

The Hon Roy McTaggart, JP MP

The Opposition's Response to the 2024-2025 Premier's Budget Statements

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Navigating Challenges, Shaping Solutions: The Opposition's Response to the 2024-25 Budget in Turbulent Times

Mr Speaker, I again warmly welcome you to the Speaker's chair. I am getting used to seeing you there.

I also once again extend a welcome to the new Premier. I have said previously in this Parliament that the country has been crying out for and now needs stable and effective government. The recent changes to the leadership of the Government, coupled with this new budget, have provided you and your colleagues with an opportunity to provide that stability.

I pray for your success in providing the leadership necessary to deliver on the promise of that opportunity. The country needs you to be successful.

I noted with a smile, Mr Speaker, the Premier's reference to us on the Opposition benches as friends. I welcome that, and I can assure her that we, too, view her as a friend not only of the Progressives but of the national interest. I am sure the Premier understands that one of the things good friends do is to speak truth to each other, even when that is uncomfortable. And there will be some truths told today.

Before continuing, Mr Speaker, I want to say that my colleagues and I were saddened on Friday to learn that the Member for Newlands had an unfortunate accident last week. We wish him a speedy recovery.

I also wish to acknowledge the part that the Member for Newlands played in assisting the orderly transition of the Premiership once it became obvious that there was no alternative. I may have differed with him on policy and the direction the country was going, and I will mention those differences today, but I never doubted his patriotism. He has stepped aside as Premier to allow others on his team the opportunity to see if they can better lead their group, and that deserves our respect.

Once he can return to this Chamber, I look forward to him speaking more freely about topics he deeply cares about, including advocating for sustainability and the environment. I hope and expect that we may yet find common cause as he does so.

Mr Speaker, the Country also needs a strong Opposition to help the government to succeed. Over the past two years, in every critique of those in power and in every recommendation for change that we have made, that has been our aim. We help the country and government best by supporting policies and actions we see as being in the public good but challenging those that fail that 'public good' test.

Mr Speaker, I must also thank Her Excellency the Governor for excellently presenting her first Throne Speech to the Parliament. The Throne Speech is an important symbol of the constitutional ties between the Cayman Islands and the United Kingdom. A reminder of the shared history, values, and mutual interests that bind us and underscore the enduring nature of our relationship.

Our developing relationship with the UK is founded on Cayman taking responsibility for its own future. The budget, which we are here to debate, is one of the central instruments available to us to express the local autonomy we enjoy. But the budget is not simply about the details of the financial allocations that have been made.

I understand that what is truly important are the choices and decisions that are made by a government, and which determine what will get done for our people.

Those choices are fundamentally political. The administration has made decisions to bring forward funding allocations for some things and not for others. To increase budgets in some areas and not in others. To spend rather than save.

Those are political choices made by the new Premier and her UPM government.

And so, inevitably, my response to the public presentation of the political choices the government has made will also be political. I make no apology for that, Mr Speaker. Disagreement about the choices being made is the very stuff of politics and this Parliament is the appropriate stage for such disagreements to be aired.

The budget sets the guide rails for how the government responds to our country's challenges over the next two years. Where we in the Opposition highlight disagreements, we do so either because we believe a better, more robust response to

those challenges is possible or because we believe that the choices that the government is making are creating risks that are unnecessary for our country.

Mr Speaker, let me highlight what I believe is the central issue that the new Premier must tackle that was too often neglected by her predecessor and the PACT Government. That important issue is the future of the Cayman Islands economy and the strategies we need to drive sustainable economic growth.

In so doing, I will point out that whilst it is important for us to focus on the economy in Grand Cayman and what is needed to drive growth here, we must also consider what our people in the Sister Islands need to grow the Cayman Brac and Little Cayman economy sustainably.

Achieving sustainable economic growth should be the top priority for any government in the Cayman Islands. I emphasise that such growth needs to be sustainable in two senses.

First, economic growth must be balanced by social and environmental concerns. Growth must be achieved in ways that enable us to tackle, not exacerbate, social issues and growth must respect the environmental constraints of a small island nation facing the threats of a global climate emergency.

Secondly, growth needs to be sustainable in the long term. It should be built upon innovation and better productivity, and it should deliver benefits to all who participate in the economy.

For those who doubt the importance of economic growth as a priority, I point them to what the World Bank has recently observed:

“Economic growth is the foundation for social and economic development: it creates jobs, generates income opportunities, and helps reduce poverty. When it is inclusive and sustained, growth can also strengthen political and social stability. So, it’s not surprising that growth is at the top of most governments’ agendas.”

Economic growth might be at the top of most governments’ agendas across the globe, but sadly, it was not at the top of the agenda for the previous PACT government.

The new Premier’s policy speech on Friday got close, Mr Speaker. She included in her remarks a new vision statement that was different from her predecessor in two ways.

First, her vision included a unified government.’ Certainly, that would be very different from what has gone before.

She also suggested her government would be focused on ‘continuing our Islands’ ongoing economic recovery.’

I welcome the new Premier’s attempt to put the economy at the heart of her vision. However, as I will illustrate, continuing the path we are on is not good enough, Mr Speaker. She needs to change direction.

The former Premier’s SPS set out what he called five broad outcomes that he stated represented his PACT government’s ‘overarching aims for the future of our Islands.’ In the Premier’s speech on Friday, the five broad outcomes were reiterated as the UPM government’s priorities.

The achievement of a strong economy is not clearly identified as one of those five broad outcomes.

By way of contrast, Mr Speaker, the last Strategic Policy Statement that you and I presented to this House during our term in office contained eight broad outcomes, the first of which was to deliver ‘a strong economy to help families and businesses.’ That remains an outcome to which the Progressives are firmly committed.

I recognise, Mr Speaker, that among what the SPS calls ‘specific outcomes’, some of the 20 listed outcomes would indeed contribute to economic growth.

So, it would not be fair to say that the PACT administration was completely ignoring economic growth and that is not my claim here today. **My point is that a strong economy and the achievement of sustainable economic growth were just not central to the thinking or the actions of the last Premier or his government.**

Parliament may recall that two years ago, in my contribution to the budget debate, I warned that ‘throughout his long speech, the Premier did little to reassure anyone that his government had a clear plan for supporting economic growth.’

Throughout his term in office, the former Premier continued to miss this important point.

Mr Speaker, PACT had no plan for a strong and stable economy two years ago. The new Premier’s speech on Friday suggests that she is also failing to understand the

challenges we face and underestimating what is necessary to rebuild a strong economy that benefits all our people.

I say, 'rebuild a strong economy', Mr Speaker because that was the position under the Progressives.

The Progressives not only committed to a strong economy and achieving sustainable growth in our SPS, but that is what we delivered in practice. Under the last two Progressives-led governments, growth rates peaked at 3.8% in 2019 prior to the pandemic, and Cayman enjoyed five years of consecutive growth averaging 3% through to the end of 2019.

I will talk a bit more about the benefits our track record brought as I go on, Mr Speaker, but first, let us look in some detail at PACT's track record and why the new government needs to switch direction.

The former Premier liked to proclaim what he described as the economic successes of his government. The current Premier has taken up where he left off.

They focus on headline numbers and never going into the detail. However, we only need to look past the Premier's headlines to find that the economic success story that successive administrations are trying to pass off on the country is exposed for the **sham** that it is.

The former Premier told this House in September of his personal pride at the achievement of headline real terms GDP growth in 2022 of 3.8%.

On its face that does sound impressive and certainly matches up to the growth rates consistently achieved by the Progressives-led administrations of which I was part.

Why, then, am I not celebrating the economy's success?

The problem is that headline GDP growth does not really tell us how well the country is doing. For that, we need to look at GDP per capita. As the OECD emphasises, 'Gross Domestic Product (GDP) per capita is a core indicator of economic performance and commonly used as a broad measure of average living standards or economic wellbeing.'

So, if we want to understand living standards in the Cayman Islands, we need to look at GDP per capita, specifically GDP per capita in constant prices, so as to eliminate the impact of inflation.

The ESO's very helpful Annual Economic Report for 2022 provides us with the data.

Table 3.1 on page 13 shows that GDP per capita fluctuated but stayed relatively constant in real terms under the Progressives prior to the pandemic. That is the product of our steady, sustainable growth strategy.

