latest arrival statistics show we have had an increase of 10,754 more visitors than in the same timeframe last year. That 2 per cent increase means more visitors bringing income to help support our economy.

Given the challenges to accommodate the growing number of air arrivals, over the course of the next few months the Cayman Islands Airports Authority will put up temporary structures to increase passenger capacity in the departure area as well as put additional officers in place for Immigration and Customs.

The Outline Business Case and Master Plan for Phase One were completed very recently and the Request for Proposal and architectural and engineering design is projected to be released in August. The next step in the process is to seek Cabinet's approval, which will clear the way for public consultation. A series of public and private sector stakeholder meetings will be planned and at the completion of the consultation process, the final document will be returned to Cabinet for approval. Our plan is to tender the award for that design in September and issue the tender for construction of Phase One in early 2015 to extend the departure area.

Mr. Speaker, just five months after we were elected into office, the Progressives-led Government brought the National Conservation Bill, 2013 to the Legislative Assembly for debate and passage. Again, this long awaited legislation had been batted about by other administrations, but it is this Administration that had the political will to bring it forward and entertain

discourse from all sides in this Honourable House to get this important law approved unanimously.

The remaining hurdles to the implementation of the legislation will be overcome at this meeting of the House when the necessary amendments are made to the Animals Law and the Plants (Importation and Exportation Law).

We cannot however, talk about the environment without addressing waste management and specifically landfill issues on all three Islands.

The Strategic Outline Case for the George Town Landfill has been completed and the Ministry's Steering Committee for the Integrated Solid Waste Management System (ISWMS) will continue its work on the procurement of the system for the Cayman Islands. During the course of the 2014/15 Financial Year, the Ministry will deliver a National Solid Waste Strategy to guide the work of the ISWMS committee. In addition, an Outline Business Case will be completed to identify the preferred project option for the ISWMS, with the goal of having a functioning ISWMS in place for all three Islands in 2016.

Operations at the George Town Landfill will be enhanced with the acquisition of much-needed equipment, replacing a fleet that is in a state of disrepair and sometimes well beyond its useable lifespan, as well as increasing funding for operational requirements to ensure that best practice can be followed to the greatest extent possible.

Part of replacing that fleet occurred in February when Government took delivery of three new 25-cubic-yard garbage trucks, which have alleviated delays in residential garbage collection caused by equipment shortage. We were successful over the past year in removing about 6,000 tonnes of scrap metal from the George Town Landfill and receiving about \$500,000 from its sale. A second shipment is slated to be taken away later this year from Little Cayman, Cayman Brac and Grand Cayman.

Recycling efforts continue at the George Town Landfill as work is being done on the ISWMS. The Department of Environmental Health is continuing to research and identify new recycling programmes and explore markets for mulch, cardboard, plastic, pallets and paper.

Mr. Speaker, I would like to take this moment to remind residents and visitors that DEH does have large blue recycling bins strategically placed in all districts of the Cayman Islands. While it is Government's duty to maintain garbage pickup and disposal services, it is incumbent on each of us to be mindful of what we are pitching in the waste bin and what we should be recycling.

As we are becoming more aware of the terms reduce, reuse, and recycle, we are also mindful of our use of fossil fuel to generate electricity. Government is looking into using solar energy and LED bulbs to reduce energy costs and our own carbon footprint in

government buildings. There are already many individual homeowners and strata corporations that have adopted solar and LED technology to limit their use of fossil fuels and I would encourage more of us, as individuals and businesses, to look into this technology.

Now that Government has allowed reduced duty on electric motor vehicles, we are also seeing more and more electric cars on our roadways, which I applaud. It was under the PPM's previous administration that these vehicles were made legal.

But many of us still drive vehicles that require petrol. While our Petroleum Industry has self-regulated in the past in a number of areas, including the quality of fuel imported and marketed in Cayman, the recent fuel report identified some gaps that need to be addressed. Government is looking at policies focused on all grades of imported fuel. We realise that fuel quality standards and controls are needed, which will not only ensure motorists are getting what they pay for, but will also pave the way for Cayman to be more proactive in its role in reducing greenhouse gases emissions, thus reducing air pollution. While the policies are being developed, Government has embarked on periodic random sampling of imported fuel.

A formal complaint process is also being developed to ensure quality and structured information is provided to us in regard to fuel issues so Government can take quick, effective action. Ultimately, this Government is committed to exploring all avenues to ensure the main concerns related to fuel are addressed in the short to medium term to bring much needed relief in this area to consumers across the Cayman Islands.

A healthy environment goes hand-in-hand with the health and wellbeing of our people. The Health Services Authority will issue a Request for Proposals for an overseas partner to enhance the capacity, both administrative and clinical, of the HSA through a partnership to facilitate additional training opportunities for staff, enhanced access to certain services, and opportunities to maximise efficiencies through partnering with a larger overseas provider.

The Ministry of Health will partner with the Pan American Health Organisation to move the National Health Policy and Strategic Plan from "plan" to action by identifying action plans and associated implementation steps for each of the Health Policy's objectives.

The Minister will also present a Cancer Registry Bill, making it mandatory for healthcare labs and physicians to report the incidence of cancer in residents to the confidential cancer registry. This will help to ensure that the Cayman Islands gets an accurate picture of the incidence of cancer, the most prevalent types of cancer, and data to help guide prevention efforts and investments in services and medical equipment.

Mr. Speaker, the Progressives-led Government is also breathing new life into a concept begun by the previous PPM administration more than four years ago: the Cayman Islands Disability Policy. It is expected that Cabinet will get this policy in the upcoming fiscal year. Once it is approved, complementary legislation, such as the Education and Labour laws, will be reviewed. My Administration is committed to championing this policy and the forthcoming associated legislation.

Another area that must be addressed again by this Administration is that of mental health. Under our last Administration in 2005-2009, we completed the necessary groundwork to carry forward a proposed Mental Health Strategic Framework. Unfortunately, it was one of the first items cut out of the budget under the UDP Administration. We promised again in our more recent Manifesto to work toward addressing the needs of those who need mental health care. I do know that we have to get more professionals in our schools, working with our youths to stem problems before they become too serious.

In my own Ministry of Community Affairs, we have adopted a holistic approach to addressing human needs and ensuring that human development remains a priority for the country. This is achieved through innovative legislation, policies, services and programmes to accomplish positive social development.

During the upcoming financial year, the Ministry will undertake to develop the Poor Persons Relief Regulations; continue to review the Seaman's and Veterans ex-gratia benefit; monitor and evaluate the Department of Children and Family Services review implementation plan; pass the Adoption of Children Regulations; continue to provide social work services to families in respect to custody, adoption, care and protection matters, juvenile delinquency, domestic abuse and elderly care; and provide public education on a range of family matters as well as the ongoing management of the various Homes the Department currently operates.

The Department will also be focused on ensuring compliance with all aspects of the Children Law, 2012 Revision.

The Department will seek to have the National Elderly Care Policy finalised in order to further strengthen our Communities. The Community Development Unit will continue its efforts in mobilising community members in addressing matters of concern within their communities. The Department will also be undertaking the implementation of the Adoption Law, 2013, once the Regulations are approved by Cabinet.

The Needs Assessment Unit will continue to assist in developing the Poor Person Relief Regulations, update the criteria listing for financial assistance to those in need, and address the increasing demand from the public by providing additional staff.

The Department of Counselling Services will continue to provide client-focused treatment services and empowerment programmes throughout the community; expand the provision of family programmes to reach more parents in the Cayman Islands in order to assist them in developing positive and effective parenting skills that reduce risk factors and increase protective factors within their families; strengthen and improve inter-agency collaboration to ensure quality services are provided to the broadest cross-section of the community; reduce duplication of service and increase synergies.

The CAYS Foundation will continue to strengthen its youth rehabilitation programme, which focuses on positive youth development. The foundation of the CAYS Model is a caring, personal and interactive approach between youth, families, staff and community.

In the next year, changes will be made to legislation and policy to, not only enhance the function of the National Drug Council, but to address the negative impacts of alcohol and other drugs in our communities. Targeted legislation includes the National Drug Council Law, the Prescription Drug Management Law and the Liquor Licensing Law. Also, in 2014/15 the NDC will send its National Anti-Drug Strategy to Cabinet for approval and implementation. The goal of the strategy is to significantly reduce the prevalence of drug use among the Cayman Islands' population, thereby minimising social harm and damage to the well-being of our society. We want to combat the demand for, as well as the availability and distribution of illicit drugs to, and within, all three Islands.

While Government has the resources to keep our populace healthy, it is incumbent on us all to ensure that we take responsibility for our own health with the lifestyles that we lead. Mr. Speaker that is why the Progressives Government encourages all and sundry to take advantage of the play fields, tracks and sporting facilities in each district as a means to get active. We have adopted a new Sports Policy, which has the vision "to improve the lives of all through sports."

The Youth Ministry's Inter-ministerial Committee on Youth Affairs will continue its work on the implementation and coordination of Government's responsibilities under the National Youth Policy, ensuring that Government enhances its response to the needs of our youth in terms of achieving the National Youth Policy's goals.

The Ministry of Culture, in partnership with the Cayman National Cultural Foundation, the National Museum, the National Gallery and other culture stakeholders, will commence work on the Cayman Islands' first National Culture Policy in this fiscal year.

As we continue to attract business and development to our shores, as well as ensure we have a healthy, well-adjusted population, we also need to make sure that Caymanians are equipped with proper

knowledge and training. Government acknowledges the critical importance of a quality education system to our country's social and economic developments and aspirations. We are committed to continuing to invest in the strategies, resources and training and support for our educators, to enable us to deliver a world-class education system, with outcomes that position all of our citizens for success in further learning, employment and life.

We celebrate the strides we have made in recent years and over multiple administrations to improve our external examination results; update our curriculum; to restructure our education system; to provide an expanding range of externally accredited technical and vocational subjects and preparation for the world of work; to introduce new policies and frameworks to support high standards; to strengthen early childhood care and education; to provide innovative solutions for our most vulnerable students; and to tackle underperformance in reading, writing and mathematics.

We are committed to enhancing the governance structure for education to ensure that more responsibility is devolved to our schools, together with greater accountability for all stakeholders. We are working to establish a new level of partnership with the private sector to assist us in these endeavours.

These policy priorities will bring a new focus and accountability to our National Strategic Plan for Education and help us to achieve a much needed strategic shift towards focusing on outcomes we actually achieve as we pursue the following strategic goals: strengthening leadership and building national capacity; building a world class early childhood care and education system; securing high standards and improving student achievement; building safer school communities and promoting inclusion and engaging parents as partners in their children's learning.

Just as we are concerned about learning, we are also cognisant that a new high school is needed in George Town. We plan to resume construction of the John Gray High School in the next fiscal year. Because of budgetary constraints, this will have to be done in phases. Work will commence first on completing the Multi-Purpose Hall.

In order to prepare and protect Caymanians so they can partake in the economic opportunities that exist in, and are to be attracted to, the Cayman Islands, a national human capital development strategy is needed to develop local capacity to meet the current and future workforce requirements of these Islands. It is the Government's view that the National Workforce Development Agency, supported with additional resources and an appropriate focus, has a key role to play in helping us to realise this critical goal. Since coming into office in May last year, the Government has allocated much needed additional resources to what was an inherited, dysfunctional

NWDA, and it is now well on its way to having the staff it needs to deliver on its important mandate.

Starting in 2015, Labour Force Surveys will be conducted twice a year. The survey is used to provide information on the characteristics of people in the Cayman Islands labour force.

While jobs and education are important for our Caymanian people, so is the cost of living. To get a better understanding of the prices of goods, a new household budget survey will be conducted in 2015 to update the current Consumer Price Index basket, which is now six years old.

