



GROWTH FOR JAMAICA

presented by:

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MEMBER OF PARLIAMENT
West Central St. Andrew

*B*udget
*D*ebate
2013-2014

HOUSES OF PARLIAMENT
GORDON HOUSE
Kingston, Jamaica
THURSDAY APRIL 25, 2013

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2013-2014 BUDGET DEBATE

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“GROWTH FOR JAMAICA”

INTRODUCTION

Mr. Speaker I want to give God thanks for protecting my family and I, and guiding my path to this point. I have no hesitation in saying that it is by His mercy that I am able to stand here to address you today.

My wife is here in the Gallery, and later on my sons, Adam and Matthew will join us when they leave school.

Mr. Speaker, the people of West Central St. Andrew are my extended family. I have been representing them now for 16 years. Many positive changes have happened in the community under my stewardship. However, we cannot deny that much more needs to be done. This year I will focus on school improvement.

With us today are students from Penwood High. You may have heard about the tragic loss of life of a student there recently. It is my intention to further support the school in leadership and socialization strategies to ensure that such an incident never happens again. We also have students from the Balcombe Drive Primary and Seward Primary schools who continue to show improvement in their literacy results.

Like most communities, the disrepair of roads is a cause for major concern for the people of West Central St. Andrew. Woodpecker Avenue in the Seivwright Gardens Division, Wint Road in the Moylnes Gardens Division and Mall Road in the Olympic Gardens Division are the three most critical. The Councilor, Delroy Williams; Councilor, Christopher Townsend; Councilor-Caretaker, Glendon Salmon; and members from these communities are also here supporting me today.

They will be pleased to know that I have appealed to no lesser a person than the Prime Minister to get these roads repaired and I am sure she will respond favourably. The ongoing drought and water restrictions in the corporate area have disrupted the daily lives of my constituents. A few years ago I used CDF funds to subsidize water tanks for large households with a high ratio of children. To date we have given out over 600 tanks and with the present drought affecting the Island, I will be reinstating the programme to ensure that the most vulnerable and the most promising can reasonably cope with water lock-offs.

Mr. Speaker, allow me to commend you on your conduct of the business of The House. You will agree, Mr. Speaker, that sometimes members can get a bit rowdy. For us who sit in these hallowed walls, our actions and behaviour are justified as robust and strident defense of our point of view or the interest of the people who we represent. Increasingly, however, there is a newly exposed audience to the business of this House. You would be surprised at the number of persons who watch the live and repeated feed on PBCJ. They look to us to be role models as we are beamed into their living rooms and viewed by their children. Mr. Speaker, each and every one of us is on show, and our constituents want us to be their heroes and role models for their children.

Mr. Speaker, we on this side of Isle; the people's loyal alternative to the government, continue to perform our role in a strident but responsible manner. We recognize the fragile state of the country. We recognize the delicate nature of our economy and society. There is so much trouble in Jamaica; so many things going wrong, that it is easy for any Opposition to become the nightmare of any

government. However, what the people want is a dream of a better society, a vision of a brighter future, a plan to rescue our society, and a way simply to feed their families and send their children to school with certainty. The people want hope and leadership. The job of the Opposition is to provide that hope and leadership, especially when the elected government is failing to do so. The work of the Opposition is to build the alternate pathway, distinct from the course of disappointment and dismay on which we are now embarked with *this* government.

Mr. Speaker, I come here today with a heavy heart and a lot on my mind. Today, I reach out to the poor and vulnerable in our society. To the people who live in the inner cities and the deep rural communities, I want to 'hold a reasoning' with the hard working and enterprising Jamaicans, many of whom are recently unemployed.

Mr. Businessman, let us discuss some of the ways to turn around our economy. Today, I want to have a conversation with all Jamaicans here and abroad about how to make our country grow and prosper.

The people from Cumberland Road in Spanish Town, in the heart of the market district where I was born, my constituents from Tower Hill, Compound, and Cockburn Pen in West Central St Andrew want to hear their issues articulated in the Budget; they want to hear about jobs and food prices.

Mr. Speaker, people in communities, like Ensom City where I grew up; like Harbour View, like Portmore, like Angels, like Bogue in Montego Bay, and Mineral Heights in Clarendon, they want to hear about what will be done about the increasing cost of utilities and the lack of municipal services. They want to know how the property tax burden will be eased. The teachers at schools like my alma mater, St. Catherine High, and the nurses at the Herbert Eldermire and the Kingston Public Hospital want to know how the wage freeze will affect them.

The graduates from UWI, UTECH, NCU, The Mico, Shortwood, and the various HEART Academies want to know where the jobs you promised are.

