

OFFICIAL HANSARD REPORT
WEDNESDAY
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11.13 AM
Second Sitting

The Speaker: I will ask the Honourable Leader of the Opposition, the Third Elected Member for George Town, to say Prayers.

PRAYERS

Hon. Alden M. McLaughlin, Jr., Leader of the Opposition: Let us pray.

Almighty God, from whom all wisdom and power are derived: We beseech Thee so to direct and prosper the deliberations of the Legislative Assembly now assembled, that all things may be ordered upon the best and surest foundations for the glory of Thy Name and for the safety, honour and welfare of the people of these Islands.

Bless our Sovereign Lady, Queen Elizabeth II; Philip, Duke of Edinburgh; Charles, Prince of Wales; and all the Royal Family. Give grace to all who exercise authority in our Commonwealth, that peace and happiness, truth and justice, religion and piety may be established among us. Especially we pray for the Governor of our Islands, the Speaker of the Legislative Assembly, Official Members and Ministers of Cabinet and Members of the Legislative Assembly, that we may be enabled faithfully to perform the responsible duties of our high office. All this we ask for Thy great Name's sake.

Let us say The Lord's Prayer together: *Our Father, who 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 Lord bless us and keep us. The Lord make His face shine upon us and be gracious unto us. The Lord lift up the light of His countenance upon us and give us peace, now and always. Amen.

The Speaker: Please be seated.
 Proceedings are resumed.

**READING BY THE HONOURABLE
 SPEAKER OF MESSAGES
 AND ANNOUNCEMENTS**

Apologies

The Speaker: I have two apologies for absence. The Deputy Premier is away on Government business, off on business for the Commonwealth Parliamentary

Association. And the Elected Member for North Side is away on business as well.

I apologise for the late start of the House. We had some matters that needed to be taken care of before we could begin this morning.

Condolences

The Speaker: I understand also that the Third Elected Member for Bodden Town lost his father and we offer our sympathies on behalf of the House.

**PRESENTATION OF PAPERS
 AND OF REPORTS**

**Financial Statements of Cayman National Cultural
 Foundation (CNCF) June 30, 2004 and 2003**

The Speaker: Honourable Minister for Health, Environment, Youth, Sports and Culture.

Hon. J. Mark P. Scotland: Thank you, Madam Speaker.

I beg to lay on the Table of this honourable house the Financial Statements of Cayman National Cultural Foundation June 30, 2004 and 2003.

The Speaker: So ordered.

**Segregated Insurance Fund Financial Statements
 for: 16 Month Period ended 30 June 2005 & the 14
 Month Period ended 29 February 2004; 12 Month
 Period ended 30 June 2006 & the 16 Month Period
 ended 30 June 2005; Year ended 30 June 2007 and
 30 June 2008; Year ended 30 June 2009**

The Speaker: Honourable Minister of Health.

Hon. J. Mark P. Scotland: Thank you, Madam Speaker.

I beg to lay on the Table of this House, Financial Statements Segregated Insurance Fund for 30 June 2005; 29 February 2004; 30 June 2006; 30 June 2005; 30 June 2007; 30 June 2008; year ended 30 June 2009.

The Speaker: So ordered.

Does the Minister wish to speak on any of these reports?

Hon. J. Mark P. Scotland: Thank you, Madam Speaker, very briefly on the Cayman National Cultural Foundation reports.

In accordance with section 12(1) of the Cayman National Cultural Foundation Law of 1984, I am pleased today to place before this honourable House the audited financial statements of the CNCF for the periods July 2003 through June 2004.

Madam Speaker, the 2003/04 audited financial statements being tabled today will be followed by several that my Ministry will bring to this honourable House in an effort to implement full transparency of the finances of the CNCF.

The Report shows that the total revenue, including Government grant for the year ended 30 June 2004, was \$917,777, with expenditure of \$879,557. This resulted in a net increase of the fund balance of \$38,220.

The fund balance at 30 June 2004 was \$1.8 million. The Foundation had current assets of \$181,549 and non-current assets of \$1,851,549. Total assets equaled \$2,033,477 at 30 June 2004, while the current liabilities at that same time were \$54,633, and long-term liabilities of \$97,500. Total liabilities plus the fund balance totaled to just over \$2 million at 30 June 2004.

Madam Speaker, the audited financial statements for that period include the Auditor General's opinion. The Opinion was a qualified one due to the Foundation deriving a substantial portion of its income from sources which cannot be fully controlled until they are entered in the accounting records, and are, therefore, not susceptible to independent audit verification.

Madam Speaker, however, the Auditor General found that the Foundation's financial statements presented fairly in all material aspects; the financial position of the Foundation as at 30 June 2004 and its financial performance and its cash-flow for the year ended at that time in accordance with international financial reporting standards.

Madam Speaker, I invite Members of this honourable House to peruse the reporting detail.

Madam Speaker, the audited financial statements of the Segregated Insurance Fund for the various periods: In accordance with section 11(4) of the Health Insurance Commission Law, I am again pleased to place before this honourable House the audited financial statements of the Segregated Insurance Fund for the 16 month period ended 30 June 2005 and for the fiscal years ended 30 June 2006, 2007, 2008 and 2009.

Madam Speaker, the Segregated Insurance Fund (the Fund) was established under the Health Insurance Commission Law, 2003. The Health Insurance Commission took over administration of the Fund from the Cayman Islands Monetary Authority on 1 January 2006. The Fund's primary function is to assist the Cayman Islands Government to defray the cost incurred from providing treatment to indigent, un-insurable, and partially un-insurable individuals.

Contributions to the Fund are received from approved insurance providers in accordance with the

Health Insurance Regulations (2005 Revision) which require that all fees collected by the Health Insurance Commission be paid into the Segregated Insurance Fund. An approved insurer collects a monthly \$5 contribution from individual policyholders with no dependents. Those with dependents pay \$10 per month to the fund.

Health insurance providers can submit these collections to the Health Insurance Commission in its capacity as Fund Administrator. The current list of insurance companies contributing to the Fund is as follows:

- Aetna Life and Casualty
- CayMed Plus
- BAF Insurance Company Cayman (which was formerly British American Insurance)
- CINICO
- Cayman Insurance Company (or Generali)
- Colonial BritCay
- Guardian Life Insurance (or Fidelity)
- Cayman First (which was formerly Sagicor)
- Alico

Madam Speaker, the Segregated Insurance Fund has collected \$11,247,782 from insurance companies over the periods ended 30 June 2005 to 30 June 2009. Operating expenses during those periods totaled \$42,052; and the amount of \$11,205,730 was deposited to the executive revenue account of the Ministry of Health in that period.

The Auditor General has completed the audits of the Segregated Insurance Fund and has provided the financial statements duly certified, pursuant to section 12(1) of the Health Insurance Commission Law. The Audit Opinions for all the periods are unqualified opinions.

Madam Speaker, I invite all honourable Members of this House to peruse the Reports in detail. Thank you.

The Speaker: Thank you, Honourable Minister of Health.