But under the PACT government, GDP per capita fell off the edge of a cliff. **The data shows that living standards across our Islands have dropped by nearly 14% in real terms compared with pre-pandemic levels on this key measure of relative prosperity. Perhaps most startling is the 10.5% drop in 2022 alone.**

Mr Speaker, the drop was so significant that the ESO pointed to it and noted *"Cayman's per capita income in real terms fell by 10.5 percent to \$59,048 as a 16.0 percent growth in the mid-year population outweighed the expansion in real income."*

It is worth repeating that startling fact, Mr Speaker, 2022 saw a 10.5% drop in GDP per capita in the Cayman Islands. That decrease in living standards is the product of the lack of any coherent economic strategy for which I criticised the PACT government ever since they took office.

The reasons behind the steep drop in per capita GDP are obvious to all of us, Mr Speaker. Under the Progressives, our approach to sustainable growth meant that the economy and the population grew in balance with each other.

In contrast, the levels of economic growth under the PACT government remained modest while population growth has spiralled out of control.

The GDP growth data that I referred to just now shows that by the end of 2022, the economy is around 2% larger than at the end of 2019.

But Mr Speaker the population grew by over 18% over the same period.

The government needs urgently to investigate why the country must have an 18% increase in population to create only marginally more wealth than we created in 2019.

Is it any wonder Caymanians are concerned about unexplained, skyrocketing population growth?

Is it any surprise that Caymanians fear the over-crowding of our Islands if the government's approach to the economy is eroding living standards by adding rapidly and significantly to the population while bringing little economic benefit?

Mr Speaker, before I continue, I want to be very clear that I am not saying that stopping immigration will fix the problem. I will leave that posturing for those in the government who complain and ask for immigration to be fixed yet have not said what they propose to fix and how.

In her policy speech, I note that the Premier spoke about a forthcoming Immigration Reform Bill. I urge her and the Minister for Border Control to consult widely and think deeply before bringing forward such a Bill. We need to get this right, Mr Speaker.

Part of getting things right on immigration is about the Government better understanding what is happening in the economy and determining how best to address it.

Mr. Speaker, allow me to explain why, in economic terms, this represents a concern for the Cayman economy. During 2022, the number of workers in the Cayman Islands significantly increased. However, even with this rise in workforce size, the economic wealth created in 2022 is about the same as in 2019, when there were significantly fewer workers. Consequently, economists would deduce that the productivity per worker decreased considerably over the period.

The ESO does not, I believe, produce data on productivity, but I have done some calculations showing the trend in productivity per worker over time.

My calculations suggest that productivity nosedived after PACT's re-opening of the economy. In 2022 alone, because of the startling increase in the number of people employed, and with only a relatively small increase in the wealth produced in our economy, **productivity in the Cayman economy declined by over 18%.**

On a methodological point, Mr Speaker, in these calculations, I have simply taken the numbers employed in each year from the ESO's *Compendium of Statistics* as this is the only consistent data source available to me. Recognising there may be better data elsewhere, I have written to the ESO today asking them to produce a definitive set of calculations for productivity, Mr Speaker.

However, although my calculations are not perfect, the startling decline in productivity since re-opening would still be clear in whatever calculations the ESO produces. The absolute numbers may change, but the pattern will remain.

This matters because productivity is the key to future prosperity, Mr Speaker. As the UK Office for National Statistics puts it, "*Productivity is important because it is a key*

determinant of living standards in the long term. Increasing productivity over time allows businesses to produce more goods and services per unit of input. This ultimately enables higher wages, aids economic growth, increases profitability, and boosts tax revenues."

In short, productivity gains benefit workers, businesses, and the government. That is why Mr Speaker, every government across the globe is chasing increased productivity as a key political goal.

Yet under PACT, productivity went rapidly into free fall.

The new government must urgently get to grips with this issue because we know that the marked decline evident in the 2022 figures has likely continued in 2023.

According to the Government's forecast, GDP will likely increase by 3.1% this year. And we already know from the Spring labour force survey that the number of people employed in Cayman increased by 8.5% when compared to Spring 2022.

A modest 3.1% increase in GDP this year combined with the 8.5% growth in the workforce on the current trajectory suggests a further 5% decline in productivity for this year.

That would mean that the overall reduction in productivity would be nearing 25% over three years, between the Progressives leaving office and the end of 2023.

This decline in productivity is a glaring economic setback for the Cayman Islands and represents a significant failure of the PACT administration. This is why I urge the new Premier to change direction.

In his September statement to this House, the former Premier said, "*Over the near term, we expect labour demand to continue to track with the GDP growth forecasts.*" The new Premier made a similar pronouncement in her budget address on Friday stating, 'labour demand is anticipated to align with GDP growth.'

The reality is that labour demand, as measured by actual job numbers, has been outstripping the rate of GDP growth throughout PACT's term in office. Those trends are continuing based on the latest information we have.

Labour demand cannot continue to track GDP growth when it has already diverged so significantly from it.

This is a critical issue that the new government must confront urgently. The repercussions of neglecting to understand and address these economic challenges are deeply affecting households across our islands.

The former Premier's September statement to the House heavily relied upon his familiar 'for the people' catchphrase – he used it 15 times by my count. But repeating something over and over does not make it true.

He told us that his government was governing in the common interest, looking out for all Caymanian families. He did not explain that this meant making Caymanian families poorer. But, as the 'real terms GDP per capita' data shows, that is what was happening on his and his colleagues, watch.

Make no mistake, thanks to the previous government's neglect of the issue, our people are suffering. Adding to the misery are the consequences of crippling interest rate rises that are driving up both mortgage payments and rents.

Look at the impact of the cost-of-living crisis on hard-pressed Caymanian families – a crisis the government failed to see coming despite my warnings two years ago in the last budget debate.

And as I also reminded the then Premier in our last budget debate, it is the most vulnerable in our community who are hardest hit by the ravages of inflation.

Despite the full opening up of the economy, the number of persons requiring help from the Needs Assessment Unit ballooned in 2022. The number receiving assistance climbed from 1,783 in 2021 to 2,591 in 2022. That is an eye-watering increase of 45%. And at our September session, Mr Speaker, the Minister for Social Development, told the House of the continuing pressures this year on NAU budgets from those in need.

The fact is, Mr Speaker that PACT was not a government bringing prosperity to all. It was a government leaving people behind.

At the same time, Mr Speaker, while so many in our economy are needing help just to get by, under PACT the number of very high earners in our economy rose significantly.

The most recent Spring 2023 Labour force survey found that the proportion of workers in the highest salary bracket used in the survey – over \$8,400 per month – has more than doubled since 2019 from 4.5% to 9.5%. By way of comparison, Mr Speaker, the increase in the proportion in the highest earning bracket stayed relatively constant

under the Progressives. The proportion earning over \$8,400 only rose from 4.1% to 4.5% between 2015 and 2019.

Again, to be fair to the PACT administration, I recognise that earnings levels across the economy have risen since 2019. But we also know that once we factor in inflation, most families have felt their household income being squeezed over the last two years.

It is clear, though, that, under PACT, the pain was not equally distributed, Mr Speaker. While earnings for most workers in real terms have, at best, stagnated and, for many, have fallen, life for those at the top of the earnings ladder has continued to get better.

And we need to look more closely still to understand who it is that is feeling better off under PACT. In 2019, there were 75% more Caymanians than non-Caymanians in the top earnings bracket. In 2023, on PACT's watch, there are more non-Caymanians than Caymanians in that top bracket. It is staggering that the rate of increase in the number of non-Caymanian top earners means that, as of this year, there are more of them than high-earning Caymanians.

In PACT's economy, the people feeling the benefit were those on the very top incomes. And in PACT's economy, those people are now disproportionately non-Caymanian.

So much for the 'for the people' mantra. The whole approach to the economy needs to change, and I urge the new Premier to have the courage and strength to take a different road.

Mr Speaker, the question for the Premier to ask herself is, do our people feel better off after two and half years of her PACT government's term? Apart from the wealthy at the top, who, as we have seen, are increasingly non-Caymanian, I suspect the answer will be a resounding 'no' from most Caymanian families.

We can see the evidence for that, Mr. Speaker, in the results of a Cayman Compass poll published last Monday.

Following the usual practice of excluding 'don't know,' the current UPM government has a net favorability rating of minus 60%, with 68% having no confidence in them and only 8% viewing them favorably.

That is a huge deficit, and it means that the new government has a mountain to climb if it is to gain the confidence of the people.

Understandably, the comments made by participants in the poll reflect the fact that the members of the current government are the same as those in the previous government that failed to grasp the challenges facing the country, notably on the cost of living.

