BUDGET PRESENTATION 2005/2006 BY BRUCE GOLDING, LEADER OF THE OPPOSITION ON THURSDAY, APRIL 21, 2005

Our annual general meeting

The budget debate over the years has become something of a ritual. Yet it is much more than that. It is, in essence, like an annual general meeting and it is our duty as representatives of the shareholders to assess how this company we call JAMAICA is doing, to examine the financial statements. Is the company making a profit? If so, how is that profit being distributed? What dividends are being paid out to the shareholders? If not, why not? If not, what is being done to return the company to profitablility?

The shareholders that we represent have invested a great deal in this company. The returns have not matched the investment. This year, they are being called upon to put up more capital – $9.4B. Two years ago they were forced to put up $13.8B. These are not one-time payments. These are yearly subscriptions.

The employees of the company have made considerable sacrifices, having agreed to a two-year wage freeze.

This AGM, therefore, is a time for serious stocktaking.

The Chief Operating Officer, as is his wont, has told us that things have never looked so good:

> *"There is absolutely no doubt in my mind that this country is better poised than ever before for a long period of sustainable growth and development."*
> *"The prospects for the Jamaican economy and the development of our people have never been better in a whole generation".*

The questions that we shareholders must ask is: Haven't we heard that before? How many times have we heard that before?

The Chief Executive Officer, in a nationwide broadcast on March10th 2002 told us that the country was incontrovertibly on a growth path and the best was yet to come from his economic and social policies.

The Chief Operating Officer, while addressing business leaders in Montego Bay on March 25th 2004, declared:

> *"I am more confident now than I have ever been in the more than 10 years that I have been Finance Minister."*

The Chief Executive Officer, when he met with media editors on April 2nd 2004, told them:

> *"Jamaica is poised for the most decent and sustained growth over the medium term."*

Admittedly, some shareholders are doing well! These are not ordinary shareholders. These are holders of preference shares.

When you can be paid $84M for renting two pieces of equipment to the NSWMA over two years because you are genetically connected, you are not any ordinary shareholder. You hold preference shares!

When you can receive a US$15M contract to supply furniture and fixtures for a hotel in Westmoreland because of another kind of genetic connection, you are no ordinary shareholder. You hold preference shares!

But for the majority of shareholders – ordinary shareholders – the dividends they receive are paltry. And when they seek to encash those dividends, very often the cheque is returned stamped "Refer to Drawer".

We are talking about basic dividends that the company has a duty to pay! When our spokesman on finance made his presentation in the budget debate last year, he made, as the central theme of his presentation, the point that the company had become so mired in debt that it was no longer capable of performing the functions for which it was established.

When a shareholder discovers that his house is on fire and calls 110 in panic, only to be told "Sorry, we have only one unit and it is not working" and must watch in anguish as his house, his life's savings, goes up in smoke, what that means is that he has been given a bounced cheque!

Something is wrong with the management of the company!

When children of the poor are told not to come back to school until their tuition fees are paid, those shareholders are being denied a basic dividend. They have been given a bounced cheque!

And when a solemn promise is made out of the mouth of the CEO to abolish those fees and the shareholders are told to relodge the cheque but then that promise is withdrawn, no funds are deposited in the account, it means that the cheque is going to bounce a second time!

When poor people have need to seek hospital care, a basic dividend which the company has a duty to pay, and are slapped with a bill for thousands of dollars – for many of them the largest bill that has ever been served on them – the company has given them a bounced cheque!

We are told that this is not company policy, that poor children are not to be turned away from school, that poor people are not to be denied treatment at public hospitals.

The policy is not working! It is designed in such a way that it cannot work! Let me explain.

The cost-sharing dilemma

The budget for high schools is made up on the basis of a notional amount that they must collect in tuition fees. It is from that budget that they must pay all their non-salary-related bills. If they don't collect these fees they can't meet those bills. Some 45,000 students are covered under the PATH programme. That is only 25% of the high school population. So, school administrators are placed between a rock and a hard place. Extend leniency to parents who cannot pay and you run the risk of your electricity and water being cut off. Today's report in the ***Observer*** illustrates the point:

> *"Yesterday, Seaforth High School started sending home students with letters advising parents to settle their arrears or make arrangements to pay. 'We will be sending home one grade each day starting with Grade11', Seaforth's principal, Hopeton Henry, told the Observer"*

> *"'We have taken the decision that if the money is not forthcoming we will have no other alternative but to lock down the school', Henry said".*

The government has turned its back on its commitment to abolish cost-sharing in September of this year. It seems to be relying on two arguments advanced for the retention of cost-sharing.

First, it is argued that parents must pay something toward their children's education. That argument presumes that they are not paying anything. The recent report of the Education Task Force acknowledged, based on data from the Survey of Living Conditions (2002) that families were already spending $19.2 billion on education. If you adjust that for inflation over the ensuing two years, that figure today would be close to $25 billion! The average family is today spending over $54,000 per year on education. The breakdown is instructive:

Tuition & fees:	$7,800
Extra lessons:	9,800
Books:	3,000
Transportation:	12,000
Lunch:	16,900
Uniforms:	2,900
Miscellaneous:	1,700

And if we need any further evidence of the impact of the cost-sharing burden on poor families, we need only to look at the 2004 Survey of Living Conditions tabled last week which reveals that money problems accounted for 62% of the reasons for non-attendance at schools.