STATEMENTS BY HONOURABLE MEMBERS AND MINISTERS OF THE CABINET

The Speaker: I have notice of three statements.

The Honourable Premier has submitted two. Honourable Premier.

Public Assets and Continued Infrastructure Development

The Premier, Hon. W. McKeeva Bush: Thank you, Madam Speaker.

Madam Speaker, as we continue to make excellent progress in our economic recovery process, I would like to provide you and this honourable House

with an update of what Government has achieved over the last few months.

Madam Speaker, efforts have been very productive in the financial services and investment sectors, as company registration increased our fund and bond market stabilised and Government finances are on the way to stabilisation. And we have gained much knowledge to enhance our budgetary preparation processes. Therefore, most importantly, we are well on our way to getting the country's finances back in order.

During a recent trip to London and Jersey, in London to a meeting with Mr. Bellingham of the Foreign and Commonwealth Office (FCO), to which I led a delegation comprised of the Deputy Speaker, the Financial Secretary, Kenneth Jefferson, and the Fourth Elected Member for George Town, we learned how the Government of Jersey prepared its annual budget. We were also informed of the particular accounting system used by the Government of Jersey to record its financial transactions and to prepare its annual financial statements.

I want to take this opportunity to publicly thank the Government of Jersey, His Excellency the Governor there, the Chief Minister and the Bailiff, for the excellent arrangements made and for the very informative presentations that we received.

We, of course, met with the Minister of the Treasury there for a whole day. We met with Jersey Finance, which is the equivalent to Cayman Finance, and other private sector meetings. I would encourage Members of the House to go online to see how Jersey operates and the difference with how they operate their budgetary processes.

Madam Speaker, at the very outset there were three features of Jersey's public-finance philosophy that struck me and which I admire: Firstly, Jersey has zero public debt; secondly, the zero public debt position of Jersey is not a position that has just been recently achieved. Jersey has not borrowed since the 1950s! All of its operating expenses and capital expenditures are funded by the Government of Jersey's revenues. Borrowing does not occur even for capital expenditures.

Thirdly, the Government of Jersey has significant Accumulated Reserves and Balances of £1.6 Billion at 31st December 2009, built-up annually by achieving surpluses and transferring some or all of its surpluses into reserves. That is a population of some 90,000 people. We here in our Island with 50,000 people have (in a minute I will say how much public debt) reserves . . . nothing has been put in the reserves since 2004.

One may ask, "How is this relevant to the Government of the Cayman Islands?" Well, it is relevant in at least two ways: Firstly, it is a position and philosophy in respect of public finances that I would like the Government of the Cayman Islands to achieve; and, secondly, the stance of nil or very little external borrowing by the Government of the Cayman

Islands is one that the FCO (Foreign and Commonwealth Office) has told us that we have to do.

Madam Speaker, let me further explain this latter point: In a 10th June 2010 letter received from the Foreign & Commonwealth Office, I was told that the FCO would not permit the Government of the Cayman Islands to borrow in the financial year that will start on 1st July 2011.

However, my Government happens to be fundamentally averse to borrowing, and we have said that on many occasions. We have had to incur borrowing during our present term to continue capital projects started by the previous Government. Let me provide numerical details in respect of the Government's public debt position.

Madam Speaker, when my Government left office in May 2005, the debt owed by Central Government was CI\$142 million.

The Peoples' Progressive Movement, PPM (People's Progressive Movement), governed these Islands from May 2005 to May 2009. At the end of that four-year term, the debt owed by Central Government had climbed to CI\$373 million, hence the debt position at May 2009 was approximately three-fold that at May 2005. Or, put another way, there was a 163 per cent increase in the debt position by the PPM over its four-year term of government.

At 31st January 2011, the outstanding debt balance owed by the Government was approximately CI\$560 million. This increase is largely due to the US\$312 million that was borrowed in November 2009 to fund the deficit incurred by, and the capital projects started by, the past Government. If my Government were to borrow the entire CI\$155 million by 30th June 2011 that it is empowered by this Assembly to do, the outstanding debt balance owed by the Government at 30th June 2011 would be CI\$626 million.

For the year to the 30th June 2011, the nominal Gross Domestic Product (GDP) is projected to be approximately CI\$2.5 Billion, which means that the possible central Government debt of CI\$626 million at 30th June 2011, as a ratio of nominal GDP, would be 25.3 percent. That, Madam Speaker, is going too far! I do not intend to take it any further. Not me!

In turn, this means that the debt per head of all residents in the Cayman Islands would reach approximately CI\$12,000 or CI\$31,000 per household. If we were to consider only Caymanians, the debt per head would be approximately CI\$20,000 or about CI\$54,000 per every Caymanian household.

Furthermore, Madam Speaker, the cost of servicing the Government's debt obligations has increased steadily in recent years. If Honourable Members of the House were to examine the Annual Plan and Estimates document for the year to 30th June 2011, they would find that interest and principal payments were forecasted to be approximately 13 per cent of Government's Revenue—whereas the Public Management and Finance Law specifies that this should be a maximum of 10 per cent.

So, Madam Speaker, we are outside of the ratio; therefore, my treks to the Foreign and Commonwealth Office to deal with those matters. The first time in our history, I should say, that this country has had to do that.

The FCO was made aware of this situation prior to the start of this current fiscal year; nonetheless the FCO granted the Government permission to borrow up to C\$155 million in the year to 30th June 2011.

I should say here, Madam Speaker, that reports in the United Kingdom in various newspapers there stated that the UK had to give Government money. The United Kingdom has not given this Government any money that I ever knew about. We have never been grant-aided—thank God. We have not had to go to them for one red cent! Instead, in the year when they had the Falkland's War, this Government, this country gave them. I was part of that. I chaired the West Bay Committee for "Mother Needs Your Help" and we forwarded over \$1 million to them. So the newspapers there need to get their facts straight. The United Kingdom has never given this country any money, not even in our lowest period when we had over \$3 billion in damage from Hurricane Ivan.

Additional and much-needed infrastructure development by Government can only occur, therefore, from the Government's own resources. And that is the tenor of my statement this morning. There are high expectations of what this country must do. People must accept the realities. And Members opposite need to accept the realities that are part and parcel of their doing, and part and parcel of the world's economy.

Since the introduction of more revenue enhancement measures by the Government is not an optimal choice (that is something that I am not going to do either), the country must move on to other alternatives to obtaining the resources needed to develop and enhance the Islands' infrastructure: that is, by using public assets and using the proceeds there from to continue the development of these Islands.

If this strategy is not pursued, coupled with the fact that external borrowing by Government is not possible in the immediate years to come, then the development of infrastructure in these Islands by Government will come to a grinding halt!

Madam Speaker, I refer to the use of public assets such as the sewage treatment plants. While absolutely needed, these elements are tremendous projects that we as a Government so much in debt cannot afford to tackle. More importantly, our goal is to provide a system so efficient that it will improve the lives of our people, protect our environment, and create long-term social and economic benefits to our country.