The change in name cannot hide that fact, Mr. Speaker. The evidence from the Compass poll is clear. Our people are crying out for a new direction and for a government they can believe in.

I do hope that the members of the UPM government are listening and understand that we need a real change in direction. That means delivering real change, not just talking about it.

“The truth is staring us in the face. The gap is widening. Lower income Caymanians are sleeping in their cars, unable to afford rent. Our middle class is under assault.”

Those are not my words. That quotation comes directly from the first budget policy statement made by the former Premier in this House two years ago.

Over the last two years, things have gotten worse under the PACT government.

The reality of what is happening in our economy is overwhelmingly apparent to those who take the time and trouble to understand it. Let me summarise where we are right now:

Living standards across our islands are dropping overall.

The Cayman economy is seeing massive and unprecedented declines in productivity.

The real incomes of most Caymanian households are feeling squeezed while those at the top receive the benefits.

And those seeing the improvements at the top of the earnings ladder are increasingly non-Caymanian.

Sadly, that is the reality of our economy. Sadly, that is the everyday experience for most Caymanian families.

Given that reality, a new Premier, leading a reformed Government, and presenting a new budget should be an opportunity to reset course and to get the Cayman Islands and its economy back on track while offering robust solutions to the challenges our Islands and our people are facing.

I said in this Parliament that we, in the Opposition, would give the Premier and her government some leeway. A course correction is needed, and we recognise that takes some time, so we are willing to provide the new Premier with the space she needs.

But we must see signs that the necessary change of course is indeed happening. Most importantly, as we go through the budget in detail, we need to see those changes in priorities in the budget documents presented here.

But if we look at the budget overall, the signs are not encouraging.

The fault line that ran through PACT's two-year budget was its use of all available revenues to finance its extravagant spending plans and its consequent reliance on massive new debt to fund capital expenditure plans.

Mr Speaker, the UPM administration has doubled down on that approach, with borrowing to be further increased by \$150M over the next two years.

Let us not forget that PACT already borrowed \$349m.

That means that over their four-year combined term in office, Mr Speaker, whatever name they go under, the Minister's opposite will have added a staggering half a billion dollars of new borrowing to the government's books.

And the reality is that the capital projects announced by the UPM will inevitably necessitate much more borrowing than that. The \$150m in the next two years will become much more than that as projects that have only just started in the current period are taken to completion. The Premier should be honest and tell the country how much would need to be borrowed to fully deliver all the projects on the UPM's list.

As I have stated many times, the willingness of PACT and now the UPM to borrow to finance its capital spending plans is a mistake that is saddling future generations with the bill for their grand plans while also creating a free-for-all when it comes to operational expenditure.

And, as I predicted two years ago, once the taps are turned on, they are very difficult to turn off.

Not only does such profligacy mean that the government is spending all its revenues today on projects that deliver little or no benefit, but it also means that surpluses are

not being generated to help guard against future shocks or to help fund future investment.

The folly of that approach was exposed by September's Infrastructure Spotlight report, published by KPMG. That report estimates a total capital expenditure of \$1.2bn is necessary over the next five years simply to deliver the infrastructure projects that the PACT government committed itself to deliver.

As I have said, we are yet to see what the capital spending plans of the UPM government truly add up to, but it is worth remembering, Mr Speaker, that the infrastructure list costed by KPMG only reflected the then government's stated plans. What is not, of course, on that list are all the other projects contained in this budget.

Moreover, what we have before us is just a long wish list of projects that have no coherent plan or strategy behind them.

One of the key reasons that PACT failed to think through comprehensive plans for our infrastructure requirements in the coming years is that they have kicked work on a national development plan into the long grass despite the former Premier's initial promises to deliver such a plan. The member for George Town North has repeatedly reminded the government of the urgent need to continue the work that started under the Progressives.

If a new national development plan was important when the Progressives were in office, it has become very urgent now due to PACT's population explosion. The Premier indicated that the work on a plan would be progressed. I hope the Minister will give more details.

Once identified, all those infrastructure needs will have to be properly financed and resources found to deliver them.

Mr Speaker, on top of the vast borrowing needed to fund what is already planned by the UPM, we were led to believe that the former Premier was mulling over a request to the UK to relax the borrowing limits set out in the framework for fiscal responsibility. His government was not generating surpluses to help fund the investment that he believed was needed for climate change mitigation and adaptation measures, so once more, he proposed to resort to ever more borrowing. It would be helpful to all of us, Mr Speaker, to understand if the new Premier intends to make such an approach to the UK.

I am a firm believer in the FFR. It is useful in ensuring fiscal discipline is applied even by those whose instincts are to ignore such discipline.

But, in principle, if the government needs to make investment decisions that potentially conflict with the FFR, then it should be able to make the case to the UK to relax the rules.

However, and I cannot stress this enough, that case must be rigorously made, based on specific, costed investment plans. It must not be yet another free-for-all for Ministers to pursue yet more of their pet projects.

We agree with the former Premier that there is a need for Cayman to invest in climate change adaptation and mitigation measures. Climate change is a global emergency, but its local impact in Cayman is potentially an existential threat. Indeed, we hoped we would see firmer proposals for action as part of this budget process.

But while the PACT government published a grand strategy for climate change full of commendable aspirations, a comprehensive plan with detailed cost assessments remains absent. Unfortunately, the recently launched climate strategy does not have the necessary detail or clarity over costs and benefits that we, and the UK, would need to see if a change in the FFR is to be supported.

I will say more on this subject later, Mr Speaker.

In addition, while there may be a case for borrowing to fund investment, future borrowing still needs to be financed.

If the new government adds new debts to be paid from current revenue streams, they'll worsen the problem already caused by the previous PACT administration. PACT's strategy of 'raise it - spend it' without restraint has squeezed operational budgets, leaving no space to handle the pressure that borrowing for significant investments would bring.

Mr Speaker, it looked like the previous PACT Administration intended to raise fees and charges or introduce new ones to finance the new debt it wanted to incur and to pay for Ministers' profligate spending in an attempt to balance the books.

In recent weeks, the government has been drip-feeding information about new or increased fees.

For example, we saw increased airport charges to finance the latest phase of airport improvements. A massive 136% hike in charges from a total of \$14 to \$33 per passenger is being imposed. Do not forget, Mr Speaker, that these charges do not just apply to tourists. Every Caymanian who travels off-Island will be included in the charges that airlines collect and pay to the government, and Caymanians will see those charges passed on in the form of increased airfares.

Now, the Premier has come clean on the full extent of her government's planned hikes in fees and duties—some \$52m of new revenues expected in 2024 and \$80m in 2025.

Let me emphasise again that these fee increases are only necessary to fund the excessive spending plans of Ministers incapable of setting priorities and thinking they can just go on another spending spree with other people's money. This is indeed a continuation of the PACT government's 'raise it – spend it' strategy.

And I must make it clear how fortunate the government has been that revenues have been buoyant over the last two years.

First, the Government has benefited from significant changes in the revenue system introduced towards the end of the last Progressives-led government. I am particularly thinking of the Private Funds fees that have brought tens of millions of new revenues into the government's coffers.

Secondly, the government has benefitted from inflation directly, as higher import prices have necessarily led to higher than expected import duty receipts.

Thirdly, the higher interest rates that have been introduced to combat inflation have led to higher returns on government investments.

It is worth noting that by the end of the third quarter of 2023, excess investment income now amounts to nearly \$20m of the overall positive variance in income against budget in the CIG unaudited accounts. If, in the end, the government does achieve close to its revised SPS income target, it will be this unbudgeted investment income that is, to a large extent, the cause.

The gains from inflation were unexpected and unbudgeted, and, in that sense, they represent a windfall to the government. My colleagues and I consistently argued that such windfalls should be used to help ease the burden of inflation on hard-pressed businesses and families.

This includes businesses and families in the Sister Islands, who I believe are feeling the impact of the cost-of-living crisis even more sharply than we do in Grand Cayman.

It is essential that the Government does find an opportunity to provide further duty reductions to the Sister Islands to help lower costs for our people there, including the small businesses fighting to survive. My colleague, the Member for Cayman Brac West and Little Cayman, will speak more on this when he rises, and I look forward to hearing his thoughts.