The second argument advanced for the retention of cost sharing is that some parents can afford to pay and should pay. As a general statement that cannot be faulted. But we have not yet been able to design an efficient and dignified system to differentiate between those who can and can't pay. We do not have an adequate income database to be able to do accurate means tests. What we do know is that the majority of the children in high schools are children of the poor and it may very well be that the administrative costs of accurately determining who can afford to pay would offset or substantially reduce the amount that would be saved if they do pay.

It was Michael Manley who abolished cost-sharing in 1973. The JLP maintained it through the 1980s. Mr. Prime Minister, you re-imposed it in 1994. But in 2002 you promised to abolish it. You announced it at an election rally in Sam Sharpe Square on August 25th 2002. We had said we were going to do it. In making the announcement you accused us of hijacking your programme. Now, you are backtracking on the programme. Don't break your promise, Prime Minister, not this one! Barbados enjoys a high education level among its population. They pay full tuition all the way to university level. In an age when higher levels of education are being demanded of the labour force, secondary education is not a premium, it is a basic dividend that you have a duty to pay. Prime Minister, don't bounce that cheque!

The dilemma of hospital charges

Our shareholders are being robbed of another basic dividend. Hospital care is not a luxury in the way that a visit to the beauty salon is. It is a necessity – an urgent if not absolute necessity. The company policy is that people are not to be turned away because they can't pay. But that's not how it works. We hear from recent media reports that a policeman who was injured and taken to hospital was refused treatment unless he paid the necessary registration fee.

I have been approached on several occasions by persons – poor people – who have been treated at hospitals and then receive horrendous bills. I recall a case when these charges were just introduced of an old lady who was severely diabetic. She lived in a one-room house in Spanish Town with only a bed, a small table and a kerosene stove. After her leg was amputated at the Spanish Town Hospital they sent her a bill for $12,000!

Persons who have received these bills and are unable to pay have complained that when they seek to access services at the hospital, unless it is an emergency or life-threatening, they are denied those services because of the outstanding fees. The policy is not working!

I am not blaming the hospitals. They, too, are placed between the same rock and the same hard place that the schools are. Their budget presumes a certain level of collections. If they don't collect, they have difficulty paying their bills.

The Auditor-General has advised that uncollectible fees be written off. But there has been a suggestion recently that these outstanding fees are to be referred to collection agencies. This will only lead to further harassment of the poor.

If you are able to deal with the matter at a high level there is usually compassionate intervention. When I spoke about a case in Savlamar on Hot 102 a few years ago the Chairman of the Regional Hospitals Board, Mr. Gordon Brown, called me and dealt with the matter.

The Minister of Health was good enough to call me recently when I made reference publicly to another case. He promised to deal with the matter.

I have another case for him. This is the case of a lady whose baby, from its birth, has been very sickly. It was admitted to UHWI on November 20th 2001 for three days. The bill was $30,610.08. It was re-admitted on September 25th 2003. The bill on this occasion was $20,974.82. Poor people can't count this kind of money. They don't know what $30,000 looks like in one pile. I asked that mother to be here today and I ask her to stand. Now, she is not working. The father of the child hustles and juggles but has no steady job. Where are they to find over $50,000 from?

I'm going to pass these bills to the Minister of Health and ask him to be kind enough to intervene in this case. But shareholders must not have to depend on the Minister's intervention in order to receive a basic dividend. We need a new policy on hospital charges. And if the company's cheques are likely to bounce, then when it comes to hospital care for poor people, we must demand that they be given a manager's cheque.

How is the company doing?

We, as shareholders, have a right to be told how the company is doing. The Chief Operating Officer tells us that we recorded 1.2% growth last year. It would have been 3%, he says, but for the effects of Hurricane Ivan.

The Bahamas was devastated by two hurricanes (Frances and Jeanne). Large sections of the country were under as much as 5 feet of water. Yet, the Bahamas recorded 2.5% growth last year (CDB figures).

And if there had been no hurricane and the original target of 3% were reached, how would this have compared with other Caribbean countries?

St Lucia	3.4%	Belize	4.5%
Barbados	3.4%	Antigua	5.1%
St. Kitts	3.9%	Trinidad	6.7%

I recall last year having a conversation with Prime Minister Baldwin Spencer of Antigua who was in Jamaica for the state funeral of the late Hugh Shearer. I asked him how the Antiguan economy was doing. His reply was "Not so good. Last year we barely did 3%". 3% to Antigua is a disappointment. 3% to us is an elusive target! We have not seen 3% growth since 1990 when we recorded 5.5% growth – part of the momentum they inherited from us.

The Chief Operating Officer says that the target for 2005 is 3.6%. We can be forgiven for being skeptical because his growth targets have never been achieved – never once! And even if they were to be achieved this year, it would merely put us back to where we were 10 years ago.