Mr. Speaker, the Progressives-led Government also plans to introduce a minimum wage at a responsible and economically sustainable level to ensure that those on the lower end of the pay scale receive a minimum expected wage.

Mr. Speaker, while we do all that we can to help Cayman's economy improve and grow, help families and individuals with the matters of life, no one would want to be here to help us move this country forward if they did not feel safe.

In the coming year there will be an increased focus on the collection of Customs duties to facilitate legitimate trade and control prohibited and restricted goods into the Islands. The appointment of a new Customs management team has already proven fruitful with increased confiscation of contraband coming through our borders, including Owen Roberts International Airport. The leadership team is now making a real difference.

This Administration has also successfully addressed the deplorable conditions of holding cells at the Police stations in West Bay and George Town with the construction of Custody Suites near Fairbanks Women's Prison. The suites are able to house up to 24 individuals in humane conditions.

In the 2014-15 fiscal year the Cayman Islands Fire Department will see the recruitment of a Chief Fire Officer and Deputy Chief. It will continue to quickly and efficiently respond to a variety of emergency situations, including fires, accidents and rescue services. During the next fiscal year, the Fire Service will continue Fire Prevention, Public Education and Training initiatives as well as the recruitment and replacement of Fire Officers and support staff. The Service will also strive to meet Fire Inspections of all commercial business, hotels/guest house, bars and restaurants.

Mr. Speaker, I assure you, the Progressives-led Government is going to do all it can to shore up our front-line positions in Police, Customs, Immigration and Fire in our unending mission to keep these Islands safe for one and all.

Mr. Speaker, as we continue to transform the way our Government functions it is clear that we must do so with certainty and transparency if we are to have the buy-in of investors and our own people. Con-

fidence, as we said a year ago during the election campaign, is one of the keys to success for the Cayman Islands.

Mr. Speaker, I submit to this honourable Chamber that the Progressives-led Government has fully lived up to its first campaign pledge to bring back confidence to Cayman. Today we will take the next firm steps along the road to prosperity. We will build on a foundation of sound and responsible management of our economic affairs towards a platform of greater growth. Growth, Mr. Speaker, will be led by the private sector, in partnership in some undertakings, with the Government.

The face of Government itself will change. Those who have worked in the delivery of services will in some cases be given the opportunity to do so as owners of their own businesses. Those who continue in a leaner, more efficient organisation will do so safe in the knowledge that their efficiency and hard work will be ably rewarded by a system that the country can afford.

If there is one thing that the global recession has taught us Mr. Speaker, it is that we cannot continue to do things in the same old ways without courting disaster. I therefore invite the Members of this honourable Assembly and the country on the whole to get on board. Change, to reflect different times, is inevitable, and it is better for us to manage the change ourselves than to have it administered as bitter medicine by others.

It is easy to get caught up in some of the smaller matters of public affairs when the real deficit is vision for your country. The Progressives' vision has been clearly stated as creating the environment where people are able to find employment and raise their families in a happy, safe environment. As a Government we do not expect everyone to always agree with every decision we take to get there, but rest assured that the pursuit of our vision is always top of mind.

Stabilise, prioritise, energise. That is our roadmap for the country. In our first year we have ticked the first two boxes. With continued hard work and God's blessing we shall energise the economy so that every Caymanian will be able to improve their quality of life in some way. This is only the start Mr. Speaker, in the immortal words of Jimmy Cliff; "better days are coming."

I thank you, sir.

The Deputy Speaker: I acknowledge the Leader of the Opposition.

Hon. W. McKeeva Bush, Leader of the Opposition: Mr. Speaker, I rise under Standing Order 30(1) and (2) to ask a few short questions.

The Deputy Speaker: So ordered. Short questions, please.

SHORT QUESTIONS

[Standing Order 30(1) and (2)]

Hon. W. McKeeva Bush, Leader of the Opposition:

Mr. Speaker, on page 4 the Premier talks about increased duty on fuel. I would pose the question: If he recalls CUC was paid \$13 million, which the public paid back—paid \$13 million by him and his Government. [Does] he know what the deficit was in 2009, and what was the cost of government projects, and if money to carry through the contracts was in government's coffers, and why the United Kingdom would say property, payroll, or an income tax, or VAT, and that the United Democratic Party and the public rejected all of those offerings and dictums of the Foreign and Commonwealth Office?

That's one short question, Mr. Speaker.

The Deputy Speaker: A new definition.

Honourable Premier, do you wish to address that at this time?

The Premier, Hon. Alden McLaughlin: Mr. Speaker, I know that the Honourable Leader of the Opposition has been stung by the policy statement, but I would remind him that he will have a full two hours to respond on Thursday to all of these issues.

The Deputy Speaker: Honourable Leader of the Opposition?

Hon. W. McKeeva Bush, Leader of the Opposition:

Mr. Speaker, I certainly will have opportunity to talk. I don't know if I want to talk two hours. I await to see what the procedure is going to be on this matter, and ask a further question later on.

In regard to the statement just given, the Premier talked about revenue that was raised in 2009 and 2012. He also, on page 5, talked about reduced debt. Does the [Premier] know, or does he realise, that the debt in 2005 when he went in office was just about \$158 million; that the projects for at least \$106 million for high schools and others increased the borrowing and that the United Democratic Party paid well over \$100 million on those loans since there was no money in the coffers. Well, that speaks of real good planning.

[Inaudible interjection]

Hon. W. McKeeva Bush, Leader of the Opposition:

Yes, the question [is], does he recall, or does he know?

[Inaudible interjection]

Hon. W. McKeeva Bush, Leader of the Opposition:

The question is, does he know? Does he recall?

The Deputy Speaker: The Honourable Premier wishes not to answer at this time.

Hon. W. McKeeva Bush, Leader of the Opposition: Sorry?

The Deputy Speaker: The Honourable Premier wishes not to answer at this time.

Hon. W. McKeeva Bush, Leader of the Opposition: Of course not.

I don't know who is stinging who, though.

The Deputy Speaker: Madam Clerk.

GOVERNMENT BUSINESS

BILLS

FIRST READING

APPROPRIATION (JULY 2014 TO JUNE 2015) BILL, 2014

The Clerk: The Appropriation (July 2014 to June 2015) Bill, 2014.

The Speaker: The Appropriation (July 2014 to June 2015) Bill, 2014, is deemed to have been read a first time and is set down for second reading.

ANNOUNCEMENT BY THE SPEAKER

HOUSE VISITORS

The Deputy Speaker: Before calling on the Honourable Minister of Finance, I would like to acknowledge on my left, past Members of the Legislative Assembly, also two of our former Speakers: Dr. the Honourable Linford Pierson, and the Honourable Mary Lawrence. Thank you for your attendance.

This Bill has been read a first time and is set down for second reading.

BILL

SECOND READING

APPROPRIATION (JULY 2014 TO JUNE 2015) BILL, 2014

The Clerk: The Appropriation (July 2014 to June 2015) Bill, 2014.

The Deputy Speaker: Honourable Minister of Finance.

Hon. Marco S. Archer: Thank you, Mr. Speaker.

I beg to move the second reading of a Bill entitled The Appropriation (July 2014 to June 2015) Bill, 2014.

The Deputy Speaker: So ordered.

Now that the Bill has been moved, does the Minister wish to speak thereto?

BUDGET ADDRESS

MAINTAINING THE PATH OF FISCAL PRUDENCE

Hon. Marco S. Archer: Thank you, Mr. Speaker.

It is my pleasure to rise today to speak to The Appropriation (July 2014 to June 2015) Bill, 2014.

Last October when I presented the Government's Budget for the current 2013/14 financial year I spoke of how the Government would, as a matter of policy, be managing the country's economic growth by practicing fiscal prudence. Today, Mr. Speaker, I am pleased to report that we have made much progress in this area and the Government is well on its way towards achieving our desired financial targets. Hence I have entitled my address today – "Maintaining the Path of Fiscal Prudence".

I would compare Government's finances to that of a long journey and draw reference to the ancient Chinese proverb, "A journey of a thousand miles begins with a single step." The financial management issues which led to the imposition of the Framework for Fiscal Responsibility (FFR) did not arise overnight and it is not reasonable to expect that they will disappear overnight.

We must recognise and acknowledge the mistakes of the past and then set about correcting them in a manner that minimises the risk of reoccurrence.

Mr. Speaker, consistent with the Strategic Policy Statement Tabled in the House on 21 November 2013, the Government's 2014/15 Budget is based on four guiding policy strategies:

1. Prudent financial management.
2. Facilitate private sector economic growth.
3. An educated, work ready populace.
4. Develop and modernise our infrastructure.

The Public Management and Finance Law includes the FFR at its Schedule 6, and prescribes a specific set of fiscal parameters within which the Government must operate its financial affairs. Last year, we agreed that the Cayman Islands Government would achieve compliance with all of these targets by 30 June, 2016, and this 2014/15 Budget represents two years in the three-year plan towards full FFR compliance.

Mr. Speaker, prudent financial management is at the centre of this strategy to achieve FFR compliance and involves:

1. Strict expenditure control.
2. Enhanced revenue collection and management.
3. Stringent cash management to build reserves.
4. Proactive debt management to reduce the public sector debt balance.

The 2014/15 Budget expands on all of these points. In line with the FFR, the 2014/15 Budget will reduce the tax burden of the private sector, continue the downsizing of government and further reduce our debt burden. All of these are expected to provide the private sector with more resources and generate a multiplier effect that will re-grow the middle class and facilitate more robust economic growth over the medium term.

Mr. Speaker, the revenue burden as indicated by the ratio of the central government's revenue to nominal GDP was 23.6 per cent in fiscal year 2012/13. This increased marginally in fiscal year 2013/14 to 24.0 per cent of GDP due to the impact of the revenue measures that were implemented starting from 2012. For fiscal year 2014/15, the aim of fiscal policy is to reduce the revenue burden to 23.2 per cent of GDP. This will be realised by reducing the rates of particular taxes. I will speak on this in greater detail in the latter part of my speech.

The government continued to downsize in fiscal year 2013/14 as evidenced by the decline in total spending at 22.0 per cent of GDP compared to 23.4 per cent of the previous fiscal year. For fiscal year 2014/15, the aim of fiscal policy is to further curtail the central government's expenditure to 20.7 per cent of GDP. Consequently, the debt burden of the government declined in fiscal year 2013/14 to 20.2 per cent of GDP from 22.0 per cent in fiscal year 2012/13. For fiscal year 2014/15, we intend to further reduce the debt burden to 18.5 per cent of GDP.

With respect to developing and modernising our infrastructure, along with providing world-class educational opportunities at every level, everyone will agree that our long-term economic development is dependent upon our ability to maintain and upgrade our country's physical infrastructure. The Government has identified five such projects that will be pursued as a matter of priority:

1. The George Town Cruise Ship Berthing facility.
2. Owen Roberts International Airport Terminal upgrades.
3. George Town revitalisation.
4. Extension of the east-west arterial road.
5. A new solid waste management facility.

2013/14 FINANCIAL FORECASTS

Mr. Speaker, I will spend a few minutes to explain the forecast financial results for the current 2013/14 fiscal year as they form the basis for the financials in the 2014/15 Budget.

As at 30th April 2014, the forecast operating surplus for the financial year ending 30 June 2014, is \$108.1 million. This figure represents a \$7.9 million positive change to the operating position when compared to \$100.2 million in the approved 2013/14 Budget. The change in operating position is mainly due to higher than expected operating revenues. Mr. Speaker, I find it important to explain why the Government's forecast Operating Surplus for the 2013/14 fiscal year does not mean that same amount is available for use at the end of the fiscal year.

