



Office of the Governor
Grand Cayman
Cayman Islands

22 January 1992

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[REDACTED]

The Rt Hon Douglas Hurd MP
Secretary of State for Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
LONDON

Sir,

THE CAYMAN ISLANDS; ANNUAL REVIEW FOR 1991

PROLOGUE

1. "Her Majesty's Colonies" published under Royal Command on the occasion of the Colonial and Indian Exhibition of 1886, states: "JAMAICA: the other dependencies are the Cayman Islands which lie under Cuba to the west, and the Morant and Pedro Keys. The last two groups are merely guano islands. On the first, turtles abound and form the chief sustenance of the few inhabitants."

ECONOMY

2. A moderate year, with anxiety about the effects of the Gulf War and the American recession to some extent justified. However, preliminary estimates of GDP growth indicate around 5-6% in real terms. Company registrations were up 6.5%. Offshore insurance companies increased by 2%. Banks and Trust Companies declined marginally (36 cancellations, 34 new licences) to 544, the first decline in numbers since 1972, reflecting general retrenchment in world banking, and our policy of not issuing licences to private individuals. However, growth in total assets for 1990 over 1989 (latest complete figures) was 20%. We worried when the US Federal Reserve Board reduced its reserve requirement to zero at the end of 1990, but it has had no noticeable effect on existing US branch banks here. It may have deterred some potential new applicants.

3. Physical development, condominiums and homes in particular, continues apace. A "Sleep Inn" hotel was opened late in the year providing motel-type accommodation, attracting 90% occupancy. The number of work permits increased.

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4. Tourist air arrivals were down 6% over the year, at 237,351. (However, 1990 was a record year, 20.5% up on 1989.) Cruise ship arrivals increased by 46% to 474,747.

5. There was a decrease in the import of new vehicles, from 1,548 to 943; second hand imports also declined but only from 867 to 801. 1990 had been a record year, due to the substantial civil service pay increase and the relaxation of regulations on the engine capacity of motor cycles allowed in. However the 1991 figures, taken with the increase in repossessions of cars and houses, indicate if not distress, at least some tightening of belts.

1992 BUDGET

6. The 1992 budget is sounder than 1991, with a reduction in real terms of some 5% on forecast expenditure at US\$156 million, and measures to increase revenue over 1991 levels. It proposed no new borrowing. Public debt is some \$42 million, three quarters of which constitute guarantees to statutory authorities for self financing loans (Port, Civil Aviation, Water). The Health Services Authority, created on 1 January, will begin construction of the new hospital with a self financing loan of \$18 million. Ernst and Young reviewed the forecasts of expenditure and revenue, noting that the Authority can support the loan and will run a net cash surplus including repayments by its second full year of operation.

CIVIL SERVICE

7. The civil service, as in any small territory, claims a high proportion of recurrent expenditure at 45%, nevertheless reduced over the last three years, partly by controlling growth and recruitment, and partly by holding down salaries. The salary increase of 5% from 1 January 1992 comes after a two-year gap, and leaves the civil service 9% behind the cost of living increase over that period. The UK Government should welcome the growth of the pension reserve fund (contribution 8% of salaries split equally employer/employee) for the Civil Service. The fund stood at \$3.4 million at end 1991 and will increase by \$2.2 million plus interest in 1992. Cayman is perhaps the only colonial government to have funded civil service pensions.

LEGISLATION

8. The significant legislation of the year included a Bill to fund civil service pensions; one to create the Institute of Caymanian Heritage; the Pharmacy Bill (connected with the convention on psychotropic substances); the Health Services Authority Bill; the Registration of Merchant Ships Bill (demise charter registration); and a new comprehensive Traffic Law.

LAW AND ORDER

9. The Prison Service continues to be well thought of, with the escape of a convicted murderer (recently downgraded from maximum to normal security) causing anxiety, but also appreciation of the efforts of the Prison Director and his staff to handle lifers.

10. The abolition of capital punishment brought some reaction, with

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two backbencher delegates to a regional CPA conference joining the DT Chief Ministers who attacked the decision. There were a few letters in the press, and a radio programme, and then it subsided. It would have been impossible to do it by local legislation, [REDACTED]

[REDACTED]

11. The prison population was 149 on 31 December compared with 152 at the end of 1990, having peaked in the third quarter around 160. The prison in addition contains up to 30 persons on remand, awaiting deportation and unfit to plead.

12. The Royal Cayman Islands Police Force had a busy year. Overall crimes increased from 2,821 to 3,282. The number of prosecutions for drug related offences increased notably from 546 to 903. The Commissioner's view is that this is due to more effective action by more police officers, and that there is no evidence to indicate an increase in use of drugs, but equally one cannot point to any reduction in consumption. The Drugs Squad continued to target dealers and traffickers, and tripled their arrests in that group during the year. 63 ounces of cocaine and over 700 lbs of ganja were seized.