Given PACT's 'for the people' rhetoric, we were somewhat surprised that it was so reluctant to use the windfalls to support our people in need. However, more recently, as the precarious state of government finances has become clearer, it has become obvious why the former Premier wanted to hoard these windfalls even while local people were suffering. He needed those windfalls to offset the continued high spending by his Ministers on their pet projects. Without them, even the wafer-thin surplus the then Premier hoped to achieve would have been impossible.

During the last Finance Committee meeting, the Financial Secretary reassured us that the chances of a deficit were low because it was improbable that all requested budget allocations would be fully spent. The former Premier also agreed, hoping that there would be underspending.

It seems from the government's third-quarter results that their optimism may have been well-placed. However, hoping for and depending upon government bureaucratic inefficiency to avoid a deficit is hardly a sound financial strategy. Cayman needs a much more disciplined approach rather than what I have previously characterised as PACT playing fast and loose with the nation's finances.

That brings me back to my central point, Mr Speaker, about the need for proper prioritisation.

My colleagues and I have been criticised in some quarters for advocating actions that would necessitate increasing government spending while at the same time blaming Ministers opposite for their lack of restraint over spending.

However, this is not a question of any double standards from the Opposition. Instead, it is a question of the need for government to spend its limited resources in the best way possible by prioritising spending properly. **Indeed, rather than the Opposition**

wanting to have its cake and eat it, the problem we face is that government Ministers want to eat every cake in the store.

As I made clear in the statement I issued after Finance Committee, it was irresponsible of Ministers to simply add \$69m to government's spending plans without first identifying savings that would offset that expenditure.

This is why every member of the Opposition abstained on the votes taken in Finance Committee.

We did not vote against the line item increases either because the money was effectively already spent, in the case of healthcare costs, or because we agreed with the need for additional spending.

For example, the Member for George Town South has been campaigning for improvements to the teaching of mathematics in our public schools. We are pleased that the Minister responded to that campaign. We support the appointment of 14 new specialist mathematics teachers in our primary schools, and we recognise that there will be a price tag attached.

Our argument is not with that initiative – we support it – but we believe Ministers should have looked first for room in existing budgets to cover the costs before seeking supplementary approvals.

I realise that advocating that approach, in turn this begs two questions of the Opposition. First, if prioritisation is so important, what would our priorities be? And secondly, if savings are necessary to fund future spending, where would we identify such savings?

Let me quickly dispose of that second question.

On one level, it should not be necessary for us to identify savings.

It was widely reported that, back in August, the former Premier ordered civil servants to find 8.5% reductions in spending totalling \$47m in the current year.

And the then Premier's memorandum rightly noted that savings identified in 2023 would form the basis for budgets in 2024 and beyond so the issue is directly relevant to the debate we are having.

The now Premier was not only a contributor to that savings exercise, but she should also now be the beneficiary of it as she presents this budget to the House.

If the government has secured \$47m of savings already, the focus should now shift from debating their existence to determining how much of these savings should be spent on other priorities and how much should be held back. If the new Premier, in her capacity as Minister of Finance, can be transparent and tell us how much of the \$47m has been integrated into the budgets before us, then we can have that discussion, Mr Speaker.

If it turns out that the government has not made \$47m of savings or that more savings are now necessary, then as we scrutinise the budget in Finance Committee, I do think it is beholden on all of us to try to identify opportunities to save money. Certainly, as the Opposition, we will seek to challenge spending plans where appropriate.

That said, Mr Speaker, the real issue is not about what the government does with a potential \$47m of savings but about how the \$1bn of core government spending could be better focused to deliver actions that would make a real difference for Caymanians now and in the future.

I mentioned the former PACT government's Strategic Policy Statement earlier, Mr Speaker. The five broad outcomes it established are so broad as to be meaningless as a guide for government action. I was somewhat alarmed, in truth, that the new Premier did not signal a clearer change in direction by replacing those five with something more meaningful.

If she is also sticking with the 20 'specific outcomes' in the SPS, then those give a better indication of things that might actually be achievable.

The problem is that those 20 outcomes between them cover just about everything that the government conceivably might do. As the saying goes, 'When everything is a priority, nothing is a priority.'

So, what I want to spend the remainder of my available time on, Mr Speaker is setting out what we in the Opposition see as the priorities for government action that should be central to this budget.

In all cases, I know that Ministers will point to things in the budget and claim that action is being taken. Our point, Mr Speaker, is not that these things are completely missing from the government's current plans.

Rather we believe that this UPM government needs to be relentlessly focused on them and that actions need to be taken fast enough and effectively enough to make the difference that needs to be made.

Instead of twenty different things, we would urge the Premier to think about seven key priorities this budget should focus on.

Three of those priorities are about tackling what are the most pressing challenges currently facing Cayman. Those are:

1. To overcome the on-going impacts of the cost-of-living crisis.
2. To reduce crime and the fear of crime.
3. To enable better, more affordable access to housing.

The other four priorities are areas where action in the next two years covered by this budget is necessary to meet immediate challenges and better prepare Cayman for the future. Those are:

1. To fully restore Cayman's economy to a path of steady, sustainable growth.
2. To accelerate action to mitigate climate change and to adapt to its impacts.
3. To resolve Grand Cayman's worsening traffic problem.
4. To respond positively to the challenges of an ageing society.

On the cost-of-living crisis, we still believe that there is an imperative towards government action.

I spoke briefly earlier about the devastating effect of the cost-of-living crisis on many Caymanian families. In truth, I have spoken about it many times before, both in Parliament and outside.

And I have criticised the former Premier, first for being slow to respond and then for not doing enough. I also wrote to him on more than one occasion, offering recommendations on things that could be done.

The danger now is that with the rate of inflation slowing, the new UPM government will breathe a sigh of relief and once more take its eye off the ball.

I say 'slowing' advisedly, Mr Speaker. With the second quarter headline inflation figure falling to 4.1% from 6.6% the previous quarter, one might think there were grounds for optimism.

However, the second quarter figure still means prices are rising; it is just that they are going up less quickly than before.

And in the detail of the figures, we can see that it is the prices of the things that households spend money on every week that are still climbing fastest: huge household utility cost price rises of 15.3% for electricity and 10% for water; housing rents up by 9%; grocery bills continue soaring as food and beverage prices go up by 7%.

Moreover, these price rises over the last year must be added to the price rises experienced in the first year of the PACT administration.

We now have the information on which to judge two years of government performance. The latest consumer price index report tells us that in June 2023, prices overall were 18.3% higher than in March 2021, the last time prices were measured before PACT took office.

We know that this level of price increases is still hurting countless Caymanian families.

We in the Opposition have spent months advocating measures that would have brought genuine relief to hard-pressed families and businesses. We believe that a number of those are actions that still should be taken.

To bring relief to all families and businesses alike, we would temporarily reduce to 0% the duty paid by utility providers on fuel, the duty on cooking gas, and fuel duty at the pumps. Such a reduction through 2024, coupled with a freeze for the year on the Water Authority water rates, would bring immediate relief in the monthly bills, which are currently causing real hardships for many, targeting those costs that are continuing to increase the fastest, and creating breathing space for families at a time they still need it.

If that measure is about universal relief, we recognise, as I have said, that the most vulnerable are often the worst hit by inflation. We, therefore, welcomed the last government's response to our campaign for an increase that saw stipends paid to retired seamen and veterans and those dependent on financial assistance from the government from \$950 per month to \$1,250.

In response to a motion brought to the House in October by the Honourable Member for Red Bay, the Minister for Social Development agreed to consider a further increase to \$1,500 for seamen, veterans, pensioners, and those needing long-term financial assistance. It was also agreed that the “Public Service Pensions (Ex-Gratia Uplift Payments) Regulations” should be amended so that the Minimum pension that a civil servant would receive be increased so that all civil service pensioners would receive a pension of at least that paid to older persons receiving permanent financial assistance from the Government. Again, those were demands made by the Opposition.

I was delighted to hear the new Premier confirm, in her first speech to Parliament in the role, that pensions for long-serving civil servants will be increased to \$1,250 per month. We will be looking to see these necessary increases implemented as part of the 2024 /2025 budget, and we will continue to make the case for an increase to \$1,500 a month for those in need of government support.

We also recognise that the national minimum wage needs to be increased. This has the distinction of being something that was both started by the Progressives and committed to by PACT in its first strategic policy statement. In my response to the SPS nearly two and a half years ago, I urged the then Premier to complete the work we had started, but that had been held up during the pandemic.