My Government feels strongly that by using these national assets we can provide the best opportunities to assist our Islands and equip them with modern, technology-efficient systems that will serve our people for many years to come.

This fits with our mandate to place the Cayman economy on a path for future success. The continued growth of our economy will need robust, efficient infrastructure, and it is, therefore, Government's role to ensure this exists and to create the right economic conditions for new business opportunities, greater employment and increased income for our people.

And whilst we are deeply appreciative of development efforts by private sector entrepreneurs, Government must lead in this development effort. While we do not have money, we have national assets that we must utilise, because it is in line with our objective of increasing investment in these Islands, which will lead to increased employment, efficiency and ultimately a reduction of costs for residents and citizens of these Islands.

Madam Speaker and Honourable Members, the strategic use of our public assets is extremely important for the future success of our economy. As a Government, we are exploring these projects very carefully to ensure that there is a net benefit created by using these assets. In the short term there is the potential for reduced cost to the public sector and an increase in revenue. In the longer term there is the potential for both direct and indirect creation of jobs and employment opportunities as well as providing modern and efficient water and sewerage treatment systems.

Other major projects expected to commence during the course of the year are the construction of the North Sound Channel, the development of a Special Economic Zone and the construction of the Shetty Hospital, all of which I mentioned earlier, Madam Speaker. These projects are in addition to the continued development of Dragon Bay and Camana Bay, as well as ongoing commercial construction.

Another consideration to diversify our economic base is the establishment of an oil refinery. This idea has been raised before, and we should know all the facts before criticising it.

Madam Speaker, what of the benefits? The benefits will lessen dependence on outside producers to supply refined petroleum. It will lower cost basis for refined products in these Islands. It will lower cost basis for power generation, meaning that Caribbean Utilities' cost would be tremendously less to every household. It lowers the cost of living because once Caribbean Utilities cost is lowered, then business cost is lowered, therefore, the cost of living should, for every resident of the Cayman Islands be lower.

It will increase storage capacity for petroleum products on-Island from the capacity we have now of some 15 days, I believe. It will resolve issues regarding current location of petroleum storage tanks. It will produce aviation fuel locally to support long-haul flights. It will create employment. It will allow Government to attract new industries for the Islands. It will increase our Gross Domestic Product. It will reduce

our trade imbalance and it would allow regional and global trade of crude.

These, Madam Speaker, are just some of the benefits. Any such facility would have to be properly and environmentally correct. But this can be safely done in our environment and people ought not to criticise without knowing all of the facts.

On a national level, we should consider our dependence on the two international oil companies that currently service the Island. An oil refinery is a development that would give us a national safety net—one that warrants serious consideration. And that is what my Government is doing. When the time comes for public consultation and discussion, that will take place.

Madam Speaker, in regard to the building of a Channel through the North Sound, I want to reassure you and this honourable House that we will provide the necessary infrastructure to take full advantage of this project from an economic perspective, while mitigating any potential adverse impacts on the environment. We will also make the channel viable and open that area of the North Sound for redevelopment, thus enhancing properties. We will need to develop two islands in that area as well, which, as I said, will make the channel viable.

The other giant undertaking this year is plans to establish a Special Economic Zone which will be an area dedicated to the needs of specific types of foreign investment. This particular zone is designed to focus on future technology and intellectual innovation, and is the first of its kind in the Caribbean region.

We recently signed a Memorandum of Understanding with Hon Development to commence construction by December of this year, once legislative amendments and detailed agreements are concluded. The concept of Special Economic Zones is not new. They are a proven economic driver that generate over USD\$600 billion per annum and support over 50 million jobs around the world. By establishing a Special Economic Zone in the Cayman Islands we can boost investment in areas relating to technology, science and international trade.

The focus on future technologies will establish the Cayman Islands as a global centre for a variety of knowledge-based industries such as information and communication technology, software development, biotechnology and new media, among others. Once again, the Cayman Islands will be at the forefront of global innovation creating new and exciting career and leadership opportunities for generations of Caymanians to come.

The Special Economic Zone is also expected to contribute a minimum of 15 per cent of the Cayman Islands GDP over the next 10 years, which puts us on the right path for economic diversification whilst protecting our unique environment.

Madam Speaker, with an investment valued at over US\$500 million over the next eight years, and the potential for over 5,000 highly skilled jobs, the

benefits of this development extend beyond economic impact and into the development of our human capital. Greater opportunities in higher education, skills upgrading and benefits that come with technology transfer, will have a long-term impact on national efficiency and our global competitiveness as a jurisdiction.

Madam Speaker, I would also like to emphasise that this Zone cannot and will not compete with existing businesses or industries. It has a specific purpose and targets a completely different market than what we currently attract.

The Special Economic Zone is also expected to contribute to 15 per cent of the Cayman Islands GDP over the next 10 years, which puts us on the right path for economic diversification.

Several other infrastructure projects that I have mentioned are:

- Development of a pier and related facilities at the Cayman Turtle Farm in West Bay;
- Development of a cruise pier and related facilities in Cayman Brac, with Mr. Scott;
- Major road works to the eastern districts of Grand Cayman; and
- Enhancements to our airports both in Grand Cayman and Little Cayman

Our focus is not only on Grand Cayman but also on the Sister Islands. I believe that Cayman Brac and Little Cayman have tremendous offerings for tourism, financial services and education. As a country with much to offer, we need to keep looking ahead and continue to make key decisions to remain competitive across all industries. Coupled with the extension of the Cayman Brac and Little Cayman runway is the leasing of a larger aircraft for Little Cayman or for both runs. But what is happening now in Little Cayman, Madam Speaker, is that two small planes are just that—too small. They take few people and have to make extra trips, nine, ten trips for the day for luggage and so on. It is not . . . while it helps, it is not what we want to enhance our tourism product on Little Cayman. So, something bigger; an aircraft of 45 to 60 people is more conducive for that run. And that is what is being examined right now from my Ministerial position.

The synergies and quality of relationship between Government and private sector developers, such as the Shetty Group, the Hon Group, as well as the Dart Group of companies, has placed us well ahead of many jurisdictions.

These developers recognise the benefits of doing business in the Cayman Islands and have confidence that the stable environment of the Cayman Islands is best suited for their projects.

Madam Speaker, our Islands are one of the fastest growing countries in the Caribbean and it is crucial to remain at the forefront of global markets. The Dart Group has certainly put us in a better position with the development of the renowned Camana Bay project. Their recent purchase of the former

Courtyard Marriott [Hotel], the Vista Norte, and the old Japanese Marina are a testament of their support for continued development to our Islands. They believe that the Cayman Islands would be the ideal place to live and work, and therefore strive to create the necessary infrastructure to make it a reality.

As I mentioned earlier this year, the Dart Group has also expressed interest in moving the road surrounding the former Courtyard Marriott Hotel and has proposed to develop Vista Norte, fix the Yacht Club and develop the hotel. Once they commence these projects, I propose that we support changing the West Bay Road from Couitts and Company, from behind the former Courtyard Marriott hotel to the area west of the hotel and up to Batabano Road, West Bay. And that group would have to build the road through some mitigation of Government allowing the re-direction of the present road which will give the public beach another 100 feet of property and give the hotel more beach frontage. The public beach would get 100 or more feet.