So, we, as shareholders, listening to the Chief Operating Officer, are obliged to ask: Why is the company doing so poorly? Why are similar companies doing so much better? It is a question we have asked every year but never appropriately answered.

What we are told is that we are now turning the corner. We are told that the company is now better placed than most other companies to meet the challenges of globalization. We are told that the deficit will be eliminated this year.

To economists, deficit means fiscal imbalance. To us shareholders it means that the company is losing money, that our inflows are unable to meet our expenses.

But, according to the Chief Operating Officer, we are going to break even this year. So, this year, the company is to stop losing money. And it is presented to us as a significant achievement for which credit must be paid to the managers. The Chief Operating Officer tells us:

> *"Eliminating the deficit is no longer an elusive dream. We have come a long way to arrive at this point where we can say with pride we are in the final year of deficit financing."*

This is where we were told we would have been at the end of 2001/02. Then it was moved to 2004/05. Now it is to be 2005/06.

But where are we coming from? Where is the deficit coming from?

We racked up huge deficits in the 1970s but by 1987/88 the budget was returned to surplus. Despite the setback caused by Hurricane Gilbert in 1988, by the following year we were back to a surplus. That surplus was maintained through to 1995/96.

So, when the Chief Operating Officer tells us that *"after years of searching and refining the economic model is producing positive results"*, let us understand that we are merely back to where we were 10 years ago!

Shaping and securing the future

What is gone is gone. We can't change the past but we can shape the future.

Maintaining a deficit beyond tolerable levels is a costly exercise. That has been the painful experience of the last 10 years. Eliminating that deficit requires sacrifices from shareholders, especially those who are least able to make those sacrifices, least able to give up the small dividends to which they are entitled.

It takes only a few bad policy decisions to plunge the company into a quagmire of deficits. But it took us 13 years in the 1970s and 1980s to get out of it. It took the present government 10 years since 1995 to get out of it.

If we are to shape the future to avoid falling into this quagmire again, it cannot be left to the Chief Operating Officer or his board of directors. It was their costly mistakes that led to the financial meltdown and the return to stubborn, recurring deficits. It was their pernicious decision to run with it in search of a 4th term that perpetuated it. We have paid too high a price, suffered too excruciating a pain to allow that to happen again.

The European Union understands that the control of deficits cannot be left to the whims and fancies of individual member countries. That would pose a threat to the economic stability and integrity of the entire union. That's why it established an Economic Stability and Growth Pact that places a limit of 3% on the deficit that any member country can incur. And it imposes strict sanctions including monetary penalties and expulsion if that limit is breached. It is a provision that is now being reviewed primarily because of the strain placed on Germany by the cost of re-unification. It is likely that some flexibility will be incorporated but it is certain that constraints will be retained.

This company needs similar belt and braces to protect its shareholders. Jamaica needs similar belt and braces to protect our children whose horizon is covered by think fog caused by the profligacy of this generation of managers.

We may need a framework with sufficient flexibility to deal with unforeseen and uncontrollable circumstances but it must have sufficient rigidity to prevent recklessness, profligacy and avoidable policy errors.

We need a constitutional provision with appropriate and effective sanctions to ensure that no set of managers, present or future, is ever allowed to plunge the company into prolonged deficit spending.

We as shareholders are also deeply concerned about the level of indebtedness of the company – $760B at the end of last month. In the last 10 years the debt has grown faster than inflation, faster than the revenues, faster than everything else except murder.

It constitutes a strangulating burden on the next generation not only because of the size of the debt but because less than 25% has been used for real investment in infrastructure, human development and productive capacity. We have borrowed and spent more than $500B with nothing tangible or lasting to show for it or earn anything from it. So this generation breezes out the money; the next generation has the burden of paying for it.

In 2002, when the debt to GDP ratio was 133%, the Chief Operating Officer promised that it would be brought down to 100% by 2004/05. That didn't happen. In the ensuing period it climbed to as high as 147%. We are told it is now 137%. That still places us among the four most indebted countries in the world behind Malawi, Lebanon and Japan.

It is time for us to put the padlocks on. Our experience has demonstrated that the company's future should not be so imperiled because manager's have the option of making fatal mistakes or avoiding tough but correct decisions. We need to impose an effective, enforceable and sanctionable limit on the amount of debt which any government may impose on the country. It is something I have long been advocating. Happily, it ought not to be a matter of controversy between ourselves and the government.

The Chief Operating Officer, in his budget presentation to the shareholders in 2003, said:

> *"It is not possible for us to cap the debt in terms of the stock of debt."*
>
> *"Therefore let us focus on containing and then reducing the debt as a percentage of GDP. If that is what is meant by those who make this recommendation, then there is nothing which divides us."*

Well, that is what we mean!