In his first budget policy statement in November 2021, the former Premier committed to reconvening the Minimum Wage Advisory Committee ‘early in the new year.’ As with so much else for which he was responsible, this was delayed, and the Committee did not finally meet until January 2023.

Further delays followed.

But I understand the report was handed to the government at the end of October. We are still awaiting the government’s response to the report. More importantly, those Caymanian and expatriate workers struggling to get by on a minimum wage of \$6 that, according to the Minimum Wage Review Committee Chairman, is already 50 cents below starvation level, are still waiting. I hope the Minister for Labour will confirm that the report will now be picked up and actioned by the UPM because that wait must end.

Finally, on this topic, Mr Speaker, we believe that civil servants should also receive cost of living increases over the course of the next two years.

I am sure that civil servants will have welcomed the one-off payment of \$1,500 announced by the Premier in November. However, we know that, for many, this money will only allow them to pay off bills incurred as their real wages fell in value over the last two years.

The Opposition has argued for over a year that a COLA for civil servants was warranted. And we have argued that it was affordable from the windfall income to the government that I mentioned earlier. As the UPM now have decided to raise fees and duties, we believe that additional income would be better used in restoring the real terms income of hard-pressed civil servants than on more of Ministers' grandiose spending plans.

Sadly, Mr Speaker, we cannot avoid talking about a crime problem here in Cayman.

While we must not talk up the issue of crime – Cayman is still a relatively safe place to live, work and visit – neither must we be blind to it.

Not only is the incidence of crime itself an issue we must tackle, I recognise that as levels of crime have increased so has the fear and concern felt by people in our communities.

I have spoken publicly before about the Progressives' ten-point plan that we believe will help achieve a reduction in crime, both in response to today's problems and in the longer term, and to reassure the public.

Those ten key actions should be the priorities that the UPM ensures come through in the budget. I will not go through all ten, but I want to highlight a few now, Mr Speaker.

I welcome two initiatives mentioned by the Premier in her policy speech on Friday. Investment in the rehabilitation of defenders is something we advocate and continues the policy Progressives put in place while in Government. More must be done to help reduce reoffending rates, including offering enhanced support to those leaving prison so that they can avoid being drawn into a return to criminality. That means enhancing the training and other opportunities available to offenders while in prison and supporting them to access employment and other necessary support on their release.

I also welcome plans to upgrade Cayman's CCTV system. However, the Premier seemed to suggest this was about collecting 'more specific sets of data.' Mr Speaker, I say to the Premier that we need CCTV as part of our efforts to deter and to catch

criminals, not to count them. I hope the Minister for Home Affairs can reassure me that her plans are more ambitious than the Premier suggests.

The most significant immediate priority needs to be more direct action by the police service to disrupt criminal gangs, target prolific and persistent offenders, and achieve more arrests and convictions. I welcome Commissioner Kurt Walton to his post, and I offer him the wholehearted support of the Progressives. But he, I am sure, knows that our communities need to see him achieving results quickly.

The elected government has a role to make sure that the Commissioner has the resources he needs to take the action necessary, and we will scrutinise allocations of police funding in this budget to ensure that our police service can do an effective job in keeping our people safe.

That means not just allocating more money but also being clear about the results to be achieved through extra investment. Accountability needs to apply in the police service just as much as it needs to elsewhere in the public sector.

The final part of our anti-crime plan that I wish to highlight is, in my view, the most significant. We must prevent our young people from getting involved with gangs and divert them away from criminality. This is the action that will have the most impact in the long term, not just on the safety of our communities but on the improved life chances it will create for so many young Caymanians.

While in government, we worked with the National Security Council to develop an anti-gang strategy that included youth diversion activities as well as disruption to existing gang activity. Working with non-governmental agencies, we were developing an early intervention action plan to identify and work with young people at risk, to keep them out of gangs and pursuing more productive lives. That work must be brought to fruition and resources made available to support the implementation of the plan.

In my response to the first PACT budget at the end of 2021, I noted that the government had committed to progressing the anti-gang work we had started. But I also noted that this is a complex issue that requires a serious response across government and that there appeared to be no resources made available in the budget to deliver the kind of solutions that are necessary. I challenged the former Premier to show he was serious about this work by identifying the resources that would be needed to make such a strategy effective.

He did not respond to my challenge. Sadly, but unsurprisingly, given PACT's dismal track record of non-delivery, there is no evidence that anything meaningful has happened on this issue over the last two years.

So, I reiterate the challenge by now asking the new Premier to get this vital work moving once again. Tell us today what you will do to implement an effective anti-gang strategy and successful youth diversion activities.

Let us now consider the challenges facing the country on housing, Mr Speaker.

Again, I will go back to the former Premier's budget policy statement two years ago. In that speech he pointed to two-bedroom apartments costing upward of \$400,000 and asked, "how many people making \$3,000 a month can afford that?"

Well, one thing changed on his watch. There are precious few apartments going for \$400,000 any more as the prices of apartments and houses have skyrocketed.

But, according to the 2023 Labour Force Survey, about one-third of Caymanian earners still earn at or below the salary band that includes \$3,000. That is the same proportion of Caymanian earners who were at or under that bracket when PACT took office if we go by the Fall 2020 survey.

And things are no better in the rental sector. I have already mentioned that the latest inflation report from the ESO tells us that actual rents in the market had gone up by 9% in the 12 months to June. If we go back and look at the corresponding report for the second quarter of 2022, we see the rents paid by tenants had increased by 10.8%.

That is a 20% rise in housing rents over just two years, Mr Speaker.

Housing affordability is understandably one of the major concerns for Caymanians, and it must be a priority for the UPM government to tackle.

Just for one moment a few weeks ago, I thought the PACT Government had finally woken up to that fact. The weekly news release issued by the Government had the headline 'Bold Steps in Addressing Housing Challenges.'

At last, I thought! But I was soon disappointed as I read the article itself.

The 'bold step' (singular, not plural) is the appointment of consultants to devise a new policy on affordable housing and an accompanying 10-year plan. It appears then that the 'bold step' is nothing but a plan to have a plan.

What of the work already done by the Progressives administration on housing prior to the onset of COVID-19? What of the work done by the PACT government's own housing committee? Was that work all for nought?

While my heart sank at realising the promised 'bold steps' were no such thing, I do want to recognise there is value in this work. I understand that the housing crisis is a long-term problem that cannot be solved in one budget cycle. I also want to thank the Minister for including Opposition Members in the work that the consultants will be doing.

Solving the problem is something we all should be working on, and I am grateful to him for his recognition of the value that the Opposition can add.

However, the work on developing a policy needs to take place alongside immediate action, not instead of it. We in the Opposition have made very clear the immediate actions that the new government needs to take, both to provide some immediate help to hard-pressed families and the action that will help in the longer term.

At the September sitting of the House, the Honourable Member for George Town North brought not one but two motions to the House that would help ease the current housing crisis.

The proposal to work with banks to relaunch the Government Guaranteed Assisted Mortgage Programme is common sense. We all know of young families who would like to own their home and whose income would allow them to make the necessary mortgage repayments but who cannot raise a downpayment. Their inability to save the necessary amount is compounded by the ever-increasing rents they are being required to pay while waiting to get on the housing ladder.

For those families, the Caymanian dream of home ownership is just getting ever further away.

The government needs to step in and give them the helping hand they need, and it needs to do so immediately.

I hope the new government will act swiftly on that motion rather than replicating the old PACT delays.

Members will recall that it was back in June 2022 that the Member for George Town West proposed a motion to Parliament to adjust stamp duty thresholds. The

proposals, which were unanimously agreed by Parliament, included an increase in thresholds to allow homes costing up to \$500,000 to be purchased duty-free and amounts above that to be charged at 2% duty and a reduction for all Caymanians purchasing property from 7.5% to 5%.

Yet it took until the end of this September, 15 months after the motion was passed, for the former Premier to bring forward a package of changes to stamp duty thresholds. His proposals were not quite the same as those envisaged by the motion.

Nonetheless, I thank him for the changes that he has made. We eagerly await the legislative changes to come to Parliament to formalise these changes.

Whether the Caymanian homebuyers who made their purchases in the 15 months between the motion passing in June 2022 and the announcement of the new thresholds in September 2023 and have consequently missed out would thank him, I am not so sure.

I should also say that I hope the benefits to Caymanians are not negated by the stamp duty increases announced on Friday, about which we are still awaiting details. It will be interesting to see whether these will genuinely be non-inflationary for average Caymanians. In my experience, Mr Speaker, I've observed that nearly every tax increase has a tangible effect on people's wallets in some manner or another.