The Cash-Flow Statement for the 2013/14 fiscal year indicates that the normal operating activities of the government—that is, its ordinary recurring revenues minus its recurring expenditures such as Personnel costs, interest expense on past borrowings and cost of supplies and consumables—are expected to generate positive cash flows during the 2013/14 year of \$119.2 million. This \$119.2 million is used to fund Capital Expenditures and Equity Investments—such as the cost of road-works and providing assistance to statutory authorities and government-owned companies. Capital Expenditures and Equity Investments are expected to reduce government's cash balances by \$41.2 million during the year to 30th June 2014.

Therefore, the \$119.2 million derived from government's operating activities is reduced by \$41.2 million, to become \$78.0 million. However, it is necessary to go on to consider the fact that government has to make debt principal payments during the year, in respect of borrowings made in the past. For the 2013/14 fiscal year such financing activities result in a further cash outflow of \$24.2 million. When this latter amount is subtracted from the \$78.0 million, just mentioned, government's cash balances are expected to increase by \$ 53.8 million in the year to 30th June 2014.

Mr. Speaker, this does not mean that the government is able to spend the \$53.8 million increase in cash balances that are expected to arise during the 2013/14 year because government has to build-up its cash balances to a sufficient level by 31 December 2015 to cover 90 days of its normal recurring operating expenditures.

Again, the net operating cash flows are forecast to be \$119.2 million which will be used to fund Capital Investments of \$41.2 million; make principal debt repayments of \$24.3 million and build our cash reserves by \$53.8 million.

The revised revenue forecast of \$652.1 million is \$7.4 million more than the \$644.7 million in the 2013/14 approved budget and is due mainly to economic growth and greater efficiency in collecting revenue.

The forecasted 2013/14 operating expenses of core government is \$547.7 million or \$1.7 million lower than the \$549.4 million originally budgeted in 2013/14. This resulted from a deliberate and concerted effort of the Government to carefully manage its expenditure within the approved limits. Therefore, Personnel Costs are forecast to be \$3.3 million less than budgeted as a result of a deliberate effort to centralise the approvals for the recruitment of staff along with careful scrutiny to ensure that agencies are only hiring to fill critical vacancies.

Mr. Speaker, financing expenses are forecast to be lower than the original 2013/14 budget by \$0.8 million due to limited use of the \$46 million operating overdraft facility and successfully negotiating lower interest rates in November 2013 to reduce interest expense by \$6.2 million over ten years on five outstanding loans with balances totalling \$102.7 million.

These savings were partially offset by increases in other areas, most notably in outputs from non-government output suppliers; and net surplus of statutory authorities and government owned companies.

Outputs from non-government output suppliers is forecast to increase by \$1.5 million, mainly due to increased costs for the provision of overseas medical care to qualified persons who have exceeded their health insurance benefits or who have no health insurance. The net surplus of statutory authorities and government owned companies (SAGCs) is forecast to be \$3.7 million. This is approximately \$1.3 million less than the \$5.0 million surplus projected in the budget and can be directly attributed to the delayed implementation of new legislation which provides a new revenue stream for the Cayman Islands Monetary Authority (CIMA). However, I am happy to report that this legislation was approved by the Legislative Assembly during our April 2014 meeting and will shortly come into force allowing CIMA to collect the additional revenue.

Cash flow during the first half of fiscal year 2013/14 was positively impacted by the \$10.0 million received from statutory authorities as part of the Entire Public Sector Cash Management initiative where SAGCs placed surplus cash on deposit with the Treasury. This initiative significantly reduced the core government's use of the bank overdraft facility allowing the Government to save approximately \$86,000 in external financing costs after paying interests to the SAGCs.

In addition, SAGCs were encouraged to work with each other to facilitate foreign exchange transactions and reduce any potential losses from the buying

and selling of foreign exchange via commercial banks. At the end of April 2014 this had resulted in approximately \$54,250 in savings on foreign exchange transaction costs thereby highlighting the need for greater collaboration between SAGCs or the introduction of legislative provisions if necessary.

These are two examples of how the Government has improved efficiency of its cash management operations resulting in lower expenditures. We will continue with these initiatives in 2014/15 and seek further innovative ways to improve the expenditure savings.

As a result of the increased revenues and reduced operating expenditure, the 2013/14 closing cash balance is \$173.6 million, \$11.6 million more than the \$162.0 million forecasted in the approved 2013/14 budget.

Mr. Speaker, overall the Government has prudently managed its finances in 2013/14 and is on track to exceed its budget targets for FFR compliance. For 2014/15 we will build on this positive momentum as we push forward in our journey to achieving full FFR compliance by 30 June 2016.

ECONOMIC OUTLOOK

World Economy

In its April 2014 World Economic Outlook, the International Monetary Fund has reported that the global economy is improving. Global demand improved in the second half of 2013, which increased global output by 3.0 per cent, slightly lower than the 3.2 per cent recorded in the preceding year. The advanced economies expanded by 1.3 per cent, slightly weaker than the 1.4 per cent growth recorded in 2012, while emerging and developing countries recorded a 4.7 per cent growth, slightly lower than the 5.0 per cent growth recorded in 2012.

Global economic output is expected to strengthen to 3.6 per cent in 2014 with the advanced economies, the main markets for Cayman's financial and tourism services, also projected to turn in higher economic performance, growing at 2.2 per cent in 2014.

Looking at Performance Forecasts for the Cayman Islands in 2014/15, GDP Growth during 2013, our economic output increased by 1.2 per cent as compared to 1.4 per cent recorded in 2012 and 0.9 per cent in 2011. Growth in 2013 was generated largely by the service sectors led by: 1) hotels and restaurants, 2) transport, storage and communication, 3) real estate, renting and business activities, and 4) financing and insurance.

Strong growth of 7.4 per cent in stay-over tourism boosted the performance of the hotels and restaurants sector by 6.6 per cent as well as transportation, storage and communication sectors which grew by 2.4 per cent. The latter was also facilitated by a

higher volume of cargo transportation despite a reduction in cruise transport. Also, an expansion in the broadband market supported marginal growth in telecommunication activities.

The financing and insurance services sector, which accounts for the largest share of GDP, is estimated to have expanded by 1.7 per cent in 2013 compared to 2.0 per cent in 2012. Value added from insurance services rose by 7.5 per cent in 2013 as the increase in gross premiums outweighed net claims. For the same period, higher interest income indicated modest growth in the local banking sector.

Value added in the real estate, renting and business activities sector is estimated to have increased by 1.3 per cent, as both business services and real estate activities were enhanced by higher registration of companies and property transfers during the year.

However, some sectors declined in 2013. Value added for government services contracted by 1.5 per cent due mainly to the combined effects of lower staff levels and reduction in capital expenditure. Wholesale and retail trade activity also declined by 2.1 per cent as indicated by the imports of non-oil related goods after adjusting for inflation. Therefore, based on the economic performance of 2013 and the forecast for 2014, GDP growth for the fiscal year 2014/15 is estimated at 2.0 per cent.

Looking at inflation, in 2013, consumer prices rose on average by 2.2 per cent, as compared to 1.2 per cent in the preceding year. All major categories in the CPI basket had higher inflation rates except for housing, utilities, recreation and culture. The forecast inflation rate for fiscal year 2014/15 is 2.0 per cent based on projected higher global prices of non-oil commodities, and a marginally higher inflation forecast for the USA, our largest trading partner.

With respect to employment, Mr. Speaker, in 2013 a smaller population and a lower labour force participation rate led to a decline in the labour force by 0.8 per cent to settle at 38,483. The total number of persons employed declined by 0.9 per cent to 36,070 persons, due mainly to the 6.7 per cent reduction in non-Caymanian employment as the number of Caymanians employed improved by 6.1 per cent. The overall unemployment rate deteriorated modestly to 6.3 per cent. The unemployment rate for Caymanians in October 2013 fell to 9.4 per cent from 10.5 per cent in 2012.

In 2014, the overall unemployment rate is forecast to fall slightly to 6.1 per cent. Consequently, the forecasted unemployment rate for fiscal year 2014/15 is placed at 6.0 per cent, an improvement from 6.2 per cent for fiscal year 2013/14. To improve the frequency of unemployment statistics the Government has budgeted for two labour force surveys in each fiscal year commencing in October 2014.

Turning now to our current account, in 2013, merchandise imports rose to \$774.5 million, 2.1 per cent higher compared to a year earlier. The growth was largely a result of the higher value of fuel imports and non-oil consumer goods. The country's current account deficit was estimated to have narrowed by 1.3 per cent to \$479.5 million or 18.0 per cent of GDP in 2013 due mainly to an increase in the inflow of funds arising from higher visitor expenditure and business services.

In 2013, estimated inflows from visitor expenditures dominated the inflow of funds. This was estimated at \$409.7 million, higher by 2.4 per cent from a year earlier due to strong growth in air arrivals despite a slump in cruise arrivals. Meanwhile, receipts from financial services were estimated at \$405.7 million, an increase of 1.8 per cent as new company registrations rebounded from the decline a year earlier. Also, workers' remittances abroad were marginally lower as foreign employment decreased.

In fiscal year 2014/15, higher projected imports and remittances are estimated to outweigh tourism and financial services receipts from abroad. Nonetheless, the current account deficit is not expected to exceed 17.9 per cent of GDP due to economic expansion.

ECONOMIC TOOLS

Mr. Speaker, a country's ability to influence the level of economic activity nationally is directly related to the number of economic tools it has at its disposal. The difficulty for Cayman is that, unlike many other economies that employ a combination of monetary policy and fiscal policy to stimulate and influence economic activity, successive Caymanian Governments' economic policy has been limited to fiscal policy only. This is limited even further with indirect taxation only, by which to influence or stimulate economic activity, employment, and Government revenues. In addition, the FFR further restricts any fiscal policy actions we may wish to take as the FFR specifically limits our expenditure and ability to borrow. Consequently, we rely on a system of indirect taxes for revenue which is derived from a myriad of coercive revenue measures, of which financial services fees, import duties and work permit fees account for the vast majority of the indirect tax revenue.

Our country's economic policy has always been to encourage growth and development in order to provide employment and generate the level of economic activity necessary to meet the ever increasing demand for revenue by successive Government administrations. This may be attributed to the impact of our international obligations and market forces within the domestic economy as well as the social and economic policies of successive Government administrations.

Whether our government expenditure is financed by taxes or borrowing, what really matters is the size of government, as this ultimately affects how much of our country's resources are reallocated to the public sector. How efficiently this is carried out will always be the question for debate. However, our goal ought to be that we control government expenditure so that it grows at a slower rate than the overall economy for any given period. This is the only way of avoiding the risk of increased taxation or deficit spending financed by borrowing.

In other words, the projected rate of growth for nominal GDP should always exceed the rate of growth for government expenditure for any given period. Over time, the relative size of government to the economy will decline, allowing for private sector growth and greater efficiency in the allocation of resources and employment of the factors of production by the private sector instead of the public sector. This approach, if adopted by successive Governments should have several advantages over the fixation on balanced budgets or debt balances.

The advantages are as follows:

1. It focuses on the problem of excessive Government rather than the symptom of higher taxes, bureaucracy or deficit spending.
2. Government has the power to control the growth of its spending through privatizations and implementation of policies. The current approach of surplus budget requirements puts Government at the mercy of international economic forces, causing large and unpredictable fluctuations in tax revenue.
3. Spending can still grow at the rate of inflation, even in an economic downturn and, therefore, is more politically sustainable.

Mr. Speaker, looking at the economic stimulus package that we unveiled this morning, the size of our population, geographic location and economic structure contribute towards the cost of doing business and living in our beloved Cayman Islands. This Government is acutely aware of the financial pressures placed on everyone and we are working on sustainable solutions to help reduce these costs while also bolstering our economic viability.