The Chief Executive Officer also signified his concurrence. Speaking at a government/private sector retreat at the Ritz Carlton Hotel in March 2003, this is what he said:

> *"We have to cap the size of the public debt in real terms as a percentage of our gross domestic product."*

In the agenda for the Vale Royal discussions, we asked that the issues of a constitutional limit on the fiscal deficit and on the level of debt be put on the table. Yet, it may be more appropriate for this issue to be examined through a special Select Committee which would be able to hear submissions from interest groups and the wider public. I am therefore proposing to the government the setting up of such a committee to see if, together, we can reach agreement on this critical issue. Let's do it, Mr. Prime Minister, so that we, government and opposition, can say to the world this is the framework within which economic policies will be pursued.

Governments may change but the broad framework will never change because it doesn't depend on the word of the Minister. It is secured by the Constitution of Jamaica.

Pilferage and corruption

We, the shareholders, are gravely concerned about the level of pilferage and corruption taking place within the company. There are too many instances of abuse of contract award procedures. There are too many instances of persons with genetic connections ending up as the preferred bidder or supplier. There was one instance where a man convicted of larceny of the company's funds admitted in court that he stole the money to help finance the PNP election campaign.

We are concerned about the barefacedness of those involved in questionable practices and who tell us, the shareholders, to "shut our damn mouths".

We note that the management has put in place certain systems. But they are there to work, to stamp out corruption – not just to provide psychological comfort or embellish our company profile when we go to borrow money abroad. And management must ensure that they work.

We acknowledge that the National Contracts Commission has been established. It is empowered to oversee the invitation of tenders and the award of contracts. But there are no legal sanctions if those procedures are ignored. So, those who flout the law – those who bypass the National Contracts Commission and give out contracts their own way, to whomever they like and for whatever amount they choose to work out – get away scotch free because there is no penalty for flouting the law. We therefore recommend that the law be amended to, firstly, impose penalties on those who flout the law and, secondly, make null and void, and therefore unenforceable, any contract over the stipulated sum which is not awarded in compliance with the law and has not been endorsed and stamped by the National Contracts Commission.

There may be exceptional circumstances such as emergencies where contracts have to be awarded outside of the prescribed procedures. We can make provision for such circumstances but we would insist that they require the approval of the Cabinet and must be reported to Parliament within 30 days.

The Corruption Prevention Commission exists but it is yet to make any discernable impact on the perception of integrity in public administration. Part of the problem is that the management has failed to give the Commission the tools it needs to do its job. In its last report the Commission complained that its "ability to conduct investigations ….was hampered due to staff constraints and a request for investigators has been forwarded to the Ministry of Justice". It also complained that a portion of the funds approved by us the shareholders for the Commission is being withheld by the Ministry and that *"this undermines the accounting autonomy intended by the Act"*. The management must deal with this as a matter of urgency.

We as shareholders want someone to be specially assigned to chase down the thieves and scoundrels. Millions of dollars of the company's money are being siphoned off through corruption and thievery while we are being told that the company is losing money. We have suggested the appointment of a Prosecutor General. It is absolutely necessary because until and unless person involved in corruption have reason to fear that they will be investigated, pursued, caught, arrested and sent to prison like any common thief, we will not be able to redeem public confidence in the integrity and operations of the company.

An opinion poll conducted in February showed that 91% of the public believes that the level of corruption today is higher than it was 5 years ago. Mr. Prime Minister, as Chief Executive Officer you must deal with it!

Prospects for the future

Now, what are the prospects for the future of the company?

The Chief Operating Officer says:

> *"Investment in the economy is now better than it has been for a whole generation"*
> *"The confidence of investors at home and abroad is higher than ever before."*

We, as shareholders, have been hearing this for some time. The Production Manager has long been telling us about lots of things in the pipeline. We hear of record levels of foreign direct investment over the last 5 years.

But where is the growth? Growth in the economy has been anemic – only 7% in the last 5 years! Where are the jobs? Last year, only 1,100 net new jobs were created.

It reminds me of the chorus line in Junior Kelly's hit song: *"If love so nice, why does it hurt so bad?"*

It is true that some significant investment has been taking place especially in the bauxite, tourism and telecom sectors. But we must ask why is this not sufficient to drive growth and job creation?

Part of the answer lies in the fact that these investments are increasingly utilizing job-reducing technology. In addition, the growing practice of out-sourcing in a globalized market has robbed us of some of the value added employment that would normally accrue. But this is not true of tourism which produces significant employment in construction and some 1.5 jobs per room in operations. The truth is that the growth and new jobs generated by these investments have not been sufficient to replace the loss of output and the thousands of jobs that have been lost in other sectors and, on top of that, make any significant impact on incremental growth and new job creation.

We have been seeing it for a long time. We have seen the closure of large numbers of businesses putting thousands of people out of work. There are thousands of persons leaving school and even those who have done well at school pound the pavements, they write applications and submit resumés but they can't find a job. "We will call you", they are told but the phone never rings.

It is not just a matter that new investments require higher levels of education. HEART trainees are finding it extremely difficult to find jobs. Even university graduates, after studying so hard and investing so much, are sitting at home unable to find jobs. A few years ago when you graduated from the university, you didn't search for jobs; jobs searched for you!

We know that discussions are taking place with China for the establishment of a major transshipment hub in Jamaica. That proposal, especially if integrated with the freezone facility proposed by Mr. Seaga for Fort Augusta, could offer the prospects for a large number of new jobs. We are anxious to support it.