If the value is right, we will exchange some swamp land in the Vista Norte area for the building of the road and the exchange of land in Barkers to enhance our Barkers National Park, and land for a public beach there. And I should say on the Barkers National [Park], we have no public beach and the beach that is used there is private property. It is all private. But in relation to the Barkers Park I expect to have at least three people employed there. As it is being used now for kayaking, walking and other purposes, we should have people in the area at all times. It has been used for dumping far too much illegal dumping.

Where is the pride? Do these people not have any shame, Madam Speaker, to be dumping when they have a good collection service in this country and they still have a garbage refuse collection and yet they are dumping in an area that is pristine environment? Of course, having people there would eliminate some of the nefarious actions that go on up in that area. So I plan to put at least three staff members that can deal with tourists on visits and keep check on matters up there. And I expect that to be done by first of March.

In simple terms, Madam Speaker, the net benefit of these major developments is the creation of employment, inward investment, as well as introduction of sectors. In particular, the Special Economic Zone will attract multiple educational facilities and will act as a driver of economic growth. The knock-on effect will be preparation for future careers, which will ultimately give our children, grand-children and future generations the opportunity to study, work and live in a modern, technology-efficient, innovative and creative Cayman Islands.

So, we are actively and eagerly exploring several ways in which to diversify our economic base, as well as to protect our assets and create an additional economic base to raise revenue. Government's financial position has improved, but there is still a long way to go to put us on a sound footing for the future.

In summary, the possibility of Central Government borrowing in the short-term to provide funding needed to develop the Islands' infrastructure is not going to happen; and the option of Government obtaining additional resources by means of new revenue enhancement measures, is not an optimal choice. That is not going to happen either.

Therefore, the careful use of our national assets, the utilisation of our national assets, the construction of the North Sound Channel, the development of a Special Economic Zone, the Shetty Hospital and other infrastructure-boosting projects represent a sensible way of continuing the much-needed development of these Islands.

Madam Speaker, when Lehman was going under hardly anybody knew except for people who closely watched the signs. But the world fell apart in the worst crisis we have had economically in 80 years. I say again, had the Cayman Islands, after 2005, taken up some of the projects that I had left on the table and explored them . . . amended, tore apart, tore down, taken apart, whatever they wanted to have done with it, put a red cloth on it, I do not care, but if we had created the possibility for more revenue, and if our immigration policy had not gone out of whack, this country today would be in a much better shape. We are not!

There are hundreds of children graduating each year, where are the new opportunities coming from? Madam Speaker, we must take charge and do what is necessary. My Government has been given a mandate and, as I have said, I have listened, I have talked and been criticised and cursed and accused, but I am going to do now what I have to do. And where I find stumbling blocks, they will be removed.

If I have to sign agreements on my own and get work started to save people's homes in this country, I will take that risk. And then the fallout can come. Whatever they want to say about me afterwards, they will have to say. But I am not going to be stymied any longer. I am not going to be pushed around by bureaucracy while people cannot get jobs and while people are losing their homes.

There is far too much bureaucracy that is not contributing to the welfare of our Islands. And there are far too many people in charge who are stopping us with all sorts of nice excuses about good governance and about doing the proper things. Things will be done properly. Good governance will be adhered to. But good governance must mean peace, order and good government. That is what good governance is. To get that, we cannot create poverty in our Islands.

We cannot have a poverty-stricken country. We must move forward. And if you sit down for four years and count nickels and count dimes and worry about what people are going to say about us, then we will not get anything done. Poverty will increase. And with poverty comes more crime.

Let us remember that these projects are of benefit, not just in our present situation, but they are

essential to our future and the prospects of future generations.

Thank you, Madam Speaker.

The Speaker: Thank you, Honourable Premier.

You had a second statement, Honourable Premier?

Cayman Islands Development Bank (CIDB) Summary of Performance July 2009 to January 2011

The Premier, Hon. W. McKeeva Bush: Madam Speaker, much has been said about helping the small businesses and the man on the street. There are several ways that Government is doing this. We have just finished several houses in the low-income bracket.

I would think that Government has guaranteed small people, the man on the street, by the housing initiative that this Government has moved forward with. And the various waivers and waivers of duty that I have had to do, not [for] huge business, but for small people on so many different fronts, amounts to millions of dollars (and I am getting the figures). It could probably be close to \$10 million that we have, as a Government, done for people for various projects [for] different things, even social clubs, meaning service clubs, churches; millions of dollars that we help people with on a monthly basis. That is not seen out front. But it is there.

We also help them through the Development Bank. And that is the focus of this statement.

As at January 31, 2011, the loan portfolio stood at \$40,735,009 compared to the loan portfolio as of year ended 30 June 2009, of \$30,131,852, representing a 35 per cent increase in the loan portfolio over year ended 30 June 2009—in just one year, from that perspective, over \$10 million for the people of these Islands. It is a benefit! That's over \$10 million!

This increase can be attributed to the continued demands from customers for affordable loans. The Bank was able to finance this increase in the loan portfolio through the issuance of two US\$5 Million bonds to a local financial institution at US six-month LIBOR [London Interbank Offered Rate] plus 2.75 per cent. This is still high, Madam Speaker. My objective is to try to find funding for the Development Bank for much better rates than this because this is 8.75. This is not really a low interest rate for small businesses. It's high. So, that is part of what I am trying to do, find funds that we can give to the Development Bank or somehow allow (we would have to amend the law), the Development Bank to borrow or source its own funds.

On July 13, 2009, the CIDB launched the Financial Stimulus Program from its offices on Dr. Roy's Drive with the aim of providing Counseling and Financial assistance to Caymanians and residents who were experiencing serious financial difficulty with their personal Finances or Business Operations as a result of the economic recession.

From the onset, it was clear that, given the limited availability of funds to the CIDB, our strategy had to be carefully planned and executed to reach as many clients as possible.

Through the success of that programme CI\$4.2 million was allocated to 56 customers as follows:

- Mortgage takeover to avoid foreclosure \$1.4 million in seven loans
- Debt Consolidation \$1.9 million in 29 loans
- Arrears Regularisation \$133,930 in six loans
- Small Business Financing \$824,143 in 14 loans

The gravity of the personal debt issues facing our residents was apparent from those results and the CIDB continues to encourage and work with other Financial Institutions to offer counseling and work-outs to their clients in an attempt to relieve their financial burdens.

The efforts of the CIDB with the stimulus programme brought relief to 56 individual families and will continue to offer counseling to customers with similar financial challenges.

Since the stimulus programme the bank continues to increase its reach to assist families, small businesses and students as evidenced by the 35 per cent increase in its loan portfolio. This increase has been made possible through additional borrowings which were supported by the Government. This included two FCIB [First Caribbean International Bank] bonds of US\$5 million each, one in July 2010, and the second in January 2011—\$10 million.