THE CONTEXT: A WORSENING ECONOMY

Mr. Speaker, after more than 20 years of false starts, collapses and stunted growth, the national mood is one of despair and hopelessness. With crime seemingly getting out of control again and corruption rearing its ugly head again, people are giving up. It used to be said, “Jamaica! No problem, man”. Now Jamaican’s feel, Jamaica! Too many problems, man. We just can’t seem to get it right.

As one businessman said to me, just as we were about to recover from the recession; just as we had stabilized the macro-economy; just as we were showing signs of growth...here comes the PNP to mash it up all over again.

Mr. Speaker, I want to set the record straight as to how and why Jamaica has found itself in this position today. The people should know the consequences of the decisions made by the government *they* elected. There are serious consequences for the people when governments make bad decisions.



Since this government has been in power, the Jamaican Dollar has lost about 15% of its value. Prices of basic food items have increased, some by as much as 60%. I thought it a useful exercise to compare the basket of goods a fixed

Two baskets of groceries from various superma weekly minimum wage earner could actually purchase with \$3,000 in 2011 against the basket of goods that could be purchased today with the same \$3,000.ⁱ

Madam Prime Minister, I hear that you sometimes go to the supermarket so I am sure you can identify with what I am about to say. You can see right away that \$3,000 in

2011 gets you a bigger basket of goods than \$3,000 today under your stewardship of the government. This is just a graphic representation of the rhetorical question.

Are You Better-off Now Than You Were 2 years ago?

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PRICE CHANGES 2011 - 2013				
ITEM	CAC COST 2011	Unit	COST 2013	% CHANGE
Corned Beef (tin)	\$ 180.00	340g	\$290.00	61.11%
Sardines	\$ 66.25	100g	\$107.00	61.51%
Salted Fish	\$ 788.86	1kg	\$1,086.00	37.67%
Lasco Milk Powder	\$ 86.40	80g	\$104.00	20.37%
Lactogen	\$ 413.00	450g	\$512.33	24.05%
Lider Veg Oil	\$ 148.18	500ml	\$184.00	24.17%
Brown Sugar	\$ 110.00	1kg	\$118.00	7.27%
Rice	\$ 93.89	1kg	\$98.00	4.38%
Flour	\$ 81.61	1kg	\$87.00	6.60%
Cornmeal	\$ 110.50	1kg	\$121.00	9.50%
Lasco Tin Mackerel	\$ 42.00	155g	\$54.00	28.57%
Chicken Back	\$ 80.00	1kg	\$159.00	98.75%
Condensed Milk	\$ 149.00	395g	\$189.00	26.85%
Hardough Bread 2lb	\$ 180.00	2lbs	\$258.00	43.33%
Whole Chicken	\$ 349.31	1kg	\$376.00	7.64%
Diapers	\$ 70.00	3per pack	\$232.00	231.43%

Source:
2011
figures

taken from the Consumer Affair Commission. 2013 figures taken from Supermarkets in the Corporate Area and inner city Corner Shops.

Mr. Speaker every household in Jamaica has become poorer since 2011. This did not happen because there was the worst global recession in 80 years. It did not happen because there was a series of local natural disasters. It did not happen because there was a sustained and persistent increase in international food and fuel prices as occurred between 2007 and 2008. It did not occur because of an international financial market collapse as occurred in 2008.

No Mr. Speaker, this present hardship being visited upon the people is the work of the present government... created all by themselves (...it is a LOCAL economic crisis of their OWN doing). This is the government that has said they will protect the poor, but what they have done is to really hurt the poor and make us all poorer. No one can be blamed for this, except this government.

This government came into power without a plan or even a proper understanding of the specific nature of our economic challenges. Talk of an IMF deal in two weeks exemplifies this. Then they delayed for months before starting any moves towards

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addressing reforms. Confidence held for a while as people were prepared to give the government a honeymoon period. However, this could not hold for long as it became obvious that an IMF deal was not in sight anytime soon and the foreign exchange reserves in the central bank were plummeting fast.

We have always maintained that the government should not have delayed reform actions by waiting on an elusive best deal. During that period of delay our macroeconomic variables have worsened, unemployment is now the highest it has been in more than a decade, our exchange rate is hovering around the \$J100:US\$1 mark, the tax rate has increased, our growth rate has declined and the economy is now back in recession, the absolute debt has increased, and the debt to GDP ratio has increased. Most importantly however, confidence in the economy is at an all-time low.