The prolonged challenges that the Cayman economy faced over the past several years, particularly in the labour market, placed severe strains on our citizens and residents alike. The unemployment rate increased from 4.0 per cent in 2008 and was last measured at 6.3 per cent in 2013. The proportion of employed persons in the middle-income brackets (those earning between \$28,800 to \$86,388) declined from 44.3 per cent in 2008 to 40.2 per cent in 2013. At the same time, those earning below this bracket in-

creased in proportion from 44.6 per cent to 47.3 per cent.

These trends can be directly associated with the slow recovery of the economy: GDP growth has not been strong enough to jump-start a recovery in the labour market for a greater number of jobs and improvement in earnings. Consequently, the middle class has shrunk, dampening the growth of domestic demand and curtailing the ability of the economy to expand at a more robust pace.

However, Government's actions alone cannot fully solve this problem as the structure of the Cayman Islands economy limits the tools that are available to the Government to intervene in the economy. For instance, we do not have a Central Bank which controls interest rates, foreign currency exchange rates or the levels of liquidity and capital in domestic financial markets. In addition, as stated earlier, the Government's fiscal policy options are limited by the FFR as we are unable to stimulate the economy with deficit budgets financed through borrowings as employed elsewhere during times of slow economic growth.

Mr. Speaker, I do not wish to be misunderstood for one moment, as I am not recommending that we seek to implement such institutions, given that there is a cost to such institutions, I am just highlighting that we do not have the sophisticated economic management tools available in developed countries.

In order to address the cost of doing business and living it is necessary that all entities within our economy play their part, from the individual to the large corporations. Choosing to purchase goods and services available locally influences the health and strength of our economy and in turn creates opportunities for all categories of businesses, including small businesses, to grow and flourish. It is internationally known and accepted that small businesses are the core of an economy. The small business sector is the hotbed of creativity, innovation and new product development.

The Economics and Statistics Office reports that here in Cayman during 2013: small businesses provided the largest share of employment, by employing 14,660 persons or 40.6 per cent of our workforce. By comparison, medium sized businesses with 11 to 49 employees provide 28.1 per cent of employment and large businesses with 50 or more employees provide 30.5 per cent of employment. Clearly, the small business sector is a major contributor to our economy and their continued viability benefits us all.

Mr. Speaker, contrary to complaints by residents and visitors alike, the World Bank has determined that with respect to the general price level and consumption expenditure, the Cayman Islands is not the worst place in the world. In fact the cost of living in Cayman is lower than that of the U.S.A., Canada, the UK and most others European Union member states, the Bahamas, Barbados, Bermuda, the Turks and

Caicos Islands, British Virgin Islands, Switzerland and Australia just to name a few.

Nonetheless, the Government is mindful that fiscal policy must address this situation. There is a need for the Government to improve purchasing power of the low and middle income classes within our society by reducing their tax burden. As their tax burden is reduced, their disposable income is expected to increase which will in turn generate greater demand for goods and services in the domestic economy. Therefore, as domestic demand improves, jobs and earnings will hopefully improve to re-grow the middle class.

The recovery of the middle class is essential in sustaining higher GDP growth over the medium-term as it is predicted that the propensity of persons in this income class to consume goods and services can be sharply higher than persons in the higher income classes. Consequently, I am pleased to announce that the Government will be implementing the following suite of economic measures which are designed to lower the cost of doing business and living here in the Cayman Islands:

1. Reduced import duty on diesel fuel used by CUC to generate electricity.
2. Reduced import duty for licensed traders.
3. Reduced trade and business license fees for small business licensees.
4. Continuation of current incentives for the Sister Islands.

With respect to reduced import duty on diesel, effective 1 January 2015, the Government will reduce the import duty charged on diesel imported by Caribbean Utilities Company Limited (CUC) for the generation of electricity from seventy-five cents per imperial gallon to fifty cents per imperial gallon. With this measure the Government is projecting that the average customer, both residential and commercial, will see their bills reduced by approximately 4.3 per cent. This projection assumes that the price of fuel and CUC's fuel consumption and efficiency is similar to current levels.

Currently, the import duty on fuel accounts for approximately 13 per cent of the average customer's electricity bills. This measure reduces that proportion down to approximately 8.3 per cent. Mr. Speaker, this measure provides essential financial relief to all consumers of electricity in Grand Cayman, both residential and commercial, and frees up "real cash" allowing for the opportunity to save that cash or spend it in other areas more beneficial to the wider economy.

The Government will be foregoing approximately \$8.4 million annually in reduced revenue by implementing this measure, but we believe that the benefits to the Cayman economy far outweigh the financial loss to the government. I should not that the Government will be closely monitoring the effective-

ness of this measure to ensure that CUC is passing the savings on to consumers and that commercial customers in particular are in turn passing these savings on to their consumers.

With respect to reduced import duty rates on merchandise, effective 1 July 2014, for licensed traders only, the Government will reduce import duty rates on items currently charged at 22 per cent down to 20 per cent. The items falling into this category includes most items offered for retail sale and will result in the government collecting at least \$4 million less in revenue from import duty. However, again the economic impact of this measure is expected to outweigh any financial loss to the government because of the multiplier effect.

By reducing the above mentioned import duty rates, we are lowering the cost of doing business and expect that retailers and service providers will be able to pass these savings on to their customers, thereby lowering the cost of living and increasing aggregate output through demand for goods and services.

On a related note, the Government will also be completely removing the import duty on critical ingredients for local bakeries such as yeast, shortening and calcium propionate. This will improve the financial competitiveness of this sector by lowering overhead and allowing local producers to price their bakery products more competitively.

With respect to building materials, the Government will also continue to offer the import duty concession on building materials which are currently being charged import duty at the rate of 15 per cent versus the normal range of 17 per cent to 22 per cent. This will continue to act as an incentive for the construction sector.

With respect to reduced trade and business license fees, effective 1 July 2014 the Government will be implementing a series of changes to Trade and Business Licence Fees. As an incentive to support the creation and development of new businesses, the Government will offer the following discounts to small businesses based on their location: George Town and West Bay, 25 per cent discount; Bodden Town/North Side/East End/Little Cayman, 50 per cent; and Cayman Brac – 75 per cent discount.

Small businesses, that is, those with 10 or fewer employees, will be permitted to pay their annual Licence fee in quarterly instalments instead of the typical one-time full payment. We recognise that in the current economic climate the requirement of a one-time full payment is onerous since the annual payment is required during the period when cash flows are at their lowest.

With respect to continuation of current incentives for the Sister Islands, the Government will continue the following economic incentives for the Sister Islands: 100 per cent import duty waiver on building materials imported to Cayman Brac and Little Cay-

man; 100 per cent import duty waiver on diesel fuel for Cayman Brac Power and Light; 12.5 cents per gallon import duty rate (or a duty rate waiver of 83.3 per cent) on the importation of motor gasoline to Cayman Brac; and 100 per cent waiver on stamp duty for the purchase of land in Cayman Brac, providing it is developed within two years of purchase.

Turning now to recent changes in the Customs Tariff Law, Mr. Speaker, I will take a few moments to speak to this matter as Customs import duties are a very significant contributor to government revenues. Also, relevant and timely data on imports provide valuable information for government analysis and policy development as well as business planning in the private sector.

The Customs Tariff Law (2012 Revision), which encompassed the Harmonized System, was passed in the Legislative Assembly on 5th April 2012 under the United Democratic Party's Administration, but only came into force on 1 March 2014. Although the Law was passed in the Legislative Assembly, on 5th April 2012, the Law did not actually come into force at that time as the Customs Department required additional time to implement the Total Revenue Integrated Processing System or TRIPS computer system, which is specifically designed to accommodate the 5,000 tariff codes of the Harmonized System.

The tariff codes in the previous version of the Customs Tariff Law were vague and made it increasingly challenging for the Government to calculate the amount of revenue raised or lost when policy decisions were made to increase or decrease import duties on specific goods. To address these financial and statistical limitations, the Government decided to adopt the Harmonized Commodity Description and Coding System which is also referred to as the Harmonised System. Therefore, the Customs Tariff Law (2012 Revision) formally came into force on 1st March 2014, following the successful implementation of TRIPS.

Mr. Speaker amendment to the law on 5 April 2012 also removed the duty free allowance for both churches and schools, making their imports dutiable under the relevant tariff codes. Nevertheless, Mr. Speaker, I have been exercising my discretionary powers under the Customs Law to waive duty for schools and churches based on the merits of each application.

Mr. Speaker, in February 2014, as part of our strategy to reduce the cost of living, the Progressives-led Administration made the following amendments to the Customs tariffs:

1. School supplies and uniforms were made duty free.
2. The duty free status of reference books used by professionals was replaced with a duty rate of 22 per cent.

3. Electric motorcycles and electric Segway's were given a duty rate of 10 per cent, the same rate for electric cars.
4. Hybrid motorcycles, 15 per cent import duty rate, the same rate for hybrid cars.

Advantages of the New Customs Tariff Law:
The Harmonized System is a tariff nomenclature of internationally standardised names and codes for the classification of traded products and commodities. The Harmonized System is developed and maintained by the World Customs Organization which is an independent inter-Governmental organisation with over 170 member countries.

The Harmonized System comprises 5,000 commodity groups and is organised into 21 sections and 96 chapters, accompanied with general rules of interpretation and explanatory notes. The system begins by assigning goods to categories of crude and natural products and from there proceeds to categories with increasing complexity. The codes with the broadest coverage are the first four digits, and are referred to as the heading. The Harmonized System therefore sets forth all the international nomenclature through the six-digit level and, where needed, contains added subdivisions of two more digits, for a total eight-digit tariff-rate.

The system is used by more than 250 countries as a basis for their Customs tariffs and for the collection of international trade statistics. It is commonly used for monitoring controlled goods, transport statistics, price monitoring, quota controls, compilation of national accounts, and economic research and analysis.

Adopting the Harmonized System brings many advantages to the Cayman Islands Government and the private sector. The advantages to the Government are as follows:

1. Keeping abreast with the latest internationally-accepted nomenclature in classification of goods.
2. Assisting in making better informed economic analysis and decisions.
3. Facilitating better fiscal policies for subsidies and concessions, etc.
4. Facilitating more efficient forecasting and collection of revenue.
5. Facilitating the comparison of trade statistics with other countries.
6. Providing better national statistics.

The benefits to traders, brokers and the general public include:

1. Once stakeholders are familiar, faster and more efficient processing of cargo.
2. Proper classification of products and commodities (saving money and time).

3. Harmonized commodity inventory (for better inventory control).
4. Provision of industry analysis statistics (allowing investors and/or businesses to improve market share).
5. Identification of market trends.

In order to help the public acquaint themselves with the Harmonized System and the tariff codes, the Customs Department has implemented the following measures:

1. A series of familiarisation workshops called “Completing Customs Import Entry Forms Correctly” which helps the public with completing their declaration forms.
2. Providing computer access at the Customs Headquarters so that the public can search for the correct tariff codes and commodity descriptions,
3. Updated the Customs website (www.customs.gov.ky) with a link to the tariff codes so that the public may have direct access to the tariff codes.
4. A “Pre-Screening” process where customers’ declaration forms can be checked by Customs while they are waiting in line to ensure that forms and completed accurately and that the proper supporting documents are attached.
5. In July 2014, introduce an online declaration portal which will allow the public to process and pay their declarations online so that importers are only required to visit Customs to collect their goods.