In securing the additional financing the CIDB also restructured existing debt to reduce its interest expense by approximately US\$800,000 per year.

Since the [appointment] of the new board in 2009, the bank has been actively reviewing all existing loan files to examine ways to reduce the loan delinquencies and to devise restructuring solutions to assist customers where possible. This exercise has already resulted in assisting some clients to reduce their monthly payments and will likely assist many more as it comes to completion.

Finally, it should be noted that in June 2009, the latest audited financial statements for the CIDB was for the year 2005/2006. Through the hard work and dedication of the staff and its board, the institution has now brought its audited financials up to date by two years, bringing this to 2007/2008.

The CIDB has also largely completed the financials for 2008/2009 and expects to submit the audited statements to the Ministry in early March this year [2011], which will bring the number of years of audited financials since 2009 to three years.

I believe it is abundantly clear Madam Speaker, that the Development Bank has been instrumental in assisting those in need; both during the recession as well as during the past entire 18 months. In addition, the CIDB has undertaken a rigorous proc-

ess of reviewing its existing loan portfolio with a view to strengthening its financial position as well as to provide assistance to its clients wherever restructuring of their loans was possible.

All of this has been achieved while lowering its cost of funding through refinancing to take advantage of market conditions and maintaining low operating costs.

Madam Speaker in summary, I especially wish to acknowledge the very hard work and efforts of the new Chairman, Mr. Paul Byles, in stabilising and further strengthening the CIDB while continuing the provide assistance to those in need by:

- Carrying out three years of audited financials in less than two years;
- Increasing the loan portfolio and therefore the number of new loans to small businesses, students and families, by 35 per cent;
- Reducing the bank's interest costs by over US\$800 thousand per year.

Thank you, Madam Speaker.

The Speaker: Thank you, Honourable Premier.
Honourable Minister for Health?

Withdrawal of the Torts (Reform) (Amendment) Bill, 2010

Hon. J. Mark P. Scotland: Thank you, Madam Speaker.

I would like to thank you this morning for the opportunity to give a short statement to this honourable House to provide an update on the status of my Ministry's proposal to limit non-economic damages in medical negligence cases.

The proposed Torts Reform (Amendment) Bill, 2011, was published in the *Gazette* and circulated to all Members of this House in January of this year. That proposed Bill would limit non-economic damages awarded in Tort cases to \$500,000.

This proposed cap on non-economic damages came about as a result of several factors. Members may recall some concerns raised by local obstetricians a few years ago, where they were facing significant increases in their medical malpractice insurance premiums. These increases were so significant that they would more than double the premiums they were previously paying.

These premium increases led to some practitioners questioning the economic feasibility of continuing their obstetrics practice. In fact, I am aware of one practitioner who actually chose to stop their obstetrics practice. The concern for the general public, which was documented in the press at the time, was whether there would be sufficient practicing obstetricians to meet the needs of our population; and whether we would ultimately see a situation where very few parents could actually have their children

born here as there would not be sufficient practicing obstetricians to provide the necessary care.

There were many proposed solutions including limiting non-economic damages awarded for medical negligence, limiting economic damages awards for future loss of earnings; proposals that Government should cover the medical malpractice insurance premiums for the obstetricians; implementation of decreased limitation periods for minors making injury claims; legislation requiring attorneys to only take on cases where they have reasonable grounds for believing they would be successful, thus limiting frivolous cases and controlling costs; and taking active steps to keep medical negligence claims out of the courts by pursuing mediated resolutions.

Madam Speaker, several of these suggestions came from the Medical Protection Society (or the MPS), which is the main medical mal-practice insurer. Many of the proposed courses of action to address this, require longer term changes; some are just not economically feasible, and others are not within the control of Government to implement or enforce.

One area, Madam Speaker, which Government is in a position to explore and implement, is the proposed cap on non-economic damages. This was raised as a part of the proposed solution by MPS because they and their reinsurers were watching very carefully recent trends in our courts as well as in the courts of our neighbours to the north.

I am sure that we have all heard about the inconceivable pain and suffering awards made in some of the cases in the US, multimillion dollar damages awarded to the injured party for pain and suffering in addition to the sum they would have received for their more easily quantified economic damages.

Given our proximity to the US, and the fact that MPS believed that there was evidence emerging that our local justice system was moving towards more generous awards for non-economic damages, the insurers felt that practitioners in the Cayman Islands, particularly obstetricians, represented an increased risk and they advised that the premiums would increase accordingly.

And, Madam Speaker, those premiums have increased for local obstetricians. Their premiums went from US\$44,700 in 2006 to around US\$153,000 in 2010—an increase of more than 300 per cent in just four years. And each year, when it comes time to set the next year's premiums, MPS representatives review the past year, identify any pending cases and inquire as to whether or not there has been any progress in implementing the cap on non-economic damages.

Sadly, Madam Speaker, it seems that MPS has not found the comfort they need to be able to even hold the line on medical malpractice insurance premiums, so our local practitioners have faced increasing premiums; and we, the residents of the Islands, have faced increasing healthcare costs as a result.

Madam Speaker, there has been research completed, recommendations made and in February 2010 I submitted a paper to Cabinet seeking approval in principle to proceed with Tort Reform. At that time, it was felt that given the far reaching implications of the proposed Tort amendments additional multi-stakeholder consultation was required. Accordingly, the Law Reform Commission was asked to review the proposal and make their report.

Madam Speaker, an added impetus to this proposed legislative reform came with Dr. Shetty's proposed medical tourism facility and the [Agreement](#) signed in April 2010 between Dr. Shetty and the Government. There has been much discussion in this honourable House regarding the merits of this proposed project, so I will not speak to it at length at this time. However, I would like to state for the record that the Government stands behind its commitment to Dr. Shetty and his group to see this project move ahead as we believe it will represent a tremendous benefit to the Cayman Islands on many different levels.

Those who are familiar with the Agreement, which has been in the public realm for nearly a year, will know that clause 2.11(f) of the Agreement gives an undertaking that the Cayman Islands Government will undertake the necessary steps to limit malpractice or medical negligence awards to a maximum of US\$500,000 per individual case in respect of non-economic loss.

Madam Speaker, at the time we were negotiating that Agreement, Dr. Shetty's insurers had already told him that unless there was a cap in place his medical malpractice premiums would be significantly increased as compared to a jurisdiction with a cap on non-economic damages in place. They would be increased so much, Madam Speaker, as to put the economic feasibility of the project in doubt.

Now, Madam Speaker, there has also been some speculation and suggestion that this cap has been requested by Dr. Shetty because he intends to have substandard staff from which medical negligence claims could arise. Madam Speaker, this Government is fully satisfied that Dr. Shetty intends to hire and engage top class internationally respected, eminently experienced, and highly qualified practitioners. His business model depends on being able to provide and, in fact, exceed the level of expertise and care that his largest target client group, patients from the North American market, have come to expect from their health care providers and facilities.

