



CAYMAN ISLANDS
GOVERNMENT

Portfolio of Finance & Economics

Public Relations Unit

Remarks by the Honourable D. Kurt Tibbetts, JP, MLA Leader of Government Business Cayman Islands Chamber of Commerce

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Check against delivery

Mr. President

Members of the chamber of commerce

Ladies and gentlemen

Government welcomes opportunities, such as this one, to have dialogue with the private sector on key issues of national importance. The focus, in this particular instance, is on the outlook for the Cayman Islands economy this year, in the context of a deepening global recession.

The PPM government, which I have the honour to lead, views the private sector as an invaluable partner in our nation's economic development. In market-driven economies, such as our own, the private sector is assigned the key role of engine of growth. In so doing, the private sector creates jobs and generates vital revenue that allows government to finance its operations and meet various public needs.

On the other hand, government is expected to act largely as a facilitator. Through fiscal, monetary and other policies, government creates the enabling environment so that the private sector can get on with the job of generating economic growth and increasing national wealth. Government's role also involves providing various public services and programmes. For example, a court system, national security, roads, education, health care, to name a few examples.

Government and the chamber of commerce are fully in agreement that 2009 is going to be a year of choices and challenges. We are also in agreement



that it cannot be business as usual, that we have to revisit and review the way we do business. During my strategic policy statement address to the legislative assembly last December 10th, I presented a comprehensive overview of how government intends to approach the challenges and opportunities that come along.

Indeed, an essential element of the strategy is making government and, by extension the Cayman Islands, more business friendly. The recent reform of immigration procedures to allow faster approval of work permits represents one example. With some 26,000 work permits in effect, amendments were made to our immigration legislation to allow for certain categories of work permit application to be processed administratively. Since then the department of immigration has implemented new processes, created detailed policy directives for those involved in processing applications and appointed key personnel.

Decisions on applications will be made by a work permit administrator. I am pleased to announce that the first applications under these new arrangements were processed on 5 January 2009. While there is presently only one fully trained work permit administrator (out of an eventual five), over one hundred work permit applications have already been decided. It is anticipated that when the full complement of administrators are fully trained, some five hundred work permit applications will be decided weekly.

The launch of the administrative system of processing work permits is not the end of the process. The next stage focuses on combating work permit abuse by unscrupulous employers and providing means of rewarding employers who comply with the law and provide training and opportunities for upward mobility by Caymanians.

At present the immigration department does not have the resources to verify in each case whether an employer is complying with health and pension laws or other industry-specific statutory requirements. The department of employment relations, the national pensions office and the health insurance commission also face similar challenges in ensuring that employers comply with legislative requirements.

At the same time it was recognized that employers who comply fully with all statutory requirements and have a proven track record of employing Caymanians should be recognized and rewarded. A task force chaired by the chief immigration officer and comprised of representatives from the private sector has therefore developed a system where employers are required to obtain accreditation from the immigration department with respect to a number of criteria before they may be granted any work permits. This stage of the process has now been completed and the cabinet yesterday gave approval for the new system to be introduced to private sector organizations through a series of work sessions. Feedback received during these sessions will then be reviewed and a final submission then made to cabinet.

Applications for accreditation will be processed administratively (i.e. not by a board) by teams in the immigration department. One team will be trained specifically with respect to the financial services industry; another team will be trained with respect to the tourism and hospitality industries; the third team will process applications from all the other industries. Representatives from the relevant industries will assist in initial training of the team members.



I will be announcing the details of this new initiative at our regular press briefing tomorrow morning.

The challenges currently facing the Cayman Islands economy cannot be viewed in isolation from what is happening in the global economy, especially in the countries which are our major trading partners. Having an appreciation of this relationship is vital to understanding the challenges we face and to coming up with appropriate solutions.

Because the Cayman Islands economy is integrated into the global economy, mainly through tourism and financial services, it is inevitable that what is happening in the global economy will affect us in some way. While we have little control over external developments, we do have the power, to some degree, to minimize the impact of the fall-out on our economy.

The global economic downturn has contributed to a noticeable slowdown in economic activity in the Cayman Islands over the past year. It could have been a lot worse, were it not for timely, pro-active government intervention. Recognizing the implications of the global economic crisis for domestic business activity, government decided it was timely to expand spending on capital projects to upgrade the country's infrastructure.

This represented a strategic investment as government is essentially building capacity to support future growth of the economy. Interestingly, the governments of more developed countries – including the United Kingdom – subsequently followed our example. They have announced massive fiscal packages to provide a much-needed stimulus to their economies.

Even though our decision was roundly criticized by some persons, the truth is that government's major investment in capital works projects – new roads, schools, the new government administration building, the new boxing gym, the annex to the Georgetown public library, the coastal defence works in east end – these are all having a beneficial trickle-down effect. Businesses are benefitting because additional demand has been created for their goods and services. Government spending on capital projects is also contributing to maintaining employment levels.

