



Office of the Governor

Grand Cayman

Cayman Islands

[REDACTED]

[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 1990

THE ECONOMY AND DEVELOPMENT

1. Another year of satisfactory growth. 44 new banking and trust licences were issued, against 36 cancellations, increasing the total to 546. Captive insurance companies increased by a few - in 1991 efforts will be intensified to increase our share of this market (in which we are second only to Bermuda). There was a net growth of 11% in exempt companies on the register, with corresponding growth in revenue. The policy of accepting quality applicants only, and weeding out the less desirable brethren, continues to raise standards and our reputation.

2. The evident pace of physical development is remarked upon by every visitor. A moratorium has been declared for five years on hotel development in the Seven Mile Beach area, but condominium developments thrive, as do shopping and office precincts. People at last are beginning to accept (notwithstanding cries of doom at the forecast of "only" 9.5% economic growth in real terms in 1991) that we face a situation comparable to Bermuda some years ago: we cannot expect growth and prosperity to go on growing at the rate of the last 10 years. Cayman will have to settle for a lower rate of growth, fewer (or at least not more) expatriate workers, and a greater willingness among Caymanians to work rather harder for the very good living they have come to expect.

3. The tourist industry had a good year, although there were signs of weakness towards the end of the Christmas season; air arrivals were up by 20.5%. Cruise ship arrivals were down by 10%,

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due partly to control. The agreement with the United States to limit the American carriers to an equal number of flights on our principal route (to Miami) stabilised the situation for Cayman Airways. The Boeing 737-400s purchased in late 1989 proved doubly valuable in the face of oil price increases. The New York route is well established. CAL plans to lease a third new 737 in early 1992.

4. The preparation of the 1991 Budget (unhappily) reflected a comment in my last year's despatch; expenditure requests were some 30% over forecast revenue and an agonising three weeks of re-appraisal and severe pruning was required. The 1991 Budget is financed by loans as to 10.5% for capital expenditure; and there is no provision for the normal cost of living increase in civil service salaries. Vacancies will not be filled without full justification, and unless staff cannot be redeployed. Such prudent self-discipline was familiar to Caymanians up to 15 years ago, but they have got out of the habit.

LEGISLATION

5. Legislation included the imposition of a three year moratorium on hotel building on Seven Mile Beach; necessary revenue measures to produce \$10 million in a full year to cover the civil service review; the Customs Tariff Law bringing in the international classificatory system; and a comprehensive Juveniles Law which had been years in preparation.

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LAW AND ORDER

7. The Prison Service is favourably remarked upon by politicians and members of the public alike. Prisoners numbered 152 on 31 December compared with 150 at the end of 1989.

8. The Royal Cayman Islands Police Force, at virtually full strength, again performed well. Overall crimes increased (2821) as against 1989 (2634), not significant, but the trends within categories are of interest. Offences in the categories of burglary, theft, common assault and malicious damage were all down, whereas drugs and disorderly conduct were up. Drug-related offences went up from 433 to 546. This reflects increasing police activity, especially by the uniformed branch. The Commissioner believes (and I agree) that although drug abuse is still a major problem, it has not worsened.

9. [REDACTED] in three major seizures of cocaine totalling over 1,830 kgs. A shipment of 253 kgs of ganja from Jamaica apparently destined for local consumption was seized.

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10. Traffic offences overall decreased significantly due to increasing police efforts. However, appallingly, there were 20 deaths in 19 accidents. Great efforts have been put into advice, publicity and enforcement, with the media helping, but the message is not getting across. Analysis of the last ten years of such deaths reveals the principal causes to be alcohol or speeding, often combined. This reflects the combination of affluence and a "traditional" Wild West frontier attitude. In the last eighteen months the Assembly (first, by voting down the Government, but the second a Government proposal, regrettably) has lifted the previous restriction of 90 cc for motor cycles; and allowed visitors to rent motor scooters on production of USA State licences which do not necessarily contain scooter as opposed to car licences, under pressure from the rental agencies.

11. In September, an inspiring week included the Dependent Territories Anti-Drugs Ministerial Conference; the Caribbean Customs Law Enforcement Conference; and Cayman's own "Choose to be Drug Free Week". At the least, it demonstrated to our visitors the strong commitment of a considerable sector of our population against drug abuse. In return, Cayman's knowledge of others' problems and solutions was broadened, in particular how better to co-ordinate the efforts of Government and the private sector.

12. By the end of the year 17 requests had been received under the MLAT from the United States authorities; and after an initial procedural knot, caused by a particularly determined defendant, it appears to be sorting itself out. The expanded Commercial Crime Unit of the Police Force has settled in effectively and useful information exchanges have been established both overseas, and within Cayman. We can hope for interesting and productive developments in 1991, in this area.

INFRASTRUCTURE AND COMMUNICATIONS

13. The abandonment of the Master Ground Transport Plan due to political opposition was a serious blow to the Government, but a revised, more modest, plan is being prepared. A new Motorola communications system has been installed at a cost of \$2.2 million, principally for hurricanes and other emergencies.

EDUCATION AND ENVIRONMENT

14. The Education Review headed by Dr James Porter put in its report, which is basic to the future effective development of the system. Parents clearly must play a greater role in encouragement and control.

15. A modern incinerator system to replace the present disposal in dumps, will be installed in 1991. The volume of waste, with our huge number of tourists, is an increasingly serious problem. The intended creation of a Department of the Environment is deferred for budgetary reasons, but welcome attention is being given to environmental problems by the private sector as well as by the Government. The National Trust is going from strength to strength.