But in the same way that we cannot focus only on highways while neglecting the roads where people live, we cannot focus only on large investments that can be the subject of grand announcements while ignoring those investments that may not be so grand in size but significant in numbers with a much higher ratio of jobs to investment dollar.

Placing small businesses in our vision

As huge an economy as America is – the mecca of mega-billion dollar investments – America recognizes the crucial importance of small businesses which account for 50% of all private sector jobs and two-thirds of new jobs created in that economy. President Bush, in laying out an agenda for small businesses, recently declared: *"What is good for small businesses is good for America"*.

Our economy is no different. The late Professor Carl Stone confirmed that in a detailed study done in the 1980s. But there is no room in government's current priorities for small business people. Some effort was made in the 1990s but, with the meltdown of the financial sector, that collapsed. The production train, launched with so much fanfare, ran out of fuel because very little fuel was put in in the first place.

The financial environment is not kind to small businesses. It is not only a problem of interest rates, it as a problem of lack of interest. It is not just a problem of uncompetitiveness. With increasing access to technology that problem can be dealt with.

Financial institutions are risk-shy. They have not recovered psychologically from the ravages of the financial meltdown. And they continue to be bottle-fed with government paper. Why take the trouble to process a $5 million loan application when you can, with a simple telephone call, lend $50 million to the government? It involves no risks, requires no feasibility studies, no financial statements, no management assessment, no cash flow projections. Two-thirds of the loans disbursed by commercial banks go to the government.

The bureaucracy that small businesses have to contend with is intimidating and costly.

We need to develop a strategy to encourage and strengthen small business investment and development. There are persons, many of them young people, with innovative ideas eager to grasp opportunities. We must find a place for them in the scheme of things. There are existing small and medium-sized businesses that have demonstrated the capacity to build and manage their own businesses, to weather tough storms – businesses that now employ 10 or 15 people but could expand and employ 40 or 50. They must become part of our vision.

The new Companies Act is designed to enable more small businesses to be incorporated as part of the formal sector. The intention must be more than simply drawing them into the tax net. Let us help them to make a start, help them to expand and grow and the taxes will follow.

The Development Bank of Jamaica was designed to drive development financing, to go where commercial banks were unwilling to go. It, too, has shifted its focus. It now concentrates on funding large government projects.

I propose that a Task Force be set up as a matter of urgency to hammer out the strategies and modalities that can energize the small business sector and stimulate a new wave of investment activity and the creation of new jobs. Let’s pull all the critical players together: DBJ, commercial banks, small-business-friendly lenders such as the credit unions, JAMPRO, HEART/NTA, SRC, Small Business Association. The Opposition is prepared to join in that effort.

The small business sector is not a financial nuisance. It is not a policymaker’s nightmare. It is a vital part of the economy that can be empowered to help produce growth and create jobs.

Let’s find a way to unleash the indigenous entrepreneurial spirit of the Jamaican people!

The tax relief/burden

A word about the movement in the income tax threshold. It has remained at $120,432 for the last 5 years. During that period, we have experienced inflation of 50% and the threshold lost one-third of its real value. Therefore, in order to restore the real value of the threshold to what it was in January 2001 it would need to be moved to $180,000. It is being moved to $169,000.

It is instructive to see how this compares with the threshold in other Caribbean countries:

Bahamas	No income tax
St. Kitts	No income tax
Guyana	$62,000
Trinidad	$198,000
St Vincent	$277,000
Belize	$616,000
Barbados	$711,000
Antigua*	$831,000

*reintroduced last month

So, in comparison to other Caribbean countries, with the exception of Guyana, our shareholders are being shortchanged.

How to treat the crisis in oil prices

It is against this background that I wish to respond to the proposal put forward by the Chief Operating Officer for a Joint Select Committee to consider the issue of the spiraling oil prices. It is an issue of national concern. The price of gasoline inclusive of government taxes is now over $170 per gallon. The fuel charge on our electricity bills has risen by almost 50% in the last 12 months alone.

We agree that this is an issue that deserves urgent and detailed examination. There are important factors to be considered.

We endorse the current initiatives to introduce LNG as a cost-saving alternative to oil-generated energy. We will support reasonable and effective measures to effect greater conservation in the use of energy. Based on data compiled by the International Energy Agency (IEA) Jamaica ranked 63rd of 133 countries in per capita energy consumption. Our vulnerability demands that we take steps to conserve on consumption.

We are discomforted, however, by a feeling that the real purpose of the Joint Select Committee might be to secure some consensus on hiking the tax on gas, ostensibly as a means of curbing consumption but really designed to reap a windfall in government revenues. That, in essence, is what the recommendations of the Tax Policy Review Committee would generate – $2.7B in additional revenues.

For more than a year some government officials have been advancing the argument that Jamaica enjoys one of the lowest gas prices in the world. That is true only to a certain extent. Of the 163 countries for which data is provided by the IEA (2002), Jamaica ranked 101 – cheaper than Antigua, Barbados and Grenada but more expensive than Dominican Republic, Panama and Trinidad.