We want the people listening today to understand that your current hardships are the government's fault. I am talking to the teachers, nurses, doctors, policemen and women, civil servants, secretaries, store clerks, mechanics, plumbers, carpenters, masons, **household helpers, day workers, food vendors, construction workers, farmers, taxi drivers, and yes... Loadermen!**

At the end week when you take home your pay and you compare it with your living expenses and you realize that your pay is frozen, what you earn "buck" but the cost of your basket of goods is getting more expensive, it "keeps being turned up" each time you go to purchase; so you have to purchase less. You are getting poorer and poorer. You have families, with two, three, four children to send to school, and barely enough money for them to take the bus or taxi. In the back of your mind, you know that the Minister is coming soon with bus and taxi-fare increases.

You look at your light bill and you thought you heard some positive news coming from the "Promising Minister" that electricity rates were going down. But no matter how you try to slow down that meter, by turning off, plugging out and changing out, your bill just

never seems to go down, and then you hear that JPS and the NWC are both applying for rate increases (JPS 10.35% & NWC 19%).

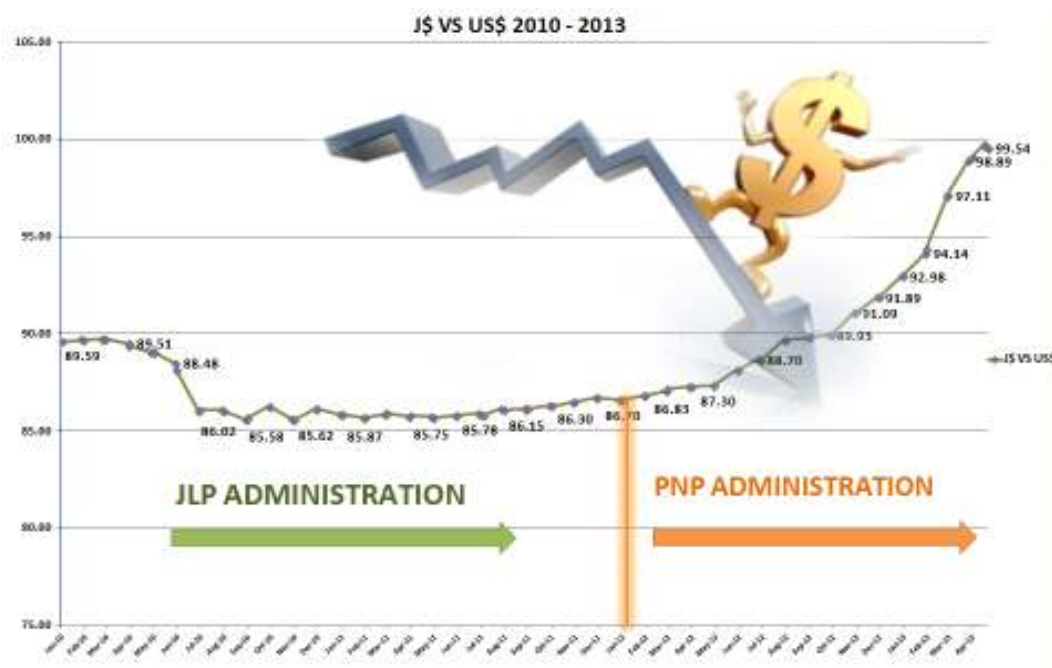
You may have been lucky to have gotten a home from the NHT in Breaton, or Eltham Park and last time you paid property tax you were able to manage the \$2,500 you were assessed. Now, you just received your assessment for \$7,000.00 an almost 300% increase. And if you happened to have an 8 acre plot of agricultural plot, in somewhere like Bernard Lodge the last assessment would be in the region of \$13,500.00, now you would be asked to pay \$34,500.00. If you are a pensioner or living off fixed income, you would be hit twice by the government, you would see your interest income decline with the NDX, while on the other hand you would see your property tax increasing.

You may be a small business operator and last week you bought a part from your suppliers for \$6,500.00, by the following week when you reorder you are paying \$14,000 for the same part. Shocked, you call up you supplier and accuse him of price gouging because the dollar has not moved by a 100%. However you quickly apologize when your supplier explains that in addition to having to pay 15% more for the dollar, he now has to pay GCT on top of customs tax, that all custom fees have increased, and that the overseas supplier is no longer extending credit because they are not certain of Jamaica's foreign exchange situation so he has to buy more dollars now than he really needs, to always ensure he can get the goods.

You've just heard that some big companies are restructuring their operations to be competitive under this new taxation regime so they are laying off and you know that your friend working in small business was quietly let go because business is down, and you wonder will I be next?

So you take up your phone and call your relative overseas for help, whatever little supplement you were getting from remittance is simply not enough so you want to ask for a top up. By the time the call is answered and you say hello, you hear in the

background, “you have one minute remaining on this call”. Then you remember with the new taxes talk is not cheap anymore.