13. The incidence of commercial crime is not statistically high, but investigations tend to be long and complicated. The closure of the three BCCI banks and subsequent investigations in co-operation with the Serious Fraud Office and the United States Department of Justice, have kept the Commercial Crime Branch at full stretch. It has been increased by two posts from 1 January.

14. One major investigation into a bank during the year resulted in the dismissal of its Overseas Manager, and enquiries continue. I emphasised to the biennial Bankers Conference that Cayman will intensify its efforts to run a clean offshore centre. We should expect more fraud cases during 1992.

15. Work began on the site for the anti drug trafficking radar station in the US CBRN, although there is a tricky unresolved problem with regard to Cable and Wireless.

16. [REDACTED]

LEGISLATIVE ASSEMBLY AND THE CONSTITUTION

17. [REDACTED]

18. The Constitutional Commissioners came in January. Their report was duly made public, reviewed by a Select Committee of the Assembly

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and the documents forwarded to you, Sir, by the end of October. To some Caymanians, the proposals are "radical", but on the whole the community appreciates that times have changed considerably since the 1972 Constitution.

INFRASTRUCTURE AND COMMUNICATIONS

19. The Port Authority grows satisfactorily and manages its affairs well. The Water Authority is extending piped water from George Town northwards to West Bay, and eastwards to Savannah and Bodden Town, greatly welcomed. Caribbean Utilities Company have expanded their generating capacity yet again and give good service. A new 25 year franchise was signed with Cable and Wireless which will bring some \$2 million additional revenue annually to Government.

20. The road system is under pressure at peak hours, not surprising with 1.5 cars per household, and an affluent population which does not take to public transport.

21. CITV began transmission early in the year and during the year two more non exclusive TV licences and a radio licence were awarded by Government.

22. Cayman Airways deserves a despatch on its own, with its desperate efforts to survive in the face of excessive competition from American carriers and a softening US tourist market. It terminated leases with GPA on two aircraft and after arduous negotiations got a fair settlement. They will continue to require subsidy from Government, but the plight of a tourist destination without reliable air services, and national pride, will probably ensure that Government keeps the airline afloat.

23. The Marine Registry made a net growth in tonnage for the first time since its constitution as a Category One Red Ensign Register. It needs every encouragement, for considerable investment has gone into it.

EDUCATION AND THE ENVIRONMENT

24. The Government accepted the recommendations of the Education Review, the most significant being abolition of the Middle School and splitting the High School on Grand Cayman (916 pupils) into two smaller High Schools for better management; and dropping the UK GCSE and joining the Caribbean Examinations Council from September 1992.

25. The Community College opened its fine new buildings in October, built mainly through a soft loan from the EDF. It will continue to concentrate on vocational training.

26. The National Museum was housed in the (renovated) Old Court Bulding and is a notable tourist feature. The National Trust is making good progress with its Botanic Park, establishing trails and the first small gardens; resstoring various buildings; creating a Parrot Reserve (endangered species) on Cayman Brac; and educating the public about their environment.

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POLITICAL

27. The Government has continued, although in a minority among the Elected Members, to function quite well. It is getting literally tired, as the Assembly sits from 10 o'clock till 5 o'clock (sometimes till half past six) day after day, and Executive Council Members find it difficult to keep up with their work. The Assembly sat for 59 days in 1991, (65 in 1990) plus many half days of Select Committee sittings.

1992

28. The year will be dominated first by continuing anxiety about the economic outlook, but Cayman should benefit from any political stimulation of the American economy, and tourist traffic from Europe is growing well, although from a small base.

29. Second, the election in November, and the constitutional changes to follow, will be of consuming interest. By deliberate obfuscation one group is trying to defer consideration of any constitutional change at all. Attention will focus better when there is a draft constitution to compare with the present one, thus enabling voters to extract from candidates exactly where they stand on each proposal.

30. One sometimes gets impatient, even pessimistic, with affairs in Cayman, but there is much good sense behind the trappings of affluence and American lifestyle. It is reassuring to visit the districts and listen to those who still live a very different life from that of their George Town compatriots. Their warmth and courtesy balance the political vexations, which in former days one could grin and bear in the knowledge that independence would be around the corner. I earnestly hope that their good sense will guide Caymanians to the right choices in the 1992 elections.