The second motion brought by the Member for George Town North was to work with private sector developers to bring forward more affordable housing units for ownership and for rent. This was work we had already started on while in office, and to be honest, Mr Speaker, we thought that this motion, too, was just plain common sense.

However, it had the effect of throwing the government benches into complete disarray with Ministers unable to make their minds up whether they supported the motion or not.

Well, I am pleased the motion passed in the end, and I would like to hear from the Premier that her government will get on and implement it. The Member for George Town North gave the government plenty of new ideas for things they could do to incentivise the private sector to deliver a greater number of affordable housing units.

Finally on this topic, the government needs to find more creative solutions to help ease the pressures and the ever-rising rents in Cayman's rented housing sector.

This could in part be tackled through working with private sector developers as the Member for George Town North explained as he proposed the motion I have just mentioned, Mr Speaker.

But such is the extent of the problem that we now need to consider even more radical solutions.

I believe that now is the time for us to consider creating one or more 'social landlord schemes.' Such organisations own, maintain and lease properties in the market but do so to cover costs and not make a profit.

This could be a function taken on by the National Housing Development Trust or perhaps by a not-for-profit organisation supported and enabled by the government, at least at the outset.

Mr Speaker, there is work to do to develop this idea, but unless we start the necessary work now, we will never get to the point where we have a social landlord operating successfully in the Cayman Islands.

So those are the three priorities that address the most immediate challenges facing Cayman right now. What of the longer-term priorities that I outlined?

Unsurprisingly, given the analysis I laid out for the Parliament earlier, one of the longer-term priorities advocated by the Opposition is to restore Cayman's economy to a path of steady, sustainable growth.

The consequences of the former Premier's lack of a coherent strategy for the future of our economy are crystal clear, as I outlined previously.

I think we all understand that for the foreseeable future, financial services and tourism will remain the major pillars of Cayman's economy.

We in the Opposition welcome the recent announcement that the Cayman Islands was removed from the Financial Action Task Force grey list of jurisdictions. I would like to join with the Premier in recognising the huge effort by the Minister for Financial Services, and others in government, and in the private sector who collaborated and worked diligently to achieve this result.

However, we believe lobbying efforts, and the promotion of Cayman as a leading offshore jurisdiction more generally, would have been greatly enhanced through the

early opening of the overseas offices planned by the last Progressives-led government, with the advice of the financial services sector.

Instead of immediately recognising the need for those offices, the incoming PACT Administration chose to go through audits and investigations into the actions of civil servants taken to implement the policy of the then current government.

The impacts of the consequent delays in getting overseas offices off the ground are still being felt, Mr Speaker. I reiterate my recent call for the government to redouble its efforts and open a Cayman Islands Government Office in Brussels to engage with the EU and its member states directly and regularly.

The Premier, in her policy statement on Friday, recognised the importance of the Cayman Islands telling our story directly to key decision-makers. We need to continue to invest in that storytelling.

This is not a time for complacency, Mr Speaker. Such is Cayman's success as an offshore financial centre that there will always be jealous eyes watching us and competitor jurisdictions seeking to hold us back. I note that the Minister's statements since the meeting in Paris in October have pledged to maintain vigilance, and we in the Opposition welcome that commitment.

We also welcome his view, and that of the industry, that the delisting offers Cayman a platform on which to build for future success. I agree, Mr Speaker.

If the future for financial services is looking more positive, the same cannot be said for our tourism industry.

However much the Premier and the Minister of Tourism talk things up, the reality is that our stayover tourism sector is still not back to where it was before the pandemic.

The air arrival numbers for this year continue to track well below the 2019 figures despite the complete lifting of restrictions. Overall, for the ten months to October, visitor numbers are some 16.2% lower than pre-pandemic levels. If visitor numbers for the final two months of this year continue that trajectory, arrivals this year will have fallen back to almost precisely the 2017 numbers.

I pointed out to the Minister in July that, at that point in the year, this reduction in visitor numbers represented a loss to the real economy of around \$90m. To update

the figures, the full-year effect of a 16.2% reduction in visitor numbers in 2023 is estimated at over \$160m.

Hotel bed capacity, which had been consistently growing before the pandemic, is now 4% lower. Even with a new hotel coming on stream next year, we will not be back on the previous growth trajectory. What capacity growth there is currently in the stay-over sector is being driven by apartments and guest houses which of course do not create the same employment opportunities as hotels and are often not attracting the premium tourism guests we are told the country needs to attract.

At the same time, the cruise sector continues to struggle. The former Premier told the House in September that cruise visitor numbers are “recovering well.”

In fact, cruise arrivals for the first ten months of 2023 were 31% lower than the corresponding period in 2019. This year, cruise tourism arrivals will be at their lowest for more than 20 years.

The Premier in her remarks on Friday suggested that the Minister of Tourism ‘is very confident that we are on track for full tourism recovery by the end of the year.’ The conclusion the former Premier drew in his September statement in the House is that, after the difficulties of the pandemic period, “the tourism industry has rebounded even stronger.”

To repeat what I have just said, in the stay over sector numbers are 16.2% down and on a par with 2017. In the cruise sector, numbers are 31% down and will be at their lowest for at least twenty years. There will not be the promised full recovery by the end of the year. The tourism industry is very significantly weaker, not stronger.

It seems there is a wilful disregard for the reality of the situation on the benches opposite that continues whoever is Premier.

In his first public statement under the new regime, the tourism minister heralded the September visitor numbers as representing ‘a momentous year for tourism,’ adding ‘this year has exceeded our expectations.’ All this shows is that the Minister had set very low expectations rather than that the numbers were good.

The Minister remains particularly blind to the problems being faced in the cruise industry. His statement proclaimed, ‘from a cruise perspective, we look forward to seeing a continued increase in the number of ships calling into Grand Cayman.’

‘A continued increase?’ Really?

As I have said, the cruise numbers this year will be lower than at any time in the last 20 years. Perhaps more worrying is that cruise arrival numbers in recent months are now tracking below even the levels of 2022 when we were still seeking to gain traction after a later re-opening than some rival destinations. In the five months of June-October 2023, cruise visitor numbers were 15% down compared even with 2022.

In short, for Cayman’s cruise industry, the problems are acute, and they are getting worse.

By contrast, cruise visitor numbers have fully recovered to 2019 levels in jurisdictions such as Trinidad and Tobago; they are over 40% higher than 2019 in the Bahamas, and they have more than doubled in the Dominican Republic over pre-pandemic levels.

At the same time, stay-over visitor numbers have fully recovered to 2019 levels and beyond across much of the Caribbean and Central America, in stark contrast with Cayman. Our Islands rank only 20th out of 27 destinations in terms of visitor numbers so far in 2023 when compared with 2019.

The issues we face in our tourism industry are not a post-pandemic problem. They are a Cayman Islands problem.

And the Minister’s complacency is one of the biggest factors our tourism industry needs to overcome.

The conclusion that we in the Opposition draw from the continued struggles in the sector is that we need a rethink.

We argued from the outset that the right time for that rethink was while tourism numbers were still low in the wake of the restrictions brought by the pandemic, when both government and the industry had the chance to come together to plan for what the sector would look like in the future.

Instead of leading the work needed to reimagine Cayman’s tourism sector, the tourism minister has been content to take on regional tourism roles and launch projects whose benefits are at best doubtful.

The business case for the \$42m private jet terminal at the airport is largely justified by what the report calls its ‘significant unquantifiable benefits.’ The Minister was reported as stating that the expenditure was justified because the terminal would

bring in more high-net-worth individuals and that this would eventually benefit local people through trickle-down economics.

While promising jam tomorrow, it is now clear that the new terminal means pain today. It proposed to pay for this new luxury facility for the extremely wealthy by putting the burden on everyone else. Instead of users of the new terminal footing the bill, the Cabinet has just imposed a \$15 dollar 'airport development fee' on all passengers to fund the current phase of improvements, including the new private jet terminal.

Passengers, visitors, and Caymanians alike, who will only be able to see the new facility in the distance, will be putting their hands in their pockets to pay for it. No wonder the International Air Transport Association has criticised the charges as 'discriminatory' and contrary to the International Civil Aviation Organization's charging policies.

