

GRAND CAYMAN - PREMIER'S "STATE OF THE NATION" ADDRESS

Diptel GRAND CAYMAN (Sensitive)

Foreign & Commonwealth Office Diplomatic Telegram

Summary

Premier Alden McLaughlin gives a State of the Nation address at the Cayman Economic Outlook Conference, detailing measures to promote growth and confirming his commitment to fiscal responsibility.

1. The Premier's State of the Nation address at the Cayman Economic Outlook Conference <http://www.fidelityceo.com/> was well received. The speech set out Government policies designed to encourage economic growth and promote good governance. The Premier opened his speech by commenting on our working relationship which he rated as excellent.

Financial Management

2. The Premier began by setting out a spending versus income forecast over the next three years of a 1% increase in spending compared to a 7% increase in revenue. An operating surplus has reduced the need for an overdraft facility. The projected surplus for this year is \$128million, with future forecasts higher. GDP rose by 1.6% last year, is forecast to rise by 2.1% this year, and 2.6% in 2016/17.
3. Beneficial Ownership was not mentioned which, given the largely financial services audience, was unusual. This could be an indication the Government is preparing the ground for a change in position. The Premier was keen to emphasise Cayman's commitment to effective regulation and tax transparency.

Economic Growth

4. Infrastructure projects were highlighted in the Premier's speech, including the Airport Expansion project, the Cruise Ship Berthing Terminal and the Solid Waste Management project. The key announcement was that the Government had negotiated a new settlement with the Dart Corporation, major developers on the island. Dart would forego a 5% tourist tax rebate, which had been agreed under the previous administration, thus creating a level playing field in the tourism industry. In exchange, the Government would increase duty waivers on development projects. This deal would enable Dart development, including a new five star hotel, a bridge connecting Camana Bay to Seven Mile Beach, the purchase of, and development of, the Safehaven area including Northsound golf club, and a four lane dual carriageway through Camana Bay, to commence. The Premier expected Dart to invest \$1.3 billion over the next 20 years.
5. There were also a number of business specific Government measures, including a reduction in import duty from 22% to 20% and a reduction of the duty on diesel from 75% to 50%. A minimum wage bill is expected at the end of the year.

Comment

6. The announcement of a renegotiated settlement with the Dart Corporation is a significant moment for the economic development of the Cayman Islands. The \$1.3 billion of

investment this deal releases will not only provide infrastructure and jobs but also act as a catalyst for further private sector development.

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