

## Statement to the Legislative Assembly on diesel import duty reduction

15 April, 2015

By Premier Hon. Alden McLaughlin, MBE, JP, MLA

Madam Speaker, I rise today to update this Honourable House on the positive impact of the reduction in the duty charged on diesel that Caribbean Utilities Company uses to generate electricity.

Many will recall 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.

At the time of the last increase in 2010, the now Leader of the Opposition was quoted in the press (*\*\*Cayman Compass – 23 June 2010*) as stating that the fuel duty hike put the burden of the increase only on those who could afford it, that is, he intimated, vehicle owners and Caribbean Utilities Company.

He is reported to have also added that his Government “had to get that little bit of revenue, and that 25 cents on fuel is not going to kill you...”.

The Hansards of the house will show that my then Progressive colleagues and myself, along with other opposition members, opposed this increase because we felt it was wrong. It was a bad time, when the great recession was still biting, for such an increase to be brought that would unavoidably hurt the broader economy.

We knew that the now Hon Leader of the Opposition was wrong and that it would not be only those who could afford it who would bear the burden; but it was ordinary Caymanians and residents who would; along with small businesses. And history has proved us right.

Well Madam Speaker, in January of this year this Government corrected this wrong by reducing the import duty charged on diesel brought in by Caribbean Utilities Company from 75 cents an imperial gallon to 50 cents. And in the past few months the public has benefitted from the decrease. And they will continue to benefit in months to come.

The diesel import duty reduction has meant lower prices for electricity, which ought to equate to lower prices for goods and services in an effort to entice spending and help further bolster the economy.

Both CUC and the Electricity Regulatory Authority report that residents have seen a reduction in their electricity bills, which reflects the Government’s import duty reduction.

I know that members would be aware of this because I am sure they have seen decreases in their own bills and would have also heard comments from the public.

As some of us may be aware, there is an average 75 day lag between the time fuel is brought on island and the time that consumers will see the cost of this fuel reflected in their electricity bills. Additionally any buildup of diesel fuel reserves will also impact this. As such we understand that whilst consumers are seeing positive decreases in power bills, they will see the full benefit of the reduced duty rate on their May bills.

Madam Speaker, for comparison, these Islands saw a spike in the price of electricity in September 2014 with a retail rate of 35.07 cents per kilowatt hour for residential consumers.

The price of electricity for May bills is projected to be 25.63 cents per kilowatt hour for residential consumers, a 26.9% reduction since the September peak. Of this, 16.2% is attributable to this Government's duty reduction.

Next month consumers should be able to compare their September 2014 electricity bills when the average household's electricity bill was approximately \$350.70, to their May bill, when the average household's CUC bill is projected to be about \$256.30.

Had there been no duty reduction, the average residential bill for May 2015 is projected at approximately \$271.50. And whilst my focus has been on residential customers it should be noted that business customers have also benefitted.

Madam Speaker, if you look at electricity consumption in October 2014, the fuel factor on customer's bills was at 24 cents per kilowatt hour. That figure is compared to 16 cents per kilowatt hour billed for March 2015 electricity consumption.

The fuel factor mechanism that CUC uses ensures that the fuel charge is transparent and operates as a 'pass through' with CUC charging customers the exact cost of fuel used to generate energy. This allows consumers to understand the fuel cost and ensures that they enjoy the full benefit of falling fuel prices as well as any import duty reduction. I would add Madam speaker that it was in the much-improved contract that the PPM Government negotiated with CUC that ensured the level of transparency now available around the fuel factor that forms part of the overall CUC bill.

I would add that CUC informs me that it has received many positive comments from customers regarding the reduction in electricity bills.

I must caution though, Madam Speaker, while the Progressives-led Administration has found a way to reduce the import duty on diesel used by CUC, there has been no change in the base price of electricity that CUC charges, which accounts for one-third of power bills.

It would be remiss of me to not remind consumers of electricity that there are measures they can take in their own homes and businesses to help further reduce the

cost of power and therefore lower their bills from CUC. Simple things such as unplugging charges for electronic devices when not in use, raising your air conditioning thermostat by one degree, unplugging your water heater when not in use, using energy efficient appliances and other energy saving measures can go a long way in reducing your power consumption and therefore your electricity bill.

This Government remains committed to easing the economic pressures on our people and businesses. As you know Madam Speaker we are in the throes of yet another budgeting season and continue to seek ways to bring about a conservative budget while reducing the cost of living when we can in these beloved Isles. But I am pleased on behalf of the Government to bring this good news to the Legislative Assembly and will note in closing that this reduction in fuel is yet another Progressive manifesto Promise kept, along with OMOV, and a national Minimum Wage.

Thank you Madam speaker.

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Reference -

\*\* <http://www.compasscayman.com/story.aspx?id=23741>