However, it cannot be looked at in isolation. As I have already pointed out, the tax-free threshold in many of these countries is considerably higher than that in Jamaica and the government's tax take from wages much lower. And only St. Kitts has a higher sales tax than we do but then it must be remembered that St Kitts has no income tax. In other words, wage earners in these countries are left with more disposable income from which to pay higher gas prices. The following data illustrates:

Country	Tax on Gross Income of J$500,000	Tax on Gross Income of J$1,000,000	Sales Tax
Jamaica	J$82,724	J$207,724	16.5%
Antigua	NIL	J$25,255	NIL
Bahamas	NIL	NIL	NIL
Barbados	NIL	J$57,774	14%
Belize	NIL	J$107,409	8%
Guyana	J$140,891	J$307,552	10%
St Kitts	NIL	NIL	18%
Panama	J$26,244	J$112,040	8.5%

So, by all means, let us examine the current energy policy. Let us pursue cheaper and more environmentally friendly alternatives. Let's find ways to conserve more on the use of energy. These are all noble objectives. But there is nothing noble about raising the gas tax at a time when oil prices are already raising the gas price and when the taxpayers have already been hit with a $9.3B tax package.

Before giving a final assessment of the state of the company, the quality of its management and its prospects for the future, there are three issues on which I wish to comment briefly.

<u>Beginning the transformation of the education sector</u>

I spoke earlier about the issue of cost-sharing. The problems in education, however, are much deeper than that. There is no issue apart, perhaps, from the sugar industry, that has been the subject of more studies, reports and recommendations. By and large, they have gone the way of all flesh. A historic agreement was reached in this House 1 ½ years ago. It was a commitment to increase the share of the budget allocated to education to 15% on a gradual basis over 5 years with specific undertakings as to how those additional funds were to be utilized. By no that figure should have reached 12%. This year it is still less than 11%. And even though there is a net increase of $6.3B, it appears that a substantial portion of that is to pay for amounts owing under deferred financing arrangements. There is virtually nothing in the budget to begin the transformation of the education system.

The recent Task Force on Educational Reform made significant recommendations which the government has embraced but is not in a position to implement. Those recommendations call for incremental expenditure of $20B per year.

But even if we accept that that level of expenditure is not possible this year, when is it going to be possible? Indeed, it may not be possible in the short or medium term to implement all the recommendations. What is important is: When are we going to start? And where are we going to start?

We have long maintained that the pre-primary sector is where we must start. The difficulties at the primary and secondary levels can be traced in large part to the inadequate foundation being laid in the early childhood years. Strengthening that foundation gives us a jump start and the children a head start. It also gives us room to prepare for the upgrading and investment that must be done at the primary and secondary levels. We must draw a line in the sand and commit ourselves to ensuring that every child entering a basic school after the next two or three years must be assured of the best possible education at that level.

The Task Force, in response to concerns that it had not adequately dealt with the issue of early childhood education, was subsequently requested to do so. I am grateful to the Prime Minister and the Minister of Education for providing me with a copy of its report and recommendations on the early childhood sector.

The recommendations are very instructive. They include:

- Lowering the entry age for primary schools to absorb an additional age cohort comprising 40,000 children aged 5 years.
- Including basic schools in the School Feeding Programme.
- Upgrading the certification requirements for basic schools.
- Increasing the per capita expenditure on early childhood education from $6,400 to $30,000 per annum.

The report does not adequately quantify the total costs – recurrent and capital – of implementing the programme but these costs can be easily calculated.

I am going to propose to the Prime Minister that if we reach consensus on nothing else before he demits office, let us try to secure an agreement to start the process of transforming the education system by guaranteeing the little ones the best possible education that money, political will and bi-partisan consensus can provide.

My other area of concern at this time has to do with tertiary education. Our affiliate, G2K, earlier this month presented a well-researched document detailing the inadequacies of the facilities and operations of the Student Loan Bureau. The Chief Operating Officer, in his announcements last Thursday, addressed some of those concerns. But others remain to be addressed and we urge that this be done as a matter of urgency.

The impact of the GATS on tertiary education

But there is a deeper issue that is the cause of grave concern to us. It has to do with the General Agreement on Trade in Services conducted under the WTO agreement and, more specifically, what commitments have been given by the government regarding the issue of national treatment to providers of tertiary education.

The WTO provides, subject to negotiations, for sector-specific obligations with regard to market access and national treatment. We have no difficulty with market access. Already, there are overseas universities that have established campuses or are conducting degree and diploma programmes in Jamaica. We welcome them. We want more of them.

National treatment, however, is a horse of a completely different colour. It is a non-discriminatory provision and requires the government to give equal treatment to foreign and domestic providers of the particular service. It is a matter that has to do with the interpretation of two seemingly conflicting provisions of the General Agreement on Trade in Services (GATS).

