

**Statement**  
**By the Premier, Honourable McKeeva Bush, OBE, JP**  
**In the Legislative Assembly**  
**November 15th 2012**

Madam Speaker,

In 2011 the Government proposed to borrow, but to not use the conventional way of taking a loan from a commercial bank and thus living with the high interest rates that are the norm when borrowing from a commercial bank. The Leader of the Opposition made reference to this in this House, and in the local media, purporting that I had lost half a million dollars in the process. It behooves me to point out the facts and what our savings would have been, if we had gone with the latter of Cohen's proposals.

Given the current base rate of the US Treasury Bills, it is conceivable that if the Cayman Islands had accepted the Cohen's offer, which was a floating rate, based on the "US Treasury Bill Rates" plus a spread, and If my memory serves me right, the "US Treasury Bill Rate" was .204% at the time,

and with a spread of 250 basis points, or 2.50% which was offered by Cohen, it would have resulted in an effective interest rate of approximately 2.7%.

With the current state of the world's economy, and given the fact that the US Federal Reserve has now decided to increase the monetary supply in its economy by buying back its bonds, at a rate of \$40 billion dollars per month, over the next few months, it is conceivable that the "Treasury Bill Rate" is more likely than not to decrease, in fact the "US Treasury Bill Rate" is now at .135% or, .069% lower than what it was at the time of our negotiations with Cohen.

Madam Speaker, this means that our current effective interest rate would be approximately 2.635%. Given this analysis, it is also reasonable to assume that had we accepted Cohen's offer, and when comparing it with what we are currently paying –approximately 6% (twice as much as what we had negotiated) the country would be in a better position financially, even to the extent where we could have established a "sinking fund".

Madam Speaker, **the difference in interest cost is approximately \$55 million dollars. For the sake of clarity, I repeat that the difference in the Cohen's offer compared to our current deal would be a savings of approximately \$55 million dollars.**

While distracters will ask the question: how will we know that interest rates will remain low for a reasonable time for the country to benefit? The answer is simple, and no different from our decision to establish the Cayman Islands as an "International Financial Centre".

It is a risk, much like everything else, but the wisdom in doing so should be based on the assessment of the global economic outlook. For instance Madam Speaker, most, if not all major industrialized nations are now experiencing a contraction in their economy, and are now seeking to expand their economy by borrowing at low rates with the hope that it will also flow through to the private sector.

Most notably, the concern of the multilateral lending institutions which has an interest in protecting their investments, by way of loans to these affected countries, is also acting in their interest to ensure that interest rates remain low so that their chance of recovering their investment is likely – and believe it or not, they are doing just that.

With this being the case, our expectation that interest rates would continue to remain low, to the extent that the Cayman Islands would benefit, was reasonable, and based on sound economic and financial analysis – even if I have to say so, since it appears that those who criticize me is devoid of such understanding.

Madam Speaker, their lack of knowledge and understanding has cost the Cayman Islands a significant financial lost, a burden we must now bear into the foreseeable future. It is my firm belief that we should still pursue every angle to obtain financing for our debt, in the manner I have proposed in order to save this country millions of dollars. Countries with significantly lower credit ratings are doing so, why can't we?

Madam Speaker, I close by asking this question, why should we burden the people of our country with a debt burden they don't have to bear, and put a barrier in the way of the future generations?