2014/15 FINANCIAL FORECASTS

Mr. Speaker, turning now to the details of the financial forecasts included in the 2014/15 Budget. Total Operating Revenues are forecast to be \$657.7 million; Operating Expenditures are forecast to be \$508.3 million; and Financing Expenses are forecast at \$28.5 million. This results in a core government net operating surplus of \$120.9 million. After factoring in the forecast net operating surplus of the statutory authorities and government owned companies of \$7.1 million the entire public sector is forecast to record a net operating surplus of \$128.0 million. This surplus is \$19.9 million higher than the forecasted surplus for the 2013/14 financial year.

The 2014/15 net operating cash flows are forecast to be \$152.2 million which will be used to fund Capital Expenditure and Equity Investments of \$44.3 million; to make principal debt repayments of \$25.4 million and to increase our cash reserves by a further \$82.5 million, which is in line with our plan to achieve FFR compliance in the 2015/16 fiscal year.

At 30 June 2015, our cash balances are expected to be \$256.1 million of which \$129.9 million will be in the Operating bank account and \$126.2 million in seven reserve funds. The balances of the reserve funds at 30 June 2015 are forecast to be:

- General Reserve Fund \$58.7 million.
- Environmental Protection Fund \$50.9 million.
- National Disaster Fund \$4.7 million.
- Infrastructure Development Fund \$2.2 million.
- Housing Guarantee Reserve Fund \$2.2 million.
- Student Loan Reserve Fund \$1.9 million; and
- Sinking Fund \$5.6 million.

The purpose of this fund is to put aside cash which will be used to make payments on debts as they mature in the future. The fund will be under the control of Her Excellency the Governor and the Minister of Finance and Economic Development, and the Government will deposit \$4.3 million during 2014/15 into this sinking fund.

Core government debt is forecast to be \$523.5 million at 30 June 2015 based on no new long term borrowings and principal debt repayments of \$25.4 million during 2014/15.

With respect to revenues, Mr. Speaker, we have not sought to introduce any new revenue measures in this budget as to do so would unnecessarily burden the economy at a time when our economic prospects are improving. Consequently, the revenue forecasts took into consideration actual performance of the current year along with projections for growth in GDP, the impact of economic incentives and Government policies as well as specific market forecasts. The 2014/15 forecast operating revenue of \$657.7 million represents a very conservative 0.87 per cent growth rate over the forecast results for the current 2013/14 financial year.

With respect to operating expenditures, Our efforts to achieve credible and sustainable reductions to operating expenditures has been challenging given the enormous demands placed on the Government to provide funding for the needs of our people, critical services such as education, policing and medical services along with the infrastructure necessary to support economic and social development.

Nevertheless, all government agencies are being pushed to reduce their operational costs and improve productivity and efficiency. The mantra: “do more with less” is not just something we hope to do; it is something we must do. And I am pleased to report that we are doing so.

You would have seen recently in the press that the Government has recently launched Phase 5 of the Public Sector Reviews—Rationalization Project and commissioned Ernst and Young (EY) to prepare a detailed report recommending which Government agencies or services can be merged, disbanded or

privatised. The Report will also provide an implementation strategy to achieve the recommendations because this is what has been missing from the past reports on various public sector reform issues.

The outcome of the Ernst and Young review will give the Government several options to which we are committed to reviewing and making decisions about how best to restructure government operations. These decisions are complex and we will have to give due consideration to maintaining stability and the likely economic and social impact on our society in fiscal year 2014/15.

While cost reduction across the public sector is one of the desired goals it cannot be the only goal, otherwise we risk absolute failure on many fronts. Decisions made during this process will also have an impact on the 2014/15 financial year and beyond.

In addition to the EY report, the Government will soon receive the report from the committee established to review the Public Management and Finance Law. The outcome of this review will likely include recommendations for the restructuring of some of the financial management functions and processes of the public sector, potentially reducing the cost of financial management across the government in future financial years.

The committee is expected to produce its report by 31 May 2014. Key amongst the recommendations that I expect to find in the committee's report is one which supports Government's transitioning to multi-year budgeting, planned for 1st of January 2016. Multi-year budgeting involves the Legislative Assembly approving at one meeting of the House budgets for periods greater than the present one-year period. Other jurisdictions of similar size to the Cayman Islands, such as Jersey, have practiced multi-year budgeting quite successfully.

For the 2014/15 Budget the Government concentrated its efforts on maintaining capacity and effectiveness across the breadth of services while eliminating one-off, non-recurring expenditure as well as maintaining the expenditure reductions that were made as part of the 2013/14 Budget process.

Mr. Speaker, the Government will continue with a number of expenditure control measures implemented in 2013/14 including:

- The continuation of the Budget Delivery Committee which provides oversight of year-to-date financial performance against budget and makes recommendations to the Minister for Finance.
- Increasing the occupancy of the new Government Administration Building by bringing in agencies where possible thereby reducing rental expenditure. By September 2014 the Portfolio of Legal Affairs will move into the building and give up their leased accommodations.

- Providing more efficient social programmes through strengthening qualification criteria and improving the monitoring of recipients of Government funds.
- Improved cash management between Core Government and SAGCs by having SAGCs deposit surplus cash with the Treasury during the first six months of the financial year when core government's cash inflows are less than cash outflows. This avoids the need for Government to seek expensive overdraft facilities and also allows the SAGCs to put their surplus cash to productive use within the public sector.

Mr. Speaker, SAGCs are an integral part of the Cayman Islands public sector because they exist through delegated authority to carry out certain functions and to minimise risks. But as a result of the parent and subsidiary structure they are in a position to have first call on the revenue they collect and are not subject to the same direct expenditure controls as core government agencies.

Therefore, during the 2014/15 financial year the Government will seek to pass a Public Authorities Bill which will bring uniformity to the governance and accountability arrangements of our SAGCs, particularly from a financial management perspective. The financial performance' goals of the government must, and do, include the SAGCs since the net operating position of SAGCs can increase or decrease the core government's net position.

Mr. Speaker, the 2014/15 forecast for core government Operating Expenses of \$508.3 million (which excludes financing costs of \$28.5 million on past borrowings) represents an \$8.7 million reduction from 2013/14 forecast expenditure levels. The major components of the forecast operating expenses are:

- Personnel Costs, budgeted at \$241.7 million in 2014/15. This represents a \$7.4 million increase over the 2013/14 forecast for this category of expenditure and is driven by the need for the Government to fill critical vacancies in safety and security services such as: Customs, Fire, Immigration, Police and Prisons. That said, the Government will continue in 2014/15 with the centralised approach to managing recruitment for expenditure control within this category.

Included within the Personnel Costs budget is \$11.4 million which will be paid into the Public Service Pensions Fund towards the Government's past service liability for civil service and parliamentary pension benefits. It should be noted that the \$11.4 million is in addition to the pension contributions made by the Government to the Public Service Pensions Fund each month.

- Supplies and Consumables are budgeted to be \$87.7 million in 2014/15, which is \$3.3 million below the \$91 million forecast for this category in 2013/14. For 2014/15 we have achieved savings in this category by reducing the number of leased premises; reducing professional fees for external consultants; and making smarter decisions about how we consume resources.

- Outputs from Statutory Authorities and Government Companies are budgeted to be \$94.1 million in fiscal year 2014/15, which is \$6.6 million less than the \$100.7 million forecast for 2013/14. This improvement is related to a change in the funding model for the National Roads Authority and the Cayman Islands Monetary Authority where Government has re-assigned elements of coercive revenue to these Authorities.

Despite doing so for the purpose of compliance with the FFR requirements this strategy creates a direct link to the revenues generated from the services of these authorities and improves financial independence and accountability, and allows the Government to reduce its output expenditure with respect to these authorities.

- Outputs from Non-Governmental Output Suppliers are budgeted to be \$22.7 million in 2014/15. This is \$4 million less than the \$26.7 million forecast for 2013/14. The appropriations within this category of expenditure, fund a wide variety of programmes provided by agencies external to the government.

The major items in this category are: \$11.4 million to fund overseas medical care for indigents and uninsured persons; \$2.5 million to provide Legal Aid services to qualified persons; \$1.6 million to provide rental housing accommodations to persons in need; \$1.5 million in funding to the Cayman Islands Private Schools Association; and \$1.4 million of funding to the National Council of Volunteer Organisations (NCVO) Pines Retirement Home to provide residential care to elderly and disabled persons.

- Transfer Payments are budgeted to be \$31.3 million in 2014/15. This is approximately \$1.6 million less than the 2013/14 forecast of \$32.9 million for this category of expenditure. The appropriations within this category provide funding for many important programmes including: \$11.4 million for local and overseas scholarships; \$7.8 million for poor relief payments to the most vulnerable persons in our community; and \$6.2 million in benefit payments to our seamen and veterans.

- Financing Expenses are budgeted to be \$28.5 million in fiscal year 2014/15 which is \$2.1 million less than the 2013/14 forecast. This reduction reflects no new borrowings; the reducing balance of public debt; reduced interest rates on a portion of the public debt portfolio following refinancing negotiations in December 2013; and the removal of the overdraft facility to finance Government's operations.

- Depreciation is budgeted to be \$26.8 million 2014/15. Depreciation is a non-cash expenditure which spreads the cost of a capital asset over the expected life of the asset.

Moving now to Capital Investments, for 2014/15 the Government intends to make investments totalling \$47 million, of which \$26.7 million will be invested in core Government assets such as:

- \$6.2 million for the Ministry of Education for the completion of the multipurpose hall and ancillary infrastructure at the John Gray High School in George Town; and upgrades at other schools across the Islands;

- \$5.0 million for upgrades to various roads on Grand Cayman;

- \$4.7 million to the Ministry of Health to fund upgrades to the George Town landfill and solid waste management systems;

- \$2.3 million to the Ministry of Home Affairs to fund the purchase of additional security and safety equipment and vehicles for the Fire, Police and Prisons Departments;

- \$1.7 million to the Ministry of Financial Services to fund upgrades to their Information Technology infrastructure to meet international reporting requirements for the automatic exchange of information for tax purposes; and

- \$1.2 million for the construction and upgrade of roads on Cayman Brac and Little Cayman.

A total of \$20.3 million will be invested in SAGCs to fund debt service obligations; operational losses and acquisition of equipment. The major investments in this category are:

- \$9.5 million to the Cayman Turtle Farm (1983) Limited to fund debt servicing and operational losses;

- \$4.85 million to Cayman Airways Limited to fund debt servicing, capital expenditure and operating losses;

- \$2.4 million to the National Housing Development Trust to fund debt servicing obligations; and

- \$1.5 million to the Cayman Islands Development Bank to fund debt servicing obligations.

With respect to cash and debt management, a major component of the Government's fiscal strategy towards achieving FFR compliance is the strict management of cash and the proactive management of our debt portfolio. During 2014/15 total cash balances are expected to grow by \$82.5 million, reaching \$256.1 million at 30 June 2015. This build-up of cash is critical to achieving FFR compliance but it also creates a higher degree of financial resilience for the Government. This is important as it will allow the Government greater flexibility in the future to respond to any crises which may arise.

The Government is not planning to undertake any new borrowings during the 2014/15 financial year.

And as at the 1 July 2014 the, core government debt is expected to be \$548.9 million. During 2014/15 the government will make principal payments of \$25.4 million, thereby reducing the outstanding debt to \$523.5 million by 30 June 2015.

Mr. Speaker, the expected greater opening operating bank account balance at the start of the 2014/15 fiscal year and continued cohesive public sector cash management practices are the principle reasons that led the Government to not request an overdraft facility for the upcoming fiscal year. This points to Government's renewed confidence in its cash management abilities and the decision will also eliminate overdraft interest expense.