Article 1.3b exempts services "supplied in the exercise of governmental authority". But Article 1.3c, in seeking to define what is meant by "governmental authority" says "this means any service which is supplied neither on a commercial basis nor in competition with one or more service suppliers"

There is persisting uncertainty as to what this means. There is the fear that if the government is meeting a substantial part of the cost of tertiary education at public institutions, it would be obliged to give similar treatment to foreign tertiary institutions operating in Jamaica. That would mean that we would be obliged to make budgetary provisions to them as well.

It would completely deconstruct the current arrangements for the financing of tertiary education. The government's contributions to UWI, UTech, Teachers Colleges etc. would have to be reduced and students would have to bear a greater share of the cost in order to allow similar provisions to be made to foreign institutions. That would be globalization gone mad!

Last year, the Minister of Information, in responding to questions posed in the Senate by our spokesman on education, said that the government has no obligation to give equal treatment in the form of subsidies to foreign-based or local private tertiary institutions nor to curtail existing levels of support to public tertiary institutions. He went on to say that the government was considering the addition of “explicit language” underlining the scope of its commitments in the current round of WTO services negotiations.

> *“This can be done by way of a “technical rectification” making it abundantly clear that publicly-funded educational institutions are not included in the scope of the commitment to liberalize tertiary education services as that commitment applies only to private institutions engaged in the commercial supply of these services”.*

But is it as simple as that? International legal and trade experts have not come to any agreement on the interpretation of the GATS provisions. Let me quote from some of these experts:

One of the leading specialists in WTO negotiations, the Canadian legal firm of Gottlieb & Pearson, says that there is no definitive statement in the General Agreement on Trade in Services as to what “not in competition” means.

Dr. Rupa Chanda, Associate Professor in Economics and Social Studies at the Indian Institute of Management says:

> *“Another concern that has been raised is the implication of GATS for public funding and use of mechanisms such as cross-subsidization, government procurement, and non-market systems to address various non-economic objectives. There is apprehension that curbs imposed by the GATS on such practices would have adverse effects on costs, availability, and equitable distribution of services”.*

Dr. Jane Knight, Visiting Professor of Education at the University of Toronto, says:

> *“We are dealing with a very new, untested and complex trade agreement. Therefore, there is no empirical evidence to date as to whether GATS will threaten public funding or not. However, there is certainly a great deal of controversy about the question. Several education organizations have addressed the issue and described scenarios where public funding for higher education could be threatened .*

> *In short, the question revolves around the issue of subsidies. The concern is that public funding directed, for example, to public education institutions or for research and development purposes, would be interpreted as an unfair subsidy by a private education provider. There is concern that this might lead to a situation where public subsidies would have to be made available to private providers or, to a situation where public funding is decreased. There is no resolution on this question to date. Work is underway at WTO to define 'subsidy' and to determine which subsidies would be permitted . While it is difficult to imagine that member states of WTO would ever allow public funding to be construed as an unfair subsidy, it is important to remember that GATS is an untested agreement, and there seems to be a certain level of mistrust of the WTO. There is always the chance that unintended consequences can occur and therefore, it is important that higher education associations remain informed and vigilant on the question of subsidies".*

This aspect of the WTO negotiations was scheduled to be concluded by January 2005. But many countries – most member countries of the WTO – have serious difficulties with it. Some have not even bothered to engage in any negotiations at all because they know of the disruptive effect it would have on their own domestic arrangements for financing tertiary education. The majority of member states have signed no commitments in this area at all!

Not so, Jamaica. At the start of the GATS in 1995, we rushed to sign. We were one of the few and one of the first to sign!

Let me quote from a UNESCO report:

> "Education, overall, is one of the least committed sectors. Only 44 of the 144 WTO members have made commitments in education and only 21 of these have included commitments to higher education:
>
> - Australia
> - Czech Republic
> - Jamaica
> - Liechtenstein
> - Norway

- Sierra Leone
- Switzerland
- Congo RP
- EU
- Japan
- Mexico
- Panama
- Slovak Republic
- Trinidad & Tobago
- Costa Rica
- Hungary
- Lesotho
- New Zealand
- Poland
- Slovenia
- Turkey"

What does this all mean?

The former Leader of the Opposition, The Most Hon. Edward Seaga, tried relentlessly for more than a year to get the government to provide details as to what it is that it had signed to. He was never able to get that information.

The tragedy is that we didn't have to sign these commitments. Under the WTO rules countries are free to decide which service sectors they wish to subject to market access and national treatment. Countries are free to withhold commitments in sensitive areas such as education where special or protective treatment is critical as a national policy.

That is what most member countries did. Not so Jamaica!

At a conference of senior trade negotiators at the WTO headquarters in Geneva in February, the representative of Canada said:

> *"We will make no commitments on education services and have made no requests of other countries".*

We were at that meeting. Jamaica's Ambassador to the WTO, Mr. Ransford Smith, was there and this is what he said:

While he was not certain that Jamaica's decision to open up education services in the GATS has had any direct negative consequences to date, he did admit that there was little consideration given to the long-term impact of trade liberalization on Jamaica's education system.