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CIVIL SERVICE

16. A two year programme of training with the help of UNDP was completed in November. Aimed initially at Heads of Departments, the programme was broadened to include the deputy and senior professional levels. It has increased the self-confidence of senior managers although the American style terminology was not to everyone's taste! The objectives were to teach management philosophy and techniques; my parallel objective was to get them to understand their responsibilities both as Heads of Departments and corporately; also to get local and expatriate officers closer together. Although hard going, and very time-consuming, the effort has been worthwhile. One relatively simple product has been a book of departmental "mission statements" (copies sent separately). For a civil service with a limited educational base, which has doubled in size in ten years, and faces considerable political demands for services - and coping with the usual local/expatriate problems, it is coming along fairly well. Productivity must now be improved, both positively, and also negatively by the pressure of not filling vacancies unless absolutely justifiable.

POLITICAL

17. The political year opened ill-tempered, and did not improve. In mid year the (Elected) Executive Council Members proposed that the Finance Committee of the Assembly include all Members of the Assembly (that is, adding the three Official Members), to give the Government a majority provided that one backbencher would go with them. This caused a furore (including a march) notwithstanding that it was done entirely properly and constitutionally. Cayman has never been grant aided (although benefitting from CDW loans and the like) and there is a long entrenched belief that only elected Members can dispose of "the people's money". (Although there are no direct taxes and most revenue derives from expatriate commercial activities!) However, it was the best way to maintain political stability in the medium term, and I had discussed it exhaustively with Executive Council before going on leave in April. The altered membership of Finance Committee ensured that Government could put its Budget for 1991 through the Assembly.

18. The mid-year Assembly meeting also saw the passing of a Government motion to ask you, Sir, for a Commission to review the Constitution, by then 18 years old.

19. In the September meeting, the Assembly at last activated the provision of the 1972 Constitution for a Speaker to be appointed, thus relieving a grateful Governor of the task of Presiding Officer. I have appointed a former long serving Clerk of the Assembly who will take up office in February 1991.

AND FOR 1991?

20. The public examination of the constitution and related matters should to some extent ease political boils; but the Constitutional Commission is unlikely to satisfy everyone. In their early response to the Commission, backbenchers backtracked from their demands for substantial political advancement, due in

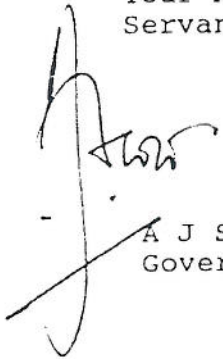
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part to the "grass roots" making their views known to them. The select committee of the Legislative Assembly can take as long as it needs for its work following the receipt of the Commission's report from you. Among some politicians and a few others, the frustration will remain that they consider themselves (justifiably) at least as competent to govern as most independent Caribbean countries; but know in their hearts - and from their constituents - that independence is not for them if Cayman is to retain its high standard of living and its good reputation in the financial and tourist world.

21. The economic outlook is unsettled, due to the American economic recession and to the potential effects of the Gulf War. This in turn has caused general community anxiety which manifests itself mainly in outbursts of xenophobia (a well-established phenomenon). The attention of John Public will continue to be focussed on his daily bread (or rather, cake) rather than on Cayman's constitution or world affairs.

22. 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 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

JANUARY

- 8 New Chief Justice, Sir Denis Malone, arrives
- 17 Farewell visit of Mr Lalvunga, Indian High Commissioner in Jamaica
- 20 Visit of HMS Arrow to 24 January
- Eastern Airlines discontinue services to Cayman
- Little Cayman's first central electricity service opens

FEBRUARY

- 16 First meeting of the Legislative Assembly - Throne Speech

MARCH

- 1 Mr Franklin Smith resigns as a Member of the Legislative Assembly
- 9 Visit of HMS Penelope to 13 March
- 9 Mr Radimir Pavlovic murdered in the course of an armed robbery at his shop
- 26 Court of Appeal in Cayman
- 25 Governor to Jamaica for HOM Conference
- 28 XXXXXXXXXX (WIAD) visits Cayman
- 29 Canadian Trade Show, Grand Pavilion Hotel

APRIL

- 22 Earth Day
- 23-25 CPA Seminar held at the Legislative Assembly

MAY

- Two blue iguanas, a male and a female, brought to Cayman for a captive breeding programme
- 31 Haig Bodden wins Bodden Town by-election
- 31 Government announces LA Motion 3/90 to enlarge Finance

Committee

JUNE

11 Second meeting of the Legislative Assembly

JULY

13 Public demonstration against Motion 3/90

24 LA Motion passed for review of Constitution

AUGUST

10 Changes to Finance Committee implemented

26 Backbenchers visit London to voice "concerns" to FCO

New National Trust Headquarters opened

SEPTEMBER

3 Third Meeting of the Legislative Assembly

5 LA Motion passed for a Speaker (instead of Governor)

23 Visit of [REDACTED], WIAD, FCO

25 Caribbean Customs Law Enforcement Conference held in Cayman

27/28 Caribbean Dependent Territories Drug Conference

24-30 Choose to be Drug Free Week

OCTOBER

10 Constitutional Commissioners named

26 Governor appoints Mrs Sybil McLaughlin as LA Speaker

New Post Office approved for West Bay Road

First two eggs of captive blue iguanas hatched successfully

22-26 Overseas Police Adviser [REDACTED] visits

26 Financial Times survey on Cayman published

26 Visit of HMS Birmingham

NOVEMBER

7 Visit of [REDACTED], WIAD

9 Fourth Meeting of the Legislative Assembly - Budget Session

Withdrawal of national pension proposals

19-24 Tourism Awareness Week

17 Cayman Islands National Museum opened

26 Court of Appeal in Cayman

DECEMBER

5/6 Visit of the Hon Mark Lennox-Boyd