In fact, Dr. Shetty's recognition of the need to meet and exceed these expectations is evident in his current facilities in India. I have seen this for myself. And, as many Members have read recently in our local newspapers, the high standard has been recognised by Joint Commissions International, a globally recognised health care facility accreditation organisation which has recently awarded full accreditation status to Dr. Shetty's Narayana Heart Hospital in Bangalore, India.

Madam Speaker, Dr. Shetty has an international reputation to protect and international and educated clients to care for. I am sure that he is not going to risk his reputation or his financial success by running a substandard facility with substandard staff. Madam Speaker, the sheer number of practitioners that Dr. Shetty anticipates employing when his project is fully built out to a 2,000 bed facility, means that any reduction or savings in medical malpractice insurance will make a significant difference to his operational cost and, in turn, the cost of the care he will provide.

It is simple arithmetic or economics that led Dr. Shetty to ask Government to impose a cap on non-economic damages in medical negligence cases, Madam Speaker.

So, we continue our work on this legislative reform. The Law Reform Commission published their consultation report and after reviewing it, it was still our position that it was still in the public interest for the reasons I have already detailed to pursue the proposed cap on non-economic damages. The Torts Reform (Amendment) Bill, 2011, was approved by Cabinet and submitted to the Legislative Assembly. It was published in the *Gazette* on 31 December 2010, with a mandatory 21-day consultation and review period.

Madam Speaker, it was during the course of that consultation period that I received representations from various stakeholders who were generally supportive of the proposed legislation. However, one concern that was raised by a few stakeholders was that the proposed legislation did not go far enough to have a meaningful effect on the medical malpractice insurance premiums.

It was felt that while the Torts Reform (Amendment) Bill, 2011, would impose an appropriate cap on non-economic damages for cases of tort, there were concerns that it would be ineffective against cases of medical negligence which were brought under contract law. The concern was that injured parties would simply side step the cap on non-economic damages under Tort Law and pursue much higher awards through breach of contract cases.

I discussed this concern with our legal advisors in the Attorney General's Chambers, and they agreed that it was a concern that had merit and warranted further consideration. They subsequently advised that in order to effectively cap non-economic damages in medical negligence cases, including those arising from tort and contract law, it would be better to have a standalone piece of legislation that would address it rather than attempting to insert contract law into tort law.

So, Madam Speaker, that led us to the drafting and approval in Cabinet and publication in the *Gazette* on 18 February 2011, of the new Medical Negligence Non-Economic Damages Bill, 2011, which was circulated to Members last Friday. This Bill replaces the Torts Reform (Amendment) Bill, 2011, that was previously published and circulated. I have, therefore, notified the Clerk that I intend to withdraw the Torts

Reform (Amendment) Bill, 2011, and replace that with the new Medical Negligence (Non-economic Damages) Bill, 2011.

Madam Speaker, at the expiration of the 21-day consultation period, the new Medical Negligence (Non-economic Damages) Bill, 2011, will be tabled. So I will not speak to it in detail at this time. I invite my colleagues to review it and feel free to offer any input or bring any questions that they may have to my attention. And I do look forward to the support of Members when I do bring the new Medical Negligence (Non-economic Damages) Bill, 2011, for their consideration.

Thank you, Madam Speaker.

The Speaker: Thank you, Honourable Minister.

OTHER BUSINESS

BILLS

Torts (Reform) (Amendment) Bill, 2011 *[Withdrawn —Standing Order 58]*

The Speaker: Honourable Minister of Health.

Hon. J. Mark P. Scotland: Thank you, Madam Speaker.

In accordance with Standing Order 58, I beg to move a motion for the withdrawal of the Torts (Reform) (Amendment) Bill, 2011.

The Speaker: The question is that the Torts (Reform) (Amendment) Bill, 2011, be withdrawn, under Standing Order 28.

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

Ayes.

The Speaker: The Ayes have it.

Agreed: Torts (Reform) (Amendment) Bill, 2011, withdrawn.

GOVERNMENT BUSINESS

BILLS

FIRST READING

Trust (Amendment) Bill, 2011

The Clerk: The Trust (Amendment) Bill, 2011.

The Speaker: The Bill is deemed to have been read a first time and is set down for second reading.

SECOND READING

Trust (Amendment) Bill, 2011

The Clerk: The Trust (Amendment) Bill, 2011.

The Speaker: There is no indication on the Order Paper of who is bringing this Bill.

[pause]

The Speaker: Honourable Premier.

The Premier, Hon. W. McKeeva Bush: Thank you, Madam Speaker.

I beg to move the Second Reading of a Bill entitled The Trust (Amendment) Bill, 2011.

The Speaker: The Bill has been duly moved. Does the mover wish to speak thereto?

The Premier, Hon. W. McKeeva Bush: Thank you, Madam Speaker.

I rise to present the Bill on behalf of the Government, a Bill for a Law to amend the Trust Law (2009 Revision), which would insert a new provision that would require a trustee to keep accurate accounts and records including underlying documentation of the trustee's stewardship and provide for such accounts and records to be retained for a minimum of five years from the date on which they are prepared.

The Bill seeks to impose a penalty where a trustee knowingly and willingly contravenes these requirements. This Bill will address weaknesses identified in the Cayman Islands Phase I Peer Review by the OECD (Organisation for Economic Co-operation and Development) Global Forum on Transparency and Exchange of Information for Tax Purposes, in which the Cayman Islands received a determination if the element is not in place for the component relating to accounting records.

In September 2010, similar legislative amendments were made to the Companies Partnership and Exempted Limited Partnership Laws to also address weaknesses identified in the Phase I Peer Review Report. Those amending Bills have been passed by the Legislative Assembly.

This Bill is a result of extensive consultation with the Financial Services Industry via STEP [Society of Trust and Estate Practitioners] and the Financial Services Legislative Committee. Their suggestions have been incorporated in the Bill now before the House. Therefore, I commend the Bill to all honourable Members.

The Speaker: Thank you, Mr. Premier.

Does any other Member wish to speak?
[pause] Leader of the Opposition.

Hon. Alden M. McLaughlin, Jr., Leader of the Opposition: Madam Speaker, just to indicate the support of the Opposition for the Bill.

The Speaker: Thank you.

Does the mover of the Bill wish to reply?

The Premier, Hon. W. McKeever Bush: Just to thank all Members for their support.

[inaudible interjections]

The Speaker: The question is that a Bill entitled The Trust (Amendment) Bill, 2011, be given a second reading.

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

Ayes.

The Speaker: The Ayes have it.

Agreed: The Trust (Amendment) Bill, 2011, given a second reading.

The Speaker: The House will now go into Committee to consider the Bill.

House in Committee at 12.29 pm

COMMITTEE ON BILL

Trust (Amendment) Bill, 2011

The Chairman: Please be seated. The House is now in Committee.

With the leave of the House, may I assume that, as usual, we should authorise the Honourable Second Official Member to correct minor errors and suchlike in these Bills?

Would the Clerk please state the Bill and read the clauses?