The Government has received representations from the FCO that if there is a request for an overdraft facility to assist the Islands in the event of a natural disaster, such a request would be favourably considered. In addition to making the scheduled debt repayments, the Government will establish a dedicated sinking fund for debt retirement. This fund will be under the control of Her Excellency the Governor and the Minister for Finance and Economic Development. The Government will deposit \$18.22 million over the next four financial years (2014/15 – 2017/18) starting with \$4.3 million in 2014/15. This will ensure that sufficient cash is set aside in advance to fund debt payments in future years without jeopardising compliance with the FFR ratios.

The Ministry of Finance is also examining options for the possible restructuring of the non-amortising elements of the Entire Public Sector's debt portfolio into amortising debt instruments which will spread the principal repayments over a more manageable timeframe. For the core government, our focus is on the US\$312 million 2009 Bullet Bond which matures on 24 November 2019.

However, it is important to note that the Government will not pursue any course of action that will be contrary to its existing financing agreements. We are also working with the Cayman Islands Development Bank (CIDB) to develop a strategy to refinance its debt portfolio of five separate bullet bonds totalling \$34.7 million. During 2014/15 three of these facilities mature with a combined value of \$26.4 million as per the following schedule: \$16.6 million on 27 April 2015; \$4.8 million on 30 June 2015; and \$5.0 million on 30 June 2015.

It is the Government's intention that funds held on reserve by CIDB be used to retire the \$5.0 million bond maturing on 30 June 2015.

COMPLIANCE WITH FFR TARGETS

In terms of compliance with the Principles of Responsible Financial Management set out in the Public Management and Finance Law and the Framework For Fiscal Responsibility, the 2014/15

Budget forecasts the following levels of compliance with the principles:

1. Net Operating Position: – for 2014/15 this has been achieved with a forecast net operating surplus of \$128.0 million which complies with the requirement for the Net Operating position to be positive.
2. Net Worth: for 2014/15 Net Worth is forecast at \$1.59 billion which complies with the requirement for Net Worth to be positive.
3. Debt Service: that is, the annual payments related to all public sector borrowing commitments should be no more than 10 per cent of core Government Revenue. For 2014/15 this is forecast to be 11.3 per cent, down from 12.1 per cent in 2013/14. It should be noted that Government has a further year, to 30 June 2016, to achieve compliance with the 10 per cent upper limit.
4. Net Debt should be no more than 80 per cent of core government revenue. For 2014/15 Net Debt is forecast to be 61.2 per cent, down from 78.4 per cent in 2013/14. Compliance with the ratio has been achieved.
5. Cash Reserves should be no less than 90 days of estimated executive expenses. For 2014/15 this is forecast to be 43.3 days or \$63.7 million. As per the FFR, this ratio is calculated at the point in the fiscal year when the core government's cash balances are at their lowest. Based on the forecast profile of cash inflows and outflows this is expected to occur at 31 December 2014 when the unrestricted cash balances are expected to be \$63.7 million. Therefore, taking the cash balances at 31 December allows for a more robust measure of cash reserves. Again, in accordance with the FFR, Government has a further year, until 31 December 2015, to achieve compliance with this ratio.

Mr. Speaker, the 2014/15 Budget was developed taking a fiscally prudent and conservative approach which reaffirms this Government's commitment to firmly put the Cayman Islands on the path to fiscal sustainability; not only for compliance with the mandate of the United Kingdom Government but because we want to ensure that our children and grandchildren inherit a country with a promising future and the resources to make their dreams come true.

It should be noted that Cayman is still a developing country and in order achieve our goals there will have to be some pain and sacrifice. For the Government, the pain comes in what we will not be able to achieve in terms of desired investments and activities within a single term. We must focus only on what we can achieve within a particular timeframe and the methods we employ in getting there.

Mr. Speaker, this Budget meets or exceeds the targets set out in the Strategic Policy Statement

that I tabled in this Honourable House on 21 November 2013, and demonstrates that Government finances are on the right track. Our Operating Revenues are higher than our Operating Expenditures, resulting in a healthy operating surplus which we are using to build up our cash reserves; fund our Capital Investment programme; and reduce our debt. This is the right direction and we must stay on this track!

The preparation of the Government's Budget is an enormous undertaking, and this year would not have been possible without the hard work and commitment of many and I wish to thank the Honourable Minister for Overseas Territories, Mr. Mark Simmonds of the United Kingdom's Foreign and Commonwealth Office and his team for their swift approval of the 2014/15 Budget. Mr. Speaker, we formally submitted the Budget to the FCO on 19 May 2014 and received approval on the 21 May 2014. That is a mere two days. That is swift!

I also wish to thank Her Excellency the Governor; the Honourable Premier; Cabinet Ministers; Official Members of Cabinet; Councillors; Chief Officers and their staff. Also, I especially wish to thank the Financial Secretary, Mr. Kenneth Jefferson and the team within the Ministry of Finance, including retiring Chief Officer Mrs. Sonia McLaughlin; Acting Chief Officers Mr. Michael Nixon, Ms. Anne Owens and Mr. Ronnie Dunn and the staff of the Budget and Management Unit.

Mr. Speaker, It has been both an honour and a privilege to present this Budget today. I now humbly commend the Appropriation (July 2014 to June 2015) Bill, 2014, to this Honourable House and ask all Members for their support of the Bill.

Thank you Mr. Speaker.

[Applause]

The Deputy Speaker: Madam Clerk.

The Clerk: Motion for the deferral of Debate on the budget address.

MATTER OF PROCEDURE

Hon. W. McKeeva Bush, Leader of the Opposition: Mr. Speaker, on a matter of procedure.

The Minister of Finance has just given the Budget [Address] to the Appropriation Bill. And, as is usual, it was right and is still the correct procedure . . . and I am rising in a point of procedure at this point. If there is a motion, I reserve my right to speak thereon. But on a matter of procedure it was right and is correct, still the correct procedure for the Minister of Finance to move the motion for simultaneous debate on the Throne Speech and the Budget [Address] since he is the correct Minister, the one moving the Bill.

So, I want to find out what the Government's process is going to be. According to what we have been doing normally, as we look at last year's process, he moved that the Bill be debated—"he", the Minister. We took issue with what the Government finally did, and I do that again today if they are going to do so.

I see that the Minister is not even moving a motion for deferral. That is all being done, according to today's Order Paper, or programme, by the Premier.

I wait to hear the process.

The Deputy Speaker: Honourable Premier.

MOTION FOR DEFERRAL OF DEBATE ON THE BUDGET ADDRESS

The Premier, Hon. Alden McLaughlin: Mr. Speaker, I move the following motion:

BE IT RESOLVED that the debate on the Budget Address be deferred until Thursday, 29th May 2014.

The Deputy Speaker: The question is BE IT RESOLVED that the debate on the Budget Address be deferred until Thursday, 29th May 2014.

All those in favour please say Aye.

Ayes.

Hon. W. McKeeva Bush, Leader of the Opposition: Mr. Speaker, I did give an indication to you, as I just did, that I wanted to book my right.

The Deputy Speaker: Honourable Leader of the Opposition—

Hon. W. McKeeva Bush, Leader of the Opposition: The issue, Mr. Speaker, is one that has to be dealt with on a matter of procedure in this House. And I am not going to allow it to go by without having that right. I did speak to you beforehand.

The Premier, Hon. Alden McLaughlin: What procedure? What Standing Order?

Hon. W. McKeeva Bush, Leader of the Opposition: The procedure . . . well, that's just it.

The Premier, Hon. Alden McLaughlin: Stop being disruptive.

Hon. W. McKeeva Bush, Leader of the Opposition: Well, you call it disruptive if you like, but I am here today and I am not going to be as disruptive as you have been! But I am going to deal with this issue, Mr. Speaker, because it needs to be addressed.

The Deputy Speaker: You don't want to bring it under the next motion where there is request for simultaneous debate?

Hon. W. McKeeva Bush, Leader of the Opposition: Mr. Speaker, we are dealing with this one. And the Minister of Finance has just completed his address. It is his right—

The Premier, Hon. Alden McLaughlin: Where?

Hon. W. McKeeva Bush, Leader of the Opposition:—and responsibility.

Well, if you don't know by now . . . the Premier is asking me where . . . if he doesn't know by now, let me tell him. I will soon tell him. But he has no right to do what he is doing and at least I am not going to support it.

The Premier, Hon. Alden McLaughlin: You don't have to support it.

Hon. W. McKeeva Bush, Leader of the Opposition: That's right. And I don't have to support it. I do have the right to make my point.

And, Mr. Speaker, whichever one you want, I can do it here and I can . . . because that begins the process, what the Premier is doing. He is beginning the process of him taking the responsibility to answer this Budget at the end and that is what we complained about.

The Premier, Hon. Alden McLaughlin: Well, who is the Premier?

Hon. W. McKeeva Bush, Leader of the Opposition: You are the Premier.

The Premier, Hon. Alden McLaughlin: Glad you remember.

Sit down!

Hon. W. McKeeva Bush, Leader of the Opposition: Oh, not yet.

Mr. Speaker, so whichever one you prefer, I do it on this one, or I do it when the next one comes up.

[Inaudible interjection]

Hon. W. McKeeva Bush, Leader of the Opposition: We went through it last year and I objected then, and I just made a point at that point in time. Now, I have to put some facts in the record because the Premier has no business doing what he's doing. He can do it with a majority vote—

The Premier, Hon. Alden McLaughlin: Exactly!

Hon. W. McKeeva Bush, Leader of the Opposition:—if those Members across the floor want to recognise something that is not precedent that it should be unanimous, but has never happened, and he has no right to do it.

So if the Members across the floor want to vote for that, Mr. Speaker, that's their conscience and their adherence to democracy or undemocratic procedure. Whichever one you chose, Mr. Speaker, I'm okay.

The Deputy Speaker: I would ask that we complete this vote, and if you want to expound on what you—

Hon. W. McKeeva Bush, Leader of the Opposition: But I will object, firstly, on this point, then, to him moving this aspect of the debate. As I said, it starts it. The Minister that has that right is the Minister who is moving the Bill; the one that he just presented.

The Deputy Speaker: Let me repeat the question: BE IT RESOLVED that the debate on the Budget Address be deferred until Thursday 29th May 2014.

All those in favour please say Aye. Those against, No.

Ayes.

The Deputy Speaker: The Ayes have it.

Agreed: Debate on the Budget Address delivered by the Minister of Finance and Economic Development deferred until Thursday, 29th May 2014.

MOTION FOR THE THRONE SPEECH, BUDGET ADDRESS AND POLICY STATEMENT TO BE DEBATED SIMULTANEOUSLY

The Deputy Speaker: Honourable Premier.

The Premier, Hon. Alden McLaughlin: I beg to move the following motion:

BE IT RESOLVED that the Throne Speech, Budget Address and policy Statement, "Stability-The Road Map to Prosperity" be debated simultaneously on Thursday, 29th May 2014.

The Deputy Speaker: The question is—

Mr. V. Arden McLean: Mr. Speaker, if I may.

The Deputy Speaker: Honourable Member for East End.

Mr. V. Arden McLean: Thank you.

Mr. Speaker, the Premier has just said that his statement, as a Minister, “Stability–Road [Map] To Prosperity” be debated when the Throne Speech and Budget Address are being debated. Mr. Speaker, it is expected that any statements in here be brought into any debate, but what is the intent of saying that debate be deferred thereon?

Secondly, Mr. Speaker, can someone tell us when we will be getting: 1) the Governor’s Address; 2) the Annual Budget Statement for Ministries and Portfolios . . . no—Purchase Agreements for Statutory Authorities, Ownership Agreements, as well as the Budget that was laid by the Minister of Finance?

We got the Annual Plan and Estimates. We do not have Budget Statement for Ministries and Portfolios, Purchase Agreement, or the Ownership Agreements.

The Deputy Speaker: Honourable Minister of Finance on the latter . . . I don’t know who would answer for Her Excellency.