At least the airport business case attempts to justify the proposed investment. The air link with Barbados and the new Minister's tourism attraction on North Church Street both seem to lack any business case justification at all. That said, I was pleased to read confirmation that Barbados has signed up to a minimum income guarantee that removes any direct financial risk for Cayman Airways. But as the saying goes, the devil is in the details, and the details in the agreement are not all known.

But we need to look beyond our two pillar industries if we are to build steady, sustainable growth. And we need to attract higher skilled, higher paid jobs if we are to reverse the startling decline in productivity on PACT's watch that I referenced earlier.

It is increasingly important that we look to diversify our economy.

Many countries across the globe are pursuing this goal, so competition for investment is significant. But we cannot win the competition if we do not enter, and for the last two and a half years, we have been failing to compete while other jurisdictions develop their economies in new directions.

Instead of watching while others prosper, Cayman needs to win investor confidence, both by talking up the acknowledged strengths of our jurisdiction and by seeking to build on the platform that the last two Progressives-led governments developed in emerging sectors.

Mr Speaker, there are things we can build upon if we apply ourselves to the task. Under the Progressives, Cayman had a growing reputation in the digital industries supported, for example, by our ground-breaking legislation to protect intellectual property.

And our strong health services sector brought significant investment into Cayman and, as we left office, was set to bring more.

Our manifesto at the last election set out clearly how Cayman's economy could build upon those strengths, proposing the creation of two innovation hubs – one in digital, knowledge-based industries and one in health sciences.

That was a good idea at the time of the election, and it is a good idea now. Establishing such hubs would encourage entrepreneurship and creativity, harnessing both Caymanian talent and foreign investment. These industries are the key to sustainable growth: improving productivity, increasing prosperity, and creating future jobs.

We need to ensure we have in place both the education and adult training systems that will support Caymanians to be in the best position to compete for these higher-skill, higher-wage jobs.

We have said many times, Mr Speaker, we remain supportive of the policy direction being taken by the new Premier in her role as Minister of Education. However, my colleague, the Honourable Member for George Town South, has spent the last two and half years challenging the Minister of Education to try to push for more effective implementation. She will talk more about what needs to be done in her debate, Mr Speaker.

As we go into the detailed scrutiny of the education budget in Finance Committee, we will be seeking the Minister's reassurance that she still shares the Progressives' ambitions for education – ambitions that she campaigned for alongside us at the last election. Let's not forget this.

But while we often focus on education, let me remind the premier that most of the people who will be in the future workforce of 2030 and beyond are already in the workforce. A strategy that fails to recognise the need to develop those workers will continue to sell Caymanians short.

I note that the Minister of Education has very recently introduced new TVET grants to help with skills development. I welcome the idea, but it needs better focus and targeting.

Under the Progressives, WORC was tasked with developing a future workforce plan. If we understand what the future workforce needs to look like, we can identify skills gaps and develop training programmes to plug those gaps.

This is work that PACT has failed to do, but the UPM should now pick up. The money that the Minister has identified for TVET grants could then be targeted to support that objective.

While much of what I have spoken about concerns the future of our economy, we must not lose sight of the folks who need help right now.

That was the purpose, Mr Speaker, of a motion that we brought to the House at the September sitting proposed by the Honourable Member for George Town North. You will recall that the motion advocated a mechanism through which the government could support those who were finding it difficult to access work to get on a pathway to full-time employment.

The Member will speak more on this matter during the debate, Mr Speaker, and I know that the Minister responsible will listen to what he has to say.

Climate change is an area where, given the former Premier's rhetoric and reputation, I had expected we would see the PACT government leading the way.

Sadly, so little has been achieved.

We supported the need for a climate change policy, Mr Speaker. We were disappointed that it took two years to produce, and to be honest, we were equally disappointed by the content.

After two years of work, a prioritised list of risks that Cayman should be addressing was published in the draft policy. In my view, the climate threats to flora and fauna at the top of that list, while important, need to be distinguished from the potentially catastrophic impacts on the people who live and work in the Cayman Islands.

The Progressives welcome and support action to tackle the potential disruption of turtle populations and to try to support coral flourishing.

But what we really want to see, as I said earlier, is a properly worked out and costed plan setting out the adaptations Cayman needs to make to face up to the climate challenges that will most heavily impact our people.

Let us subject the former Premier's climate change policy to one central test. Having identified the vulnerability of coastal settlements, buildings, and infrastructure, does the policy clearly set out what actions are necessary to mitigate the identified risk? Does it tell us how much those actions will cost and how they will be paid for? Does it tell us when those actions will be taken and by whom?

Sadly, the answer to those questions is 'no.' Without answering those questions, the policy takes us no further forward.

Now that we have a new, dedicated Minister in place, able to drive things forward, I urge her to better focus her efforts.

The current climate change policy contains some 47 actions that are described as short-term priorities and given a timescale of 2023-25. As I have said previously, when everything is a priority, nothing is a priority.

Instead of 47 different things, let the new Minister focus instead on doing the work needed to meet the central test that I have just set out – developing a properly costed plan to meet the challenges facing our coastal communities and, by extension, probably our whole population.

Creating such a plan, ready for the next government to pick up and start to deliver, would, I think, be a strong legacy for the UPM to leave.

Alongside that work, the UPM must prioritise moving forward with Project ReGen.

The Deputy Leader of the Opposition will talk about ReGen in more detail, Mr Speaker. But I would like to remind Parliament that the project remains the single most significant contribution that this government could make to sustainability. Yet, instead of being embraced and driven forward, it has been subject to endless dithering and delay.

At the end of September, yet another deadline set by the former Premier for the financial close of the contract was missed. As a reminder, that deadline was a full two years after the original deadline set by the Progressives-led government.

The most recent long stop date of 30 November **has also** been missed since we have had no public announcement of the contract being completed. The Premier's only mention of waste management on Friday was a commitment to *"...continuously improving the current solid waste management of the landfills..."*.

What conclusion should the country draw from her silence on ReGen? She must clarify her government's position on this vitally important project.

For our part, Mr Speaker, we have no doubt that we must now drive forward with the implementation of ReGen. As I said, it significantly contributes to Cayman's sustainability ambitions.

Regarding traffic concerns, the Deputy Leader of the Opposition had proposed several measures to ease congestion that were being implemented when he was Minister for Transport. Fortunately, the Minister for Works has largely continued the road improvements begun under our administration, which will help some with the traffic woes.

But we need modern public transport as a major part of the solution. When in office, the Deputy Leader started efforts to develop a comprehensive long-term public transportation plan. Regrettably, the PACT Government decided it needed to start all over again.

The then Minister with responsibility for transport, the Member for George Town Central, told us just after taking office that his goal was 'to transform our approach to public transportation.' Despite there being work on transforming public transport begun by the Progressives that he could have picked up, it was not until November 2022, over 18 months after taking office, that he launched a consultancy study to design a solution.

We in the Opposition were sceptical of the Minister's approach, fearing the study might have been designed simply to confirm his preconceived ideas.

Now that the consultants' report is finally in the public domain, we see our fears confirmed. The study was too focused on buses and different options for their operation to be able to consider more radical options.

Nonetheless, Mr Speaker, we should not let the great be the enemy of the good. Rather than once more starting again, the government needs to tell us how the work

to choose the best option for a new bus service will be taken forward and how that solution will be implemented, including its financing.

It was somewhat alarming that the current Minister responsible for releasing the report was focused on the bureaucratic rearrangement of responsibilities advocated in the report while remaining silent on the transport solution itself.

If this silence means no solution is coming forward, then presumably, we will not find appropriate resources in the budget to implement any changes. This pushes back once more any hope of delivering a new public transport system any time soon, meaning that congestion will only get worse and CO2 emissions will continue to increase.

We must make progress on public transport, Mr Speaker. Any further dithering would be bad news for commuters, bad news for those who need access to modern public transport, and bad news for the environment.

The final priority I want to speak to Mr Speaker is to address the challenges of a rapidly ageing population. Like climate change, the challenges of an ageing population are a global phenomenon.

Analysis by the International Monetary Fund of population trends, published this Summer, concluded that "What is fast becoming universal is that population ageing is the most pervasive and dominant global demographic trend, owing to declining fertility, increasing longevity, and the progression of large cohorts into older ages."

And as with climate change, we can see those global trends being played out here in Cayman.

The 2021 Census found that the number of people over 65 had just about doubled since the previous census in 2010, while the 50-64-year-old group had grown by nearly three-quarters in the same period. Cayman's population has aged rapidly in a short space of time, and all the indicators are that it will continue to do so.