The Clerk: The Trust (Amendment) Bill, 2011

Clause 1 Short title

Clause 2 Insertion of section 27A in Trusts Law (2009 Revision) - accounts and records

The Chairman: The question that clauses 1 and 2 do stand part of the Bill.

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

Ayes.

The Chairman: The Ayes have it.

Agreed: Clauses 1 and 2 passed.

The Clerk: A Bill for a Law to amend the Trusts Law (2009 Revision) to provide for the retention of accounts and records for a minimum period; and to provide for incidental and connected purposes.

The Chairman: The question is that the Title do stand part of the Bill.

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

Ayes.

The Chairman: The Ayes have it.

Agreed: Title passed.

The Chairman: The question now is that the Bill be reported to the House.

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

Ayes.

The Chairman: The Ayes have it.

Agreed: The Bill to be reported to the House.

House resumed at 12.32 pm

The Speaker: Proceedings are resumed. Please be seated.

REPORT ON BILL

Trust (Amendment) Bill, 2011

The Clerk: The Trust (Amendment) Bill, 2011

The Speaker: Honourable Premier.

The Premier, Hon. W. McKeever Bush: Thank you, Madam Speaker.

I have to report that a Bill entitled the Trust (Amendment) Bill, 2011, was considered by a Committee of the whole House and passed without amendment.

The Speaker: The Bill has been duly reported and is set down for a Third Reading.

Suspension of Standing Order 47

The Premier, Hon. W. McKeever Bush: Madam Speaker, I move the suspension of Standing Order 47 to enable the Bill to be read a third time today.

The Speaker: The question is that Standing Order 47 be suspended to enable the Bill to be read a third time.

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

Ayes.

The Speaker: The Ayes have it.

Agreed: Standing Order 47 suspended.

THIRD READING

Trust (Amendment) Bill, 2011

The Clerk: The Trust (Amendment) Bill, 2011.

The Speaker: Honourable Premier.

The Premier, Hon. W. McKeever Bush: Thank you, Madam Speaker.

I move that the Bill entitled The Trust (Amendment) Bill, 2011, be given a third reading and passed.

The Speaker: The question is that a Bill entitled The Trust (Amendment) Bill, 2011, be given a third reading and passed.

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

Ayes.

The Speaker: The Ayes have it.

Agreed: The Trust (Amendment) Bill, 2011, given a third reading and passed.

The Speaker: At this time I am going to take a short suspension to take care of a personal matter.

Proceedings suspended at 12.35 pm

Proceedings resumed at 1.25 pm

The Speaker: Please be seated.

Proceedings are resumed.

This morning when I was announcing statements, I neglected to mention that the Minister of Education had asked my permission to deliver a statement on the Floor of the House today.

I apologise for that error. I will call on him now to make that statement.

STATEMENTS BY HONOURABLE MEMBERS AND MINISTERS OF THE CABINET

Labour Law and Minimum Wage

Hon. Rolston M. Anglin: Thank you, Madam Speaker.

And, Madam Speaker, I apologise for the fact that I could not be here during the normal time in which statements are delivered to this honourable House. I certainly thank Members for their cooperation in allowing this statement.

Madam Speaker, this statement is on the Labour Law and this whole issue of a minimum wage.

Madam Speaker, I would like at this time to update this honourable House regarding the Government's position on the Labour Law as a whole, specifically sections 20 through 23, the enabling provisions which deal with a national basic minimum wage.

The Government announced a wholesale restructuring of the Department of Employment Relations and National Pensions Office which will, amongst other things, result in two new agencies, the Department of Labour and Pensions, and the Human Capital Development Agency. Work on this project is ongoing and progressing well, albeit slower than I would have liked.

However, Madam Speaker, with an undertaking of this magnitude I knew that it would require substantial effort. It is anticipated that this work will be completed in time for the Budget Meeting and the relevant legislation be presented for debate then. We are already working on the Ministry's outputs in anticipation of this.

Madam Speaker, in relation to the Labour Law generally, the Government has begun an internal process of review to review the Law which included discussions surrounding a minimum wage. I anticipate taking specific proposed changes to my legislative caucus in March of this year with a view to producing a White Paper for 30-days public consultation by the end of March. This would allow us to issue drafting instructions and hopefully have a Bill ready by mid-May 2011.

Madam Speaker, permit me to now deal more fully with the matter of a minimum wage. Sections 20 through 23 of the current Labour Law provide for a national minimum basic wage and are summarised below. Section 20 allows the Governor to establish a minimum basic wage by order only after the recommendation of the Minister responsible for Labour by the Minimum Wage Advisory Committee. It specifically excludes juveniles required by any law to attend school.

Section 21 prescribes the details in regard to the establishment of the Minimum Wage Advisory Committee. Section 22 prescribes the penalty regime for not paying an established minimum wage.

Madam Speaker, if you will, the issue of a minimum wage is extremely complex and one that this and no government or country should rush into as there are many factors to consider and points to debate. A minimum wage is defined as the lowest hourly, daily or monthly remuneration that employers may legally pay to workers. Equivalently it is the lowest wage at which workers may sell their labour.

Although minimum wage laws are in effect in a great many jurisdictions, there are differences of opinion about the benefits and drawbacks of a minimum wage. Supporters of minimum wage say that it increases the standard of living of workers and reduces poverty. Opponents say that if it is high enough to be effective, it increases unemployment, particularly among workers with very low productivity due to inexperience or handicap, thereby harming lesser skilled workers to the benefit of better skilled workers.

The history of minimum wage: Statutory minimum wages were first proposed as a way to control the proliferation of sweat shops in manufacturing industries. The sweat shops employed large numbers of women and young workers, paying them what were considered to be substandard wages. The sweatshop owners were thought to have an unfair bargaining power over their workers, and a minimum wage was proposed as a means to make them pay fairly.

Over time, the focus changed to helping people, especially families, become more self sufficient. Today, minimum wage laws cover workers in most low-paid fields of employment.

The minimum wage has a strong social appeal, rooted in concern about the ability of markets to provide income equity for the least able members of the work force. For some people, the obvious solution to this concern is to redefine the wage structure politically to achieve a socially preferable distribution of income. Thus, minimum wage laws have usually been judged against the criterion of reducing poverty.

Although the goals of the minimum wage are widely accepted as proper, there is great disagreement as to whether the minimum wage is truly effective in attaining its goals. From the time of their introduction, minimum wage laws have been highly controversial politically and economically, and have received much less support from economists than from the general public. Despite decades of experience and economic research, debates about the costs and benefits of minimum wages continue today.

The classic exposition of the minimum wage's shortcomings in reducing poverty was provided by George Stigler in 1946. And the summary of his work is as follows:

- Employment may fall more than in proportion to the wage increase, thereby reducing overall earnings;
- As uncovered sectors of the economy absorb workers released from the covered sectors, the decrease in wages in the uncovered sectors may exceed the increase in wages in the covered ones;
- The impact of the minimum wage on family income distribution may be negative unless the fewer but better jobs are allocated to members of needy families rather than to, for example, teenagers from families not in poverty;

- Forbidding employers to pay less than a legal minimum is equivalent to forbidding workers to sell their labour for less than the minimum wage. The legal restriction that employers cannot pay less than a legislated minimum [wage] is equivalent to the legal restriction that workers cannot work at all in the protected sector unless they can find employers willing to hire them at that wage.