Hon. Marco S. Archer: Thank you, Mr. Speaker.

Because of the voluminous nature of those various documents that the Member for East End mentioned, the Annual Budget Statement, the Purchase and Ownership Agreements, they are available immediately electronically via email if they so wish; or we can provide them tomorrow in hard copy. But we are as much as possible trying to avoid printing big documents when some people would prefer them electronically. So, we can do either. But they are available in hard copy or electronic format immediately after this.

The Deputy Speaker: Honourable Member for East End.

Mr. V. Arden McLean: Thank you, Mr. Speaker.

The choice must be offered to people. Anywhere in the world in every parliament in the world it is hard copies that are used. You don’t expect me to do this by Thursday when I don’t have any documents to cross reference this one to, plus the speeches that were delivered in here. [I] don’t even have the speeches to cross reference it to. I would like to know if the Hansard is going to be available shortly for us to get that.

That’s how budgets are presented. And I would appreciate if the Government makes them available, at least to me. Every Member in here has a mouth. They can speak for themselves.

The Deputy Speaker: Honourable Leader of the Opposition.

Hon. W. McKeeva Bush, Leader of the Opposition: Mr. Speaker, I wanted to get to my point, but we have

had to present budgets and the House didn’t have the papers, and I didn’t even note it, if the Member for East End hadn’t taken issue with it. But I still don’t have the Throne Speech.

The Member is right about the papers. But I do remember the licking I took about it when I didn’t have mine down [here] in time because we too only had a very short time to get the papers done. And the amount of papers, which I hope we can shift that somehow, is still piled up three and four books this thick.

Anyway, Mr. Speaker, I hope we can soon get past that and I hope the Minister will soon be able to remedy that situation where it is much easier for us to deal with the budget process in regard to the amount of paperwork that we do have.

When I first came in, Mr. Speaker, the budget was that thick. And I was told that if I didn’t like it I could stay in West Bay! Anyway, Mr. Speaker, I am hoping to get that soon, because we have to cross reference.

But I want to deal with this issue, Mr. Speaker, because I am here as the longest serving Member. And just not right to process that the Premier has started in this House. That is, that he has the ability to wind up the debate in this honourable Chamber. It is not right. You know what it is all about, because the Premier is not the Minister of Finance. The Premier does not move the Appropriation Bill.

[Inaudible interjection]

Hon. W. McKeeva Bush, Leader of the Opposition: Yes.

And it is never heard that the Premier gives a statement that he expects to wind up a debate on and refuse to answer questions, as is appropriate under our Standing Orders, when I asked the question.

And I come to that point, Mr. Speaker, but to begin this matter of procedure, I said that it was right and is still the correct procedure for the Minister of Finance to move the motion since he is the Minister of Finance and the one moving the Appropriation Bill for simultaneous debate on the Throne Speech and the Budget.

Mr. Speaker, when our Government took the decision for me, as Leader of Government Business, to give a policy statement, the same policy statement that the Premier is now doing after the Throne Speech, there was no Minister of Finance. So, the Government, the Financial Secretary, delivered the budget. That’s why we took the decision to do a policy statement.

The then Leader of the Opposition (now the Premier) took me to task for that procedure and told me how undemocratic I was. Today (as when I became Minister of Finance) we have a Minister of Finance. It is he who moves the Appropriation Bill and

has the right to close it—not the Premier who only gives a statement and is not the Minister of Finance.

Mr. Speaker, you and I and some of our colleagues, have had close ties for many years with other parliaments and legislatures through the membership of this House in the Commonwealth Parliamentary Association. Some of us maintain many close personal links with current and former members, clerks, and CPA officials around the Commonwealth. I am one of those.

I have used this network, with the help of a former CPA official, to try to find a precedent for the present Government's proposal to have both the Premier and the Minister of Finance speak a second time to close the Throne Speech and Budget debate. Two of them! Not only did I find no such precedent, Mr. Speaker, but the rules and practices in parliaments large and small across the Commonwealth clearly prevent Government from abusing parliamentary practice in this way.

It does not matter whether we are talking about motions, about general or special government bills, the Throne Speech or the Budget. There is no precedent for this practice, and that is because there are procedural principles specifically against it. There are several alternative procedures used in other Commonwealth parliaments, Mr. Speaker, which we could examine if we want to undertake a careful and considered review of how we conduct the people's business.

But this ad hoc changing of this and that in midstream so that it benefits the current persons, cannot work. If you want to honour and respect the principles of good parliamentary governance, we will not pursue the Government's self-interested plan, or the Premier's self-interested plan, or change our rules on the fly to suit the Government's or the Premier's personal whim. And that is, in defence, he wants to have the opportunity to offer his point, but doesn't have to defend it.

Mr. Speaker, a precedent for this proposal is said to be found in the Bible of parliamentary practice, Erskine May's [*Parliamentary Practice*] a treatise on the "Law, Privileges, Proceedings and Usage of Parliament." A reference to page 161 of the 24th edition, which the Speaker used last year when I objected, says that in the Throne Speech debate (She didn't read all of it and I didn't have that 24th edition.): ". . . **by practice the last two speakers are allowed some latitude in replying to the debate as a whole.**"

The Government has chosen not to mention the first part of that description when they quoted it last year. "That reason," I quote: "**Although the scope of debate is restricted by the normal rules . . .**" The practice at Westminster for the Speech from the Throne is for speaking positions to alternate be-

tween opposite sides of the House on that occasion—Government/Opposition; Opposition/Government.

There is a practice also that each Member has the right to speak once except for the mover of a motion who can open and then reply to the debate. The "**latitude**", Erskine May says about that, which is given to "**the last two speakers**", refers to the content of their speeches (what they have said in opening or in their statement). They can respond to the wider debate, not simply to the final amendment because at Westminster we have something else. The debate, the Speech from the Throne, ends with Opposition motions. Something else that was not mentioned when the Speaker referred last year to page 161 of the 24th Edition of Erskine May.

That latitude does not refer to the selection of who is to speak; it does not give permission to two Members to each speak twice, and it certainly does not reserve those last two speeches for the Cabinet, and specifically it does not give the Prime Minister, Premier, Chief Minister, or Leader of Government Business (whatever they want to call the leader, whatever you term it) the right to speak twice on the occasion of the Speech from the Throne.

At Westminster, Mr. Speaker, at the House of Commons and here at our House in these Islands this here Chamber, the mover of a substantive motion, such as what we do on the Budget and Speech from the Throne, and that is a Minister has the right of reply at the end of debate—one right of reply, not two, for the Cabinet. One Minister replies at the end of a debate and speaks for all the Government. There is no Westminster precedent for having two Ministers close a debate or for allowing both of them to speak twice. There is no Westminster precedent and there is none except what he did here last year.

Mr. Speaker, this is not just a Westminster rule at the House of Commons. I have looked at a cross section of Commonwealth parliaments representing large long established parliaments and smaller houses, both long established and those in earlier stages of development. I have reviewed the Standing Orders of the United Kingdom House of Commons, some of which I have here, the Canadian House of Commons, the Lok Sabha of India, the House of Representatives of Malaysia, the Parliament of Singapore and New Zealand's House of Representatives.

I have looked at advice from Clerks concerning practices in Houses in Australia, the UK, New South Wales, the Australian Capital Territory, Ontario, British Columbia, Bermuda, Trinidad and Tobago, Tuvalu, and the Organisation of Eastern Caribbean States.

- 1) There is no precedent or standing order allowing two members of Cabinet to close a debate.
- 2) There is no precedent allowing any Member to speak twice in a debate other than the one

closing speaker, and, in some jurisdictions, brief clarification by any Member who may have been misunderstood, or misquoted, also clarifications of personal statements are allowed in our Standing Orders as we know in Standing Order 30.

- 3) There are many procedural principles against the proposed procedure, Mr. Speaker.
- 4) No clerk anywhere in those countries mentioned or is aware of any such practice or precedent in any jurisdiction. No country! Not even in the Mosquito Cays.

We in this House pride ourselves in adhering and trying to adhere to the best principles of parliamentary democracy. The Premier's new practice is incompatible with these principles as I have outlined and is, as far as I am concerned, an abomination to the precedents of parliamentary democracy.

So, Mr. Speaker: 1) all Members including a Premier or a Minister can speak once in a debate other than the one Member who moved the motion or bill. In our case the Minister of Finance has that right, who also, if he chooses, closes that debate. That is what I am talking about.

You can see this in Malaysia's standing Order 35 or New Zealand's Standing Order 106. And it is specific in our Standing Orders that you only have that right, one person has that right in our Standing Orders.

2) A Minister or any Member can only be allowed to speak again to make a very brief clarification if a Member has misquoted them, and that is in, for example, Canada's Standing Order 44, and is allowed also in our Standing Orders. You can make a statement to clarify what you said.

3) One Minister closing a debate speaks on behalf of the entire Government as in India's Standing Orders, and our Standing Orders.

4) Any special speaking rights accorded to a Premier or a Minister are usually also accorded to the official Opposition, as in Canada's Standing Order 84. This is not practiced in Cayman.

5) Any variations in the rules in order to provide special speaking arrangements for special events are provided in advance in the Standing Orders which lay down precise rules for those events. That is how we understand it, for instance, someone giving a gift to the legislature as has happened here in the past.

6) Any proposed change in practice is referred to a committee to review Standing Orders via a properly publicised motion to the House to do so, as is the practice in our Standing Orders if you want to change the Standing Orders.

Parliaments and legislatures adhere to these principles across our own region. For example, they do this in Bermuda and in Trinidad. The model rules for the nine parliaments for the Organisation of East-

ern Caribbean States, that is, those islands in the eastern Caribbean, follow those rules. Mr. Speaker, they follow those principles elsewhere in the Commonwealth as well, in Ontario and in New South Wales. They respect these principles in the Australian Capital Territory legislatures and the Parliament of Tuvalu which are about the same size as ours.

This is what they do in Kuala Lumpur and New Delhi and in Canberra, Singapore and Wellington. That is what our Standing Orders also say we should do. There is nothing else here in our Standing Orders allowing the Premier to do as he is doing. Instead of disregarding our rules based on a misinterpretation, if that is what it is, of a handful of words in a book hundreds of pages long and instead of ignoring practice among our Commonwealth parliamentary partners this Legislative Assembly can consider very carefully different arrangements which other parliaments find useful.

And if the Premier wants to do this, it's distasteful to me that he should want to, but if he wants to, he has the majority to do it properly through the Standing Orders, careful consideration of those rules, procedures, better results for the people than rushing into someone trying to give the Premier an advantage over the Opposition. That is what this is all about. This House, the Government Members, the Independents on that side over there, should not allow themselves to be used to disregard longstanding rules for when we are privileged to speak here. If these Members vote for the Premier to do so, they are disregarding the democratic principles we must adhere to and that are set down in our Standing Orders.

There are special things practiced in the UK that we do not do here. For instance, in the UK House of Commons practice the Queen's Speech debate can be broken up into separate discussions for each day of the debate and a different Minister opens and closes debate on that day. That is something not done here, but if that is something that they want to do, that's a possibility.

Malaysia's House of Representatives' Standing Order 66 provides time for any number of Ministers to reply to the second reading of the budget bill so each can speak once to respond to comments on their Ministry's estimates. Once!

Mr. Speaker, when we used to have a different set up at the State Opening in February with the Throne Speech by itself, then the Government moved the debate and closed the debate on the Throne Speech. It has never been the case, as I have just said, Mr. Speaker, since we have now come to the point of having the Budget and Throne Speech delivered together at the opening of a new session of this Legislative Assembly and debated together. Never!

Several New Zealand and Canadian Standing Orders allow Members to share speaking slots in circumstances where there are specific limits on the

length or number of speeches in a debate. This is not included in ours, Mr. Speaker.