Recognising the emerging trend towards ageing, the last Progressives administration overhauled the government's approach, and in 2016, we put the Cayman Islands Older Persons Policy in place.

We updated the necessary legislation and brought the Council for Older Persons into being.

The objectives of the Policy remain as relevant today as when we agreed them, Mr Speaker. They focus on promoting better access to services, ensuring social inclusion so that our elderly feel valued and can live with dignity, promoting anti-discriminatory practices, and promoting the quality of life and well-being of older persons.

All such long-term policies need to be reviewed, Mr Speaker. Seven years on, such a review of the Older Persons Policy is overdue, but the census data, coupled with the last three years' experience, has made the need for a review much more urgent.

Whatever happens with the overarching policy, there is an immediate need for pension and health insurance reform.

One of the things that I commended the former Premier on during the last budget debate was what I called "his apparent willingness to face up to the problems in both our health insurance and pension systems." I thought it was clear to both of us that these systems, already creaking prior to the pandemic, had been stretched beyond breaking point.

Sadly, it seems that the former Premier's willingness to face up to these problems was more apparent than real. Little has been done over the last two years to bring forward the much-needed reform of our pension and health insurance regimes. Again, I urge the new Premier not to let this continue.

More recently, it seems, the Government has shown a little willingness to move the issue forward. In October, a public statement from the Deputy Director of Pensions suggested that the government is considering changes to contribution rates and the retirement age. However, such movement as there is in the government's approach has been limited to the drafting of tender documents for an actuarial study.

Two years after the budget debate, where action was promised, the government is only now getting around to drafting tender documents. This is not good enough.

If we all agree that the pensions law is outdated and that the system it created is not fit for purpose, then the government must get on with it and fix it. With an ageing population and a cost-of-living crisis still with us, the need for change is becoming ever more urgent. This must be a priority for the 16 months or so this UPM government has in office.

The need for changes to the health insurance regime is, if anything, even more pressing. The government's need to ask Finance Committee in September to vote

through an additional \$31m of expenditure to meet the healthcare costs of indigents and the cost of tertiary healthcare overseas is testament enough to our broken system.

One of the alarming data points from the census was that, despite the legislative requirements, only nine out of 10 Caymanians have health insurance.

The situation is completely unsustainable.

Government action has been limited. In April 2022, we were told by the then Minister of Finance that changes to the remit of CINICO to allow it to operate in new markets would diversify risks to both CINICO and the government.

The rollout was due before the start of this year, but it is not clear what has actually been done as yet. The CINICO website does not yet seem to offer insurance plans to the younger, healthier residents that the Minister envisaged. The Premier's speech on Friday talked again about an enhanced role for CINICO in broader insurance markets coming into effect next year.

We will wait and see what benefits emerge from any changes that might be made. But, in any case, these changes are insufficient to deliver the significant systemic improvements needed. Again, I cautioned against this in my budget speech two years ago as I warned that while liberalising the restrictions on CINICO might be part of the answer, it was not a substitute for well-thought-through system reform.

We, in the Opposition, would be willing to work with the government to bring forward meaningful reform in both pensions and health insurance. I hope the new Premier will be willing to meet with me to discuss how that might be achieved.

Among the longer-term changes that the older persons' policy review will need to look at, particular thought must be given to how we meet the health and care needs of an ever-growing number of older persons.

While I am sure we will need to develop new initiatives that promote health and well-being, an inevitable consequence of increased longevity is greater levels of care needs and increased incidence of illness. Sadly, that is likely to mean more older persons living with long-term conditions and more living with complex co-morbidities.

This means that the demand for health and care services is likely to increase exponentially.

I commend the work of the Health Services Authority to plan for and respond to the likely trend through the employment this Summer of a new specialist geriatrician and the expansion in its range of geriatric clinics.

This, however, is only part of the answer. Clinical interventions are important, but meeting the ongoing care needs of elderly persons in their own homes also needs much more attention.

There is already a limited private sector market on-Island for the provision of some care services. But that market needs to grow, and the range of services available needs to expand to take in more complex needs.

The government should take the lead now in planning for and stimulating the growth of that market. It is much better, Mr Speaker, that we develop the market in advance of the expected increases in the numbers needing care rather than wait for a further crisis in services for older persons to occur.

One example of that is workforce development. We need to plan for the number of extra care workers that will be needed and make sure that Caymanians are developing the skills to take the jobs that will be available in the sector. Many of these will be skilled professional jobs with strong career paths. We should begin now to equip young Caymanians for those jobs and those careers than we import yet more foreign care workers.

Higher up the scale of need, we know that we will need to care for many more of our older persons living with dementia. This is only, in part, an issue about healthcare for the sufferers. The new HSA provision I mentioned will include some dementia services, though I suspect this will not be nearly enough looking ahead.

Certainly, we will need to see more nursing home provisions, and the government must work with the private sector to plan for the number of future places that will likely be necessary.

More broadly, we must also be ready to support people living with the disease in community settings, and that, in turn, means a whole community attuned to their needs.

I therefore welcome the work being led by the Alzheimer's and Dementia Association of the Cayman Islands to make the Cayman Islands a dementia-friendly tourism

destination. And I hope that work can be broadened to become community-wide rather than tourism sector-specific.

I understand the Minister of Tourism has pledged to support the Association's initiative. Having rightly criticised him for his lack of leadership in the tourism sector, I must thank him for the leadership he has shown in that respect. I hope that the government more generally can be persuaded to put more resources into this much-needed work and there will be tangible evidence of their support in the budget.

Mr Speaker, as a former Minister of Finance, I know how difficult it is to put together a budget.

When I had that task, however, Mr Speaker, I had your leadership, as Premier, to support me. You helped ensure budget bids were coherently aligned with our strategic policy statement objectives.

When necessary, you kept us working through long sessions to make sure we made the hard choices necessary to balance spending against the scarce resources available and to ensure that substantial surpluses were delivered.

Our financial strategy had been clear from the outset. We would deliver the public services our people needed while reducing fees and duties where possible. We made capital investments from the revenue generated so that we needed no new borrowing, and instead, we paid down debt.

In contrast, this UPM government has thrown fiscal responsibility out of the window. New fees and charges imposed in this budget raise \$52m in 2024, and then \$80m thereafter. In this budget alone, the burden of \$150m of new debt will be placed on the backs of future generations who will still be repaying it.

Mr Speaker, I will repeat what I said earlier. This takes the new debt incurred by this government in its various guises over its 4-year term to a genuinely staggering half a billion dollars. Overnight, we have moved from a position where under the Progressives, 100% of capital expenditures were financed by recurrent revenues, to one that is almost 100% financed by borrowing. Our commercial banks will be salivating at the opportunity they will have to bid on providing this new financing to government.

Caymanians will be paying for the excesses of those on the government benches for decades to come.

But there is an alternative, Mr Speaker.

We need to end the 'raise it – spend it' approach. We need to stop spending on Ministers' vanity projects. We need to come back to living within our means.

To do that, the country needs a much clearer focus on a smaller number of priorities – things that will have the biggest impact on our people today and that will make the biggest difference in the long term.

I have set out today what I believe those priorities should be.

I have also shared some fundamental and perhaps hard truths with my friends across the aisle.

I urge the Premier to listen to what I have said and complete the necessary course change before any more damage is done to our country, economy, and people.

Mr. Speaker, in closing, I stand before this Parliament not only as the Leader and main voice of Opposition but also as a steadfast believer in the incredible potential of our country and its people. In the discourse on fiscal policy and economic growth, let us never forget the heartbeat of our endeavours—our people.

As I noted at the start, our true measure of success isn't solely reflected in numbers on a budget plan but in the thriving communities, the aspirations fulfilled, and the opportunities we help create for every individual on our Islands.

We have the potential to craft a landscape where innovation, entrepreneurship, and hard work converge to foster an environment where our people flourish, where dreams take flight, and where no aspiration is beyond reach.

But to realise that potential, the government must focus relentlessly on the things that matter most to our people. It must drive forward the implementation of critical priorities instead of being beset by further dithering and delay.

Now is the time to draw a line under the last two and a half years of frustration and disappointment.

Let us instead look to our shared future.

Together, let's embark on this journey toward a future where our revitalised economy once again provides opportunities for all, and where the spirit of our people is the

cornerstone of our success. Let us build a tomorrow where prosperity isn't just a dream but a reality for every citizen of our beloved Cayman Islands.

(118 minutes)