Because the fundamentals of our economy remain strong, we are faring better than many countries. Based on the latest projections, our economy is expected to show growth again this year, albeit marginally. In contrast, several economies – some stronger than ours -- are in decline. Because the crisis in the global economy is so dynamic, this is not the time to be complacent. Government is closely monitoring the international economy over the coming months and will adjust our policies accordingly to counteract any threats and to capitalize on new opportunities.

One of government's strategies is to maintain a strong fiscal position. We are paying close attention to both revenue collection and operational expenditure. Present projections are that the debt service ratio this year will be 7.8 per cent of revenue, below the 10 per cent limit set by legislation. Government's cash position at the end of the fiscal year in June will be some 119 million dollars or 94 days operating expenditure. So, so far so good.

The current situation calls for us to be pro-active and to constantly think outside of the box. As a priority, I am pleased to announce that the government will shortly convene a national consultation on the economy. We



have over the course of the past years and in particular over the past six months, been meeting regularly with key stakeholders regarding the economy and the impact of the global situation. We have established the economic monitoring and advisory group which has met a number of times to assess and advise government on the situation. In addition, the financial services council meets regularly to consider matters relating to the financial services sector.

Notwithstanding these measures which are already in place, given the seriousness and projected length of the global recession, we believe that a truly national consultative exercise is now called for. The planned consultation will provide an opportunity for the private sector and other relevant stakeholders to sit with government policy-makers and discuss how we should use this opportunity to reform and reposition our economy to make it better and stronger for the future. I am eagerly looking forward to participating in such a dialogue which will provide the basis for designing a blueprint to take our economy into the future.

It is of vital importance that we have this dialogue on the economy, in the same way that we have had a successful national dialogue on modernizing our constitution. A modern constitution, which is now close to becoming a reality, must be complemented by a new look economy. An economy that is highly flexible, innovative, and competitive. That is the next assignment of major importance for our country. In the same way that we have shown leadership in pushing for a new constitution, this government will show leadership in reforming and repositioning our economy for a brighter, better future.

Mr president, you called today for the appointment of a minister with exclusive responsibility for financial services. We agree with you and if the constitutional modernization exercise is successfully completed as we expect it will, such an appointment will be possible under the new Cayman Islands constitution.

In response to your queries, let me give an overview of what government is doing to safeguard the interests of the financial services sector. It is good that the chamber recognizes, as we do, the value of that sector, and correctly identifies some of the challenges ahead. I trust that a few facts will not go amiss in any constructive discussion.

While there is not a label with 'department of financial services' on it within government, there exists a core cadre of five senior staff and four support staff under the portfolio of finance & economics with specific responsibilities for financial services policy, legislation, administration, advice to cabinet, promotion and public relations, led by the deputy financial secretary for financial services, a post that was established in 2004.

Depending on the issue, this core team is able to draw on expertise and support from my office, the minister for international financial services, the cabinet office, the AG's chambers, CIMA, the stock exchange and the general registry, to name the most frequent partners. It may be that consequent to certain constitutional changes, if secured, a so-called 'department of financial services' may emerge; however, the absence of a banner with that name is not the absence of the functions and activity.



In relation to an international government relations programme and effective lobbying/media relations capacity, these are already in place, and we are able to mobilize not just in London, DC or Brussels but pretty much anywhere we need to. We achieve this with a combination of local staff in the public relations unit together with our highly capable and experienced global partners, Fleishman Hillard.

A small but nevertheless important example of our capacity is that we now have our financial services factsheets and backgrounders available in German and French, for those media markets. And just to give you a snapshot of some of the activity over the next several weeks, the minister for international financial services policy meets with the UK financial services minister, Lord Myners, in early February; the DFS (financial services) goes to Brussels early February for a series of meetings and briefings; and I will be leading a delegation to DC in early March.

As the main advisory body to government on financial services issues, the financial services council is very alive to the challenges facing the sector. It has provided and will continue no doubt to provide input and recommendations on how to meet these, in consultation with a broad cross-section of the industry.

However, the chamber's general mission to 'support, promote and protect business and community success' clearly comprehends the financial services sector. Thus, informed and constructive input from the chamber on the issues is welcome. Welcome too is the call for everyone, including government, to review their missions and methods to ensure that they are fit for purpose and deliver what the Cayman Islands needs on time, on budget and on target.

I wish to speak a bit about employment. The department of employment relations and the ministry are closely monitoring the employment situation in these islands. While there has been some lay-offs as a result of the international economic slowdown, thus far the employment situation remains quite stable. There has been no spike in the number of people registering with employment relations in search of jobs and the present projections are that unemployment will not exceed 4% over the next fiscal year.