> *"The fundamental problem is that there is a lack of technical capacity when it comes to negotiating trade agreements in the less developed countries. Consequently, I think it is safe to say that some less developed countries were not aware of what they were doing when they made commitments under GATS in the last round of talks".*

We recall that sometime ago a Minister of government signed a document and then admitted that he had not read it before he signed it. I won't draw the inference but somebody must say something because a huge cloud hangs over our capacity to sustain our tertiary institutions.

The declaration by the Minister of Information doesn't resolve the matter. He may be stating the government's hopes and intentions but when we are confronted by clever WTO lawyers it may be a different matter.

If the government is forced by this commitment to reduce its share of tertiary costs, the students won't be able to absorb them and the very viability of the institutions will be jeopardized. You need to clear up this issue, Mr. Prime Minister! Table the details of the commitments you have signed and tell us how you are going to ensure that the future of tertiary education in Jamaica is secured.

Crime and violence – A coalition for intervention

The final point on which I wish to comment briefly has to do with crime and violence. We are faced with a crisis and there is the tendency toward knee-jerk reactions. They don't work! Years of experience have taught us that!

There is a great deal of public anxiety and there is the inclination to respond with strategies that provide some therapeutic relief to the public. Our experience has taught us that it doesn't work! It is more PR than substance!

Criminals are embedded in certain communities with their guns and their wickedness. They cannot be rooted out without the support and collaboration of persons in the very same communities in which they are embedded.

We make a mistake if we assume that all the people in these communities are criminals. We make a mistake if we believe that all the people in these communities support and protect criminals. They don't! They are hostages and many of them resent the presence of the criminals. But they feel helpless. We must help them! We must strengthen them! We must win their confidence and embolden them so that, with our help, they can liberate themselves from the stranglehold of the criminals.

We are not going to win that confidence and elicit that cooperation by herding them behind razor-wire fences. That will simply cause them to find virtue in the same criminals who hold them hostage.

There has been much talk and, indeed, much effort has been made toward community policing. But the level of mistrust and cynicism toward them is too intense.

If there is one area in which the police need our help above all others it is how to win back the hearts and minds of the people, especially those that are garrisoned by the criminals and targeted for heavy treatment by the police.

The Chief Security Officer of the company yesterday announced a major social intervention programme to be carried out in crime-prone communities. The Deputy Leader of the Opposition spoke yesterday about the need for it. It is a good initiative and we commend the government. We have had a small Justice Improvement Project which has had some impact where the limited amount of funds enabled it to go. But if this new initiative is to have real effect, it will have to be integrated into a wider effort.

There are many non-government organizations out there that are doing quiet but useful work in various communities. They have won the trust and confidence of the communities. Fletchers Land is a prime example. But the work of these organizations is isolated, being driven by their own initiative and limited by their own capacity.

I propose that we initiate a serious dialogue with these organizations. Let's identify the communities that have demonstrated a tendency toward crime and violence. Let's start with some if we can't start with all. Let us mount a joint effort involving the police, community-based organizations, NGOs, churches and, yes, political representatives from both sides. Let the police maintain standards and pursue strategies that will embolden, not alienate, the law-abiding citizens in these communities. And let those organizations and individuals who enjoy their trust help to build a coalition for intervention in which the police is an integral part, an intervention that will make these communities inhospitable to criminals, not because of the lethal might of the M16s or the sharpness of the razor wire, but because of the force of enlightened community power.

Some people say we must take back our streets from the criminals. I say, let us take back our people!

Conclusion

Next week Wednesday, this annual general meeting will come to a close. We expect to hear from the CEO on Tuesday. In preparing what he intends to say to us, we want him to know that we are not happy about the state of the company. It has been losing too much money for too many years. We must hold him responsible!

It has become overburdened with debt. We hold him responsible!

We, the shareholders, have put a lot of money into this company and we have had to wait too long to receive our dividends. We depend on those dividends so that we can live a decent life, so that we can bring up our children, so that they can have a good education and so that they can have before them a horizon of hope and opportunity, not a blank wall of hopelessness and despair.

We depend on those dividends to take care of ourselves when we get sick and to provide us with security when we get old. That is the life we deserve to live. That is why the company was formed and that is why we put you there to run it.

But Mr. CEO, you have not been running it well! There have been too many mistakes…..too many costly mistakes that have deprived us of the dividends that we should have been getting.

We get angry when we see the level of pilferage that you allow to take place. We get upset when we see other companies much smaller than our own with much less capital than we have invested doing so much better than we are doing, paying such good dividends to their shareholders.

And when we do get some puny dividend, even then the cheque, signed by you, is returned to us stamped “Refer to Drawer”. We are embarrassed, Mr. CEO.

We can’t leave the company, Mr. CEO, because it is not only all that we have, it is all that we are! It is what we inherited from our fathers and forefathers. We are faithful shareholders and we have a resilience that doesn’t allow us to ever give up or lose hope in the company.

But we are adamant that this company belongs to all of us and we have a duty to make sure that it grows and prospers and pays rich dividends.

We know that you are under a contract of employment that still has some time to run. You have already told us that you plan to step down and hand over to one of your senior managers to complete your contract. But we want you to know that we have identified a new manager. And in due course, we intend to make a new appointment.