Direct empirical studies indicate that anti-poverty effects in the United States would be quite modest, even if there were no unemployment effects. Very few low-wage workers come from families in poverty. Those primarily affected by minimum wage laws are teenagers and low-skilled adult females who work part time, and any wage rate effects on their income is strictly proportional to the hours of work they are offered.

So, if market outcomes for low-skilled families are to be supplemented in a socially satisfactory way, factors other than wage rates must also be considered. Employment opportunities and the factors that limit labor market participation must be considered as well.

Economist Thomas Sowell has also argued that regardless of custom or law, the real minimum wage is always zero, and zero is what some people would receive if they fail to find jobs when they try to enter the workforce, or they lose the jobs they already have.

Considerations in fixing an initial minimum wage: Among the indicators that might be used to establish an initial minimum wage rate are ones that minimise the loss of jobs while preserving international competitiveness of Cayman as a tourism and international business jurisdiction. Among these are general economic conditions that are measured by real and nominal gross domestic product; inflation; labor supply and demand; wage levels, distribution and differentials; employment terms; productivity growth; labor costs; business operating costs; the number and trend of bankruptcies; standards of living and the prevailing average wage rate.

In the business sector, concerns include the expected increased cost of doing business, threats to profitability, rising levels of unemployment (and subsequent higher government expenditure on welfare benefits raising tax rates), and the possible knock-on effects to the wages of more experienced workers who might already be earning more than the new statutory minimum wage.

Among workers other concerns include purchasing power, inflation indexing and standardised working hours.

In the United States, the minimum wage promulgated by the Fair Labor Standards Act (FLSA) of 1938 was intentionally set at a high, national level to render low-technology, low-wage factories in the

South obsolete. That fact must all but not be lost when we look at our unique historical and economic context.

Debate over consequences of a minimum wage: Various groups have ideological, political, financial, and emotional investments in issues surrounding minimum wage laws. For example, agencies that administer the laws have a vested interest in showing that their laws do not create unemployment as do labor unions, whose members' jobs are protected by minimum wage laws. On the other side of the issue, low-wage employers such as restaurants finance the Employment Policies Institute (EPI), which has released numerous studies opposing the minimum wage.

The presence of these powerful groups and factors means that the debate on the issue is not always based on dispassionate analysis. Additionally, it is extraordinarily difficult to separate the effects of minimum wage from all the other variables that affect employment.

The table below summarises the arguments made by those for and against minimum wage laws:

Arguments in favor of Minimum Wage Laws: Supporters of the minimum wage claim it has these effects:

- Increases the standard of living for the poorest and most vulnerable class in society and raises average.
- Motivates and encourages employees to work harder (unlike welfare programs and other transfer payments).
- Stimulates consumption, by putting more money in the hands of low-income people who spend their entire paychecks.
- Increases the work ethic of those who earn very little, as employers demand more return from the higher cost of hiring these employees.
- Decreases the cost of government social welfare programs by increasing incomes for the lowest-paid.
- Encourages the automation of industry.
- Encourages people to join the workforce rather than pursuing money through illegal means, e.g., selling illegal drugs.

Arguments against Minimum Wage Laws: Opponents of the minimum wage claim it has these effects:

- As a labor market analogue of political-economic protectionism, it excludes low cost competitors from labor markets, hampers firms in reducing wage costs during trade downturns, generates various industrial-economic inefficiencies as well as unemployment, poverty, and price rises, and generally dysfunctions.

- Hurts small business more than large business.
- Reduces quantity demanded of workers, either through a reduction in the number of hours worked by individuals, or through a reduction in the number of jobs.
- May cause price inflation as businesses try to compensate by raising the prices of the goods being sold.
- Benefits some workers at the expense of the poorest and least productive.
- Can result in the exclusion of certain groups from the labor force.
- Is less effective than other methods at reducing poverty (e.g. Government's co-sponsored apprenticeships and skills based training programme), and is more damaging to businesses than those other methods.
- Discourages further education among the poor by enticing people to enter the job market.

Madam Speaker, listed below are some points that we must consider in the Caymanian context:

What should be the rate for a minimum wage?

What will the impact of a minimum wage be on reducing poverty? What will the impact be on attracting more Caymanians into the workforce versus participating in illegal activities as a means of survival?

How will a minimum wage affect the general price level? Will it increase the cost of living?

How will a minimum wage affect the purchasing power within the economy? Will it cause an overall reduction as a cost of living increase outstrip the minimum wage impact?

How will a minimum wage affect current skilled and semi-skilled wage rates? Will employers lower the wage to meet a minimum wage? Will the labour market drive down future rates in this sector to meet the minimum wage if they were previously higher?

How will Caymanian families cope with the increase in cost of hiring domestic helpers? Will the minimum wage calculation include other items such as free lunches, uniform, housing subsidies and other benefits?

How does our overall benefits package compare in similar economies, i.e., health insurance coverage and pension contributions? What will be the impact on small businesses? Will any categories of workers be exempted from the minimum wage regime? For example, in the United States there are various minimum wage exceptions that apply under specific circumstances to workers with disabilities, full time students, and youths under 20 in their first 90 consecutive calendar days of employment, tipped employees, and student learners.

What are the enforcement implications to Government, i.e., how costly would a minimum wage

be to enforce? These are but a few items the United Democratic Party must consider.

Madam Speaker, the Elected Member for North Side sought to introduce a committee stage amendment to amend the Labour Law and introduce a minimum wage of C\$5.00 per hour. This would not have been debated on the Floor of the House; it would not have allowed for the 21-day period for publication after gazettal; it was without answers to any of the questions outlined in this statement. As Elected Members we must ensure that what we do will benefit our people. As a House and a community, do we believe that the C\$5.00 per hour proposed by the Elected Member for North Side makes our people and the wider economy better off?

Madam Speaker, the Government must have all important dialogue and consultation to ensure that the impact of a minimum wage is positive and that our people are better off because of it. Such dialogue and consultation cannot be restricted to talk show appearances or introducing committee stage amendments to bills, which cannot be debated or given the adequate public notice for dialogue and feedback.

Madam Speaker, the Government is not opposed to a minimum wage. However, we will ensure that the matter is properly debated and robust public consultation allowed. The outcome must be one that better life for our people.

I thank you, Madam Speaker, for allowing me to make this statement.

The Speaker: Thank you, Honourable Minister for Labour.

There are no other items on the agenda. I call for a motion for the adjournment.

ADJOURNMENT

The Premier, Hon. W. McKeever Bush: Madam Speaker, I move to adjourn this honourable House sine die.

The Speaker: The question is that this honourable House do adjourn sine die.

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

Ayes.

The Speaker: The Ayes have it.

At 1.45 pm the House stood adjourned sine die.