The Canadian House of Commons and the Ontario Legislature have brief question and answer periods after speeches to allow Ministers and Members to question what a speaker has just said. We only do this in our Standing Orders when a statement is delivered by a Minister, as I did this morning, and as you rightly gave permission for. We can question the Government—short attempts, but very brief questions.

It is common around the Commonwealth that the adoption of a new practice to meet an urgent need requires the Speaker to obtain unanimous approval of the House. The Premier's proposal and actions . . . last year we let it slide; but not again this year. And he has gone further this year in taking away the rights from the Minister of Finance. That violates the principles of democratic practice which this House is elected to uphold. If this House wants to change the way it works, it should do so carefully and because that which we would seek to do would produce better results for all of us. Not more contention.

And they will say that it shouldn't bring contention, but it does! Because it is not parliamentary practice. It is not good what the Premier is doing. And it should not change to give the Premier the last word twice. That is unfair to the House and particularly to the Opposition. You opened the statement, you had your say, and now you want to close the debate. Why? Why?

[Inaudible interjection]

Hon. W. McKeeva Bush, Leader of the Opposition: Mr. Speaker, the Premier is asking if I am afraid. Afraid.

Afraid of what?

Afraid of whom?

I've seen uglier duppies than him.

[Laughter]

Hon. W. McKeeva Bush, Leader of the Opposition: And they didn't frighten me, Mr. Speaker.

It is not a matter of being afraid. If he wasn't afraid then he would do the normal practice. But obviously he is afraid! That's why he chooses to want to take away the right from the Minister of Finance, who has that right—

[Inaudible interjection]

The Deputy Speaker: Can we get back to the . . .

Hon. W. McKeeva Bush, Leader of the Opposition: I will leave that.

I say we shouldn't change it. And I am saying so to the Members over there. This is a longstanding

procedure, process, and now we are changing it to suit the Premier who wants to have the last word.

He can do that. He can easily wait everybody else out. He has given his statement. Ministers have that opportunity, Mr. Speaker, we don't (on this side), have that opportunity. Nope. And that's ever in our Standing Orders. But he has that right. He can refuse to speak in a debate and get up and give all of his accomplishments in a statement or anything; defend the budget in a statement, anything. But he does not have the right to come here and do this! That is what I am complaining about.

I know I am right, as is recorded in the Commonwealth practices and procedures around the Commonwealth for ages, hundreds of years. That is unfair to the House and it is unfair, particularly, to the Opposition. Previous Cayman Governments did not need it and other Commonwealth countries and governments do not need it. Once should be enough for the Government and the Premier in this matter. I know once will be enough for the Caymanian people.

The Deputy Speaker: Mr. Premier?

The Premier, Hon. Alden McLaughlin: Thank you, Mr. Speaker.

And to think all of that because the Honourable Leader of the Opposition is fearful of me winding up the debate on the Budget and Throne Speech debate.

Mr. Speaker, a convincing speech, except it ignores the fact, it ignores the historical context of how we get to be where we are today, it ignores the Constitution and it ignores the precedent which no other, none other than the Leader of the Opposition himself, set.

Hon. W. McKeeva Bush, Leader of the Opposition: No, no, no, no. And what you complained about?

The Premier, Hon. Alden McLaughlin: Not to mention, Mr. Speaker, that it also is asking you, as [Deputy] Speaker, to go against the very clear ruling of the Speaker herself who ruled on this particular matter at last year's Budget and Throne Speech presentation.

Hon. W. McKeeva Bush, Leader of the Opposition: That's last year.

The Premier, Hon. Alden McLaughlin: Mr. Speaker, we cannot allow the fact that the Leader of the Opposition is so misguided and paranoid of his fear that I wind up the debate to allow us to go against what is just good sense and reason.

Hon. W. McKeeva Bush, Leader of the Opposition: No. Not good sense. Not reasonable either.

The Premier, Hon. Alden McLaughlin: Let me explain.

On his tour around the Commonwealth about Standing Orders, the Leader of the Opposition did not recognise or acknowledge that what is being dealt with in those Standing Orders is not on all fours with the situation here. Under the administration of the Leader of the Opposition, when he was Leader of Government Business and then Premier, we moved from a practice where the Budget was delivered on one occasion, which set out the financial parameters and the Government's financial plan on one date, and months later the Government's policy positions were set out in the Throne Speech, which was delivered by the Governor.

Under the Leader of the Opposition's administration the two were merged so that we wound up having both presentations done on the same occasion.

Hon. W. McKeeva Bush, Leader of the Opposition: No, no, no, no. Stop talking foolishness.

The Premier, Hon. Alden McLaughlin: So what we now have is a combination of—

Hon. W. McKeeva Bush, Leader of the Opposition: That's why I shouldn't listen to you, you know. Because you can't tell the truth!

The Premier, Hon. Alden McLaughlin: What we now have is a combination of the Government's financial plan which underpins the Government's policies and programmes all presented at once, because it makes good sense to do so.

Until the Leader of the Opposition took over it was the accepted practice that the Government's policies were set out by the Governor in the Message from the Throne. Increasingly, as time has moved on less and less is said by the Governor on the detailed policies of the Government—

Hon. W. McKeeva Bush, Leader of the Opposition: True.

The Premier, Hon. Alden McLaughlin: —and the Leader of the Opposition adopted the practice, which makes eminent sense to all of us—

Hon. W. McKeeva Bush, Leader of the Opposition: Oh? Ha, ha, ha.

The Premier, Hon. Alden McLaughlin: —of him, as Premier, or Leader of Government Business at the start—

Hon. W. McKeeva Bush, Leader of the Opposition: I know you didn't say so then.

The Premier, Hon. Alden McLaughlin: —to deliver a detailed policy plan himself.

Her Excellency, the current Governor, has said to me very plainly: *Premier, policy is a matter for you and your Government.* And thus, anyone who listened with discernment would have gathered that she did not delve into the details of the Government policy in her Throne Speech, and her Throne Speech was, I believe, a record in terms of shortness.

So what happened this morning was Her Excellency delivered sort of high-level policy positions of the Government. I spent an hour and a half, or there about, going through the more detailed policy plan and programmes of the Government. And that was followed by a detailed economic and financial analysis and presentation by the Honourable Minister of Finance.

So what has brought this contention now is a motion which I am proposing that these three documents, these three speeches, be debated simultaneously. If it were the old practice, it would have been two separate sets of proceedings, two separate debates.

Hon. W. McKeeva Bush, Leader of the Opposition: No! No, no, no, no, no.

The Premier, Hon. Alden McLaughlin: Now, Mr. Speaker—

Hon. W. McKeeva Bush, Leader of the Opposition: Mr. Speaker, that is not right what the Member is saying. This House should not be misled, Mr. Speaker. On a point of—

The Premier, Hon. Alden McLaughlin: Mr. Speaker, please—

The Deputy Speaker: Two people—

Hon. W. McKeeva Bush, Leader of the Opposition: On a point of Order, Mr. Speaker, the Member—

The Premier, Hon. Alden McLaughlin: There is no point of order!

Hon. W. McKeeva Bush, Leader of the Opposition: —is misleading the House! That practice left the scene a long time ago when we changed to a Minister of Finance.

The Premier, Hon. Alden McLaughlin: Please sit down.

Hon. W. McKeeva Bush, Leader of the Opposition: In fact, it changed before that, Mr. Speaker. The House has to know—

The Deputy Speaker: Two people—two people should not be on the floor at the same time.

The Premier, Hon. Alden McLaughlin: Mr. Speaker, I am on my feet, speaking. The Leader of the Opposition needs to sit down.

Hon. W. McKeeva Bush, Leader of the Opposition: Well, he is, but—

The Premier, Hon. Alden McLaughlin: He rambled on for an hour just now. Sit down!

Hon. W. McKeeva Bush, Leader of the Opposition: No.

Mr. Speaker, the House is being misled and that is a fair rule. So, if he is not prepared to tell the truth, then—

The Premier, Hon. Alden McLaughlin: Mr. Speaker—

Hon. W. McKeeva Bush, Leader of the Opposition: —then I shall not be prepared to give way either.

The Premier, Hon. Alden McLaughlin: You are not giving way, you're interrupting my speech!

Hon. W. McKeeva Bush, Leader of the Opposition: And I have a right.

The Premier, Hon. Alden McLaughlin: You have no such right!

Hon. W. McKeeva Bush, Leader of the Opposition: Look at it. I have a right under the Standing Orders and in Erskine May, that, the Member is misleading this honourable House.

The Deputy Speaker: Please, please, please, let, let, let—

Hon. W. McKeeva Bush, Leader of the Opposition: I will do so for your sake, Mr. Speaker. But it shows the reason why we can't allow him to wind up because he will continue to mislead and posterity will not know the difference.

The Deputy Speaker: Order in the House. I beg you.

The Premier, Hon. Alden McLaughlin: Mr. Speaker—

The Deputy Speaker: Mr. Premier, I made a decision. We dealt with this last year on that situation on 10 October. And Mr. Leader of the Opposition I appreciate the research you have done on this. And

there are objections. At that time the Speaker made a ruling. And this is something of the magnitude that I don't think I should take on myself to change at this time. As she noted, "**I would advise that this is just yet another lacuna within our Standing Orders that needs to catch up with our Constitution as soon as possible . . .**" [Official Hansard Report, 10 October 2013, page 90]

I ask that the motion now be brought to simultaneously debate on Thursday, the motion that was there.

Mr. Premier.

The Premier, Hon. Alden McLaughlin: Thank you, Mr. Speaker.

MOTION FOR THE THRONE SPEECH, BUDGET ADDRESS AND POLICY STATEMENT TO BE DEBATED SIMULTANEOUSLY

The Premier, Hon. Alden McLaughlin: I move the following motion:

BE IT RESOLVED that the Throne Speech, Budget Address and the Policy Statement, "Stability-The Road Map to Prosperity" be debated simultaneously on Thursday 29th May 2014.

The Deputy Speaker: The question is BE IT RESOLVED that the Throne Speech, Budget Address and the Policy Statement, "Stability-Road Map to Prosperity" be debated simultaneously on Thursday 29th May 2014.

All those in favour please say Aye. Those against, No.

Ayes

Hon. W. McKeeva Bush, Leader of the Opposition: No. To the point of the Premier winding up the debate, No! A thousand times no.

The Deputy Speaker: The Ayes have it.

Agreed: That the Throne Speech, Budget Address and the Government's Policy Statement be debated simultaneously on Thursday 29th May, 2014.

Hon. W. McKeeva Bush, Leader of the Opposition: Of course.

The Deputy Speaker: The only thing that I would say, Members of this Legislative Assembly (and forgive my crassness), I think it's time that we tried to get rid of last-lick syndrome for whatever it's worth. Take it for what it is. That's how I feel, sitting in this House for 20 years.

I call for the motion to adjourn.

ADJOURNMENT

The Premier, Hon. Alden McLaughlin: Mr. Speaker, before I move the motion for adjournment I wish to advise all Members of the House that we will be, as I indicated, working late every evening until we get through this process. I don't want to get caught at the end with a mad scramble to finish Finance Committee. So, we propose to work until 7:00 pm on Thursday and Friday, and until we finish the debate on the Budget which I expect will take the balance of this week and all of next week.

Mr. Speaker, I move the adjournment of this honourable House until 10:00 am on Thursday, 29 May.

The Deputy Speaker: The question is that this honourable House do stand adjourned until 10:00 am, Thursday, 29 May 2014.

All those in favour please say Aye. Those against, No.

Ayes.

The Deputy Speaker: The Ayes have it.

At 1:33 pm the House stood adjourned until 10:00 am, Thursday, 29 May 2014.