However, in recognition of the times in which we live, from February 9th to the 12th, the department of employment relations will be holding district employment drives in each district from 2 to 7 p.m. each day. Further details of this exercise will be made public shortly but it is hoped that persons in the individual districts who are seeking employment, will register with employment relations at that time. In addition, the department of employment relations and the department of education will participate in the chamber's jobs, careers and education expo which will follow on the 13th and 14th of February.

While it is universally accepted that 2009 will not be a year of 'business as usual', few sectors have had to overcome as many shocks in recent years as has the travel industry. Since 2001, the travel trade has successfully rebounded from severe business interruptions following the US terror attacks, wars in the middle east, hurricane Ivan, unprecedented fuel prices, the US mortgage crisis, an aviation crisis, hurricane Paloma and now the global financial crisis. To put this in perspective, the last five of these business challenges occurred in the past year alone!



I turn now to tourism. The local tourism industry has weathered these challenges with a determined spirit to succeed together. A year ago, the public and private sectors united again in recognition of the major changes unfolding within the main source market for tourism, the US. Tactical strategies were developed to continue to grow arrivals amidst worsening market conditions and these strategies have yielded positive results. In 2008, the Cayman Islands achieved its target of welcoming over 300,000 stay over visitors to our shores. Last year air arrivals were up 3.9% over stay over visitors from the prior year and the milestone of over 300,000 visitors marks the first time since 2002 that such numbers have been achieved. What makes it all the more laudable is that this goal was achieved amidst formidable competition and market conditions.

The industry continues to acknowledge that 2009 will prove a particularly difficult year but public and private sectors are facing this with confidence that again we can weather the storm. The economic tsunami at force is already wreaking havoc in our key market, the us, and has found its way into secondary markets in Canada and the UK. The toll it is taking abroad will be felt here at home as demand is impacted and consumers who travel will be conscious to spend less. That is a serious challenge. However, breaking through the competitive clutter by leveraging strategic partnerships is something that the Cayman Islands has historically done well and will continue to pursue.

In December last year, CITA and local hoteliers worked closely with Cayman Airways to launch service to Washington DC and to resume service to Chicago. These routes followed on the successful launch of JFK the year prior. These areas are continuing to produce solid results for the destination as the private sector, DOT and Cayman Airways cooperate in providing compelling offers to attract visitors. This cooperative planning and business executions, while falling shy of a fully established tourism authority, still achieves the purpose of public and private sector integration without the added need to compel greater financial contributions by the private sector that would be necessary to achieve the financial model that underpins the tourism authority and allows it to be autonomous from government's purse. While a formal structure and separate machinery have not yet been established, the goals of integration are already being served by the extent of coordination that currently occurs. Given the tumultuous experiences over the past 8 years, no one advocates for going it alone, but function in this case is more important than form. The plans to establish an authority have not been shelved but were instead suspended until conditions were more favourable allowing the parties to establish a more formal structure.

In terms of cruise tourism, this sector has received over the past four years a more strategic and focused approach to its development. This is demonstrated through the development of a cruise section to the national tourism management policy, the establishment of the port authority cruise volume policy, and in 2005 the appointment of a deputy director of tourism with specific responsibility for product. This deputy director is responsible for all Cayman Islands product development which includes the management of cruise tourism. The department also added a full-time cruise tourism product officer who reports to the deputy director for product. The team liaises closely with the port authority on a range of matters and provides technical advice to the ministry.



This dot has also accelerated work in the area of human capital development including the launch of tourism's customer service programme – pride (that is personal responsibility in delivering excellence.) When the pride programme began, it commenced with island wide benchmarking. This research revealed a number of deficiencies in our local customer service such as:

- 81% of the time customer's names were not used, even when the names were known
- 41% of the time employees who receive a customer complaint did not listen, apologize and agree a solution with the customer, and
- 38% of the time customers were not greeted with a smile, eye contact and positive body language.

Clearly, human capital development was necessary. The pride program has performed destination-wide customer service benchmarking and commenced a training programme. Since 2006, dot has trained more than 141 immigration officers and some 25 customs officers, along with staff from the national flag carrier Cayman Airways, taxi operators and most major tourism operations. The pride programme is about enabling our staff in all areas that interact with our visitors, including border patrol, to be mindful that we are in a service based industry and 'how' we conduct our business is just as important as 'why' we conduct our business.

In conclusion, i wish to assure you that we can weather the storm if we join hands as a nation and work together. Despite the gloom on the international scene, there is a ray of hope. Recessions last only for a time. We must therefore use this opportunity to plan for the future so that we can chart a way to greater levels of success. I believe this is possible because everything is possible if only you believe. I thank you.