EPILOGUE

Cayman 1991


| | | | |
|------------------------------------|-----------------|-------------------|-----------------|
| Population | 27,400 | Bank assets(1990) | US\$433 billion |
| GNP (1990) | US\$647 million | Vehicles | 14,100 |
| GNP per capita (1990) | US\$23,640 | Telephone mins | 15.6 million |
| Turtles at sea | few | Visitors | 712,000 |
| Turtles at Government ranch 14,524 | | | |

31. I am sending copies of this Despatch to the High Commissioners at Port of Spain, Kingston, Bridgetown and Nassau; Her Majesty's Ambassadors in Washington and Havana; the United Kingdom Mission to the United Nations in New York; the Head of the Development Division

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in Barbados; and, on a Personal basis the Governors of Bermuda, Montserrat, the British Virgin Islands, the Turks and Caicos Islands and Anguilla.

I have the honour to be
Sir
Your Most Obedient Humble
Servant


A J Scott
Governor

CALENDAR OF EVENTS 1991

JANUARY

- 6 Constitutional Commissioners arrive in Cayman
- 14 Visit of [REDACTED] DTs Police Conditions Review
- 24 HE visits Cayman Brac
- 28 [REDACTED] (UN Conventions Review) visits
- 29 Visit to Cayman by Canadian High Commissioner, Jamaica

FEBRUARY

- 6 Constitutional Commissioners leave Grand Cayman
- 6-10 Visit by [REDACTED] DT Insurance Review
- 15 Opening of Legislative Assembly, Throne Speech and Installation of Speaker
- 18/19 Visit of HSWMS Carlskrona to Cayman
- 26/27 HE pays tourism promotion visit to Tampa and Atlanta
- 28-4/3 Visit by HMS Broadsword

MARCH

- 1-3 Visit of [REDACTED] Chairman, Cable and Wireless
- 13-14 HE visits Miami, Palm Beach on tourism promotion
- 22 Visit of Chairman, Bermuda Monetary Authority
- 24 Thirteen Cuban refugees arrive in Cayman by boat
- 25-28 Visit to Cayman by French Frigate Lieutenant de Vaisseau le Henaff, and French Consul General, Puerto Rico

APRIL

- 5-8 Visit to Cayman by Mayor of Dade County, Florida

22 DT Police Commissioners' Conference
26 HE and Mrs Scott on annual leave

MAY

2-4 Visit of HMS Ambuscade and RFA Oakleaf
10 Order in Council to abolish capital punishment in the
DTs comes into effect
28-31 Visit of HMS Edinburgh

JUNE

6 HE and Mrs Scott return
11 Opening of new Dental Clinic
12 Constitutional Commission report published
13-17 Aviation Week
15 Three Cuban refugees arrive in Cayman Brac (total 16)
17 Queen's Birthday Parade (including RAF Harriers flypast)
19 Second Meeting of the Legislative Assembly

JULY

1 Constitution Day
5 Governor appoints receiver for BCCI group in Cayman
22 Banking licences (3) of BCCI revoked by Governor
Provisional liquidator appointed by Grand Court on
Government's application
24 Tourism Awareness Week opens

AUGUST

7 HE and Mrs Scott visit New York for naming of "Regal
Princess" by Mrs Thatcher

- 15 Visit of SLO [REDACTED]
20 Visit of HMS Amazon
28 Visit of US Consul, Kingston, Jamaica

SEPTEMBER

- 2 Third Legislative Assembly meeting of the year opens
6 HE and Mrs Scott to Miami for Sister Cities Gala Dinner
15 Visit of [REDACTED] WIAD
24 Visit of Colonel Zadereky and team (US CBRN installation)

OCTOBER

- 1/2 Escape of convicted murderer from Northward Prison (recaptured 7 October)
4 Opening of new Community College campus and buildings
11 Cayman Airways 737-300 accident at Owen Roberts Airport
11-17 Lord Templeman visits Cayman
23 Visit of Colonel Faith, Defence Adviser, Kingston
25 Visit of HMS Gloucester, and Captain Taylor, Defence Adviser, Nassau
25 Visit of [REDACTED] Bank of England
25 Pirates Week opens (to 1 November)
28 Special Meeting of Legislative Assembly to consider Select Committee on Constitutional Review

NOVEMBER

- 5 Visit of EC representatives in Jamaica
9 Four Cuban illegal immigrants arrive (total 20)
15 Fourth meeting of the Legislative Assembly opens

- 16 First National Trust Annual Charter Day
- 24 Twenty-one Cuban illegal immigrants arrive (total 41)
- 25 Court of Appeal sitting to 6 December
- 28 Visit to Cayman by Netherlands Ambassador to Jamaica

DECEMBER

- 4-9 HE visits Jamaica
- 12/13 HE visits Cayman Brac and Little Cayman
- 13 Signing of new franchise agreement (25 years) between CI Government and Cable and Wireless
- 16 Visit to Cayman by German Ambassador to Jamaica
- 17 Eleven more Cuban illegal immigrants arrive in Grand Cayman (total 52)