Since this

government has been elected, you have

- Waited for almost a year and a half for an IMF deal to reach some sort of conclusion...A YEAR AND A HALF !.....That’s the reality !
- We see the Net International Reserves of our country fall from USD\$2 Billion in 2011 when we left office to USD\$824 Million. Cut in more than half !!
- During this time the Jamaican dollar has broken all sorts of records and has devalued to its lowest level in HISTORY !.....that’s the reality !
- We have seen the largest TAX package in Jamaica’s history!
- Consequently we see a government staying true to its mandate to TUN UP DI TING.... the cost of EVERYTHING has TUN UP....that’s the reality !
 - FUEL PRICES have gone up!(Tun Up)

- LIGHT BILLS have gone up!(Tun Up)
- FOOD PRICES have gone up!(Tun Up)
- Imported RAW MATERIAL COSTS have gone up!(Tun Up)
- Unemployment has gone up.(Tun Up).....that's the reality !
- We see more families struggling to make ends meet. That's the reality!
- We see businesses, large and small buckling under this government's tsunami of taxes.
- We see NO credible growth plan\agenda. That's the reality!
- We see NO plan to increase production and exports. That's the reality!
- We see NO plan to reduce our import\export deficit.
- We see that the fight against crime has taken a “dark” turn. That's the reality!
- We see a crisis of governance where members of government flaunt their authority as if the laws which govern us all are not a shackle to them.
- We see a government that has retreated itself into surrender... a government that is lost at sea....

A WAYWARD, RUDDERLESS, CAPTAINLESS SHIP, Mr. Speaker. That is what the people of Jamaica...my people have been forced to sail in.

RECOMMENDATIONS FOR AN ALTERNATIVE PATH

Mr. Speaker, This is the reality that the people are facing, and no matter how they (that side tries) try to gloss over the picture, with promises and goodies, the reality is that

people have been really hurting and the economic condition is getting worse. And I have a duty to bring the peoples reality to this Parliament. I have a duty to point out the failures of the government, and I am kind enough to recognize a good move when I see one. And we have a duty to offer solutions even though they may be rejected.

Mr. Speaker, I have just outlined the economic reality faced by the people. I now want to spend some time contextualizing the economic actions and policy choices of the government. I am sure the Minister of Finance is about to breathe a sigh of relief now that the country's programme is before the IMF Board for consideration. Minister, don't pop the champagne just yet. The work has only just begun. The US\$958 million package will not all be available for Balance of Payment support all at once and remember US\$850 million has to be paid back from the last agreement. So technically, at most only US\$108 million will be truly available over the four year period of the agreement. This is not going to be significant in bringing stability to the foreign exchange. The US\$1 billion dollar loan ceiling agreed between the World Bank and the IDB over the life EFF will provide some level of fiscal support, and if used wisely on growth, inducing and capacity-building projects, could be meaningful in aiding Jamaica's recovery.

The NDX has given the government breathing space as did the JDX previously. Aside from the long term reduction in interest payments, for the next two years government does not have to worry about approximately JA\$270 billion in debt that would have fallen due in 2013 and 2014. Within that space government must now urgently execute programmes that will grow the economy. Growth is the only way out. The IMF funds will only give you enough to pay them back, NDX merely postpones the bunching up of the debt falling due for 2 to 3 years.

The additional taxes, and the wage freeze while increasing your revenue, and possibly have a positive effect on your deficit, but it has also effectively dried up disposable income, both in consuming households and investing firms.

Mr. Speaker, let me say a few words on taxes. Taxes are important tools in the incentive structure of any economy. Increasing taxes is an important part of getting to fiscal stability. If not applied careful and thoughtfully, it can distort your economy and act as a disincentive to production. Taxation is like a knife, in the hands of a butcher it will kill the economy, however, if it is used with clinical (surgical) precision it can save and recover the economy. **I am afraid that this government has butchered us with taxes.**

Mr. Speaker, I give you the perfect example. This government has said that in the execution of the austerity or hardship programme they will apply the taxes in such a way that the poor is saved. Indeed, much of the dancing around and delay in settling the tax reform programme was how to avoid placing GCT across the board on all goods. Clearly, this is a politically sensitive issue and any conventional politician in Jamaica would seek to avoid this in defense of the people of this country. But have we actually protected the poor. Consider the basket of goods I showed you earlier. I want the people of Southside, Arnett Gardens, Dela Vega City, Back Bush, Red Hills, I want the people of Goshen in St. Elizabeth, or Lacovia, or Browns Town in St. Ann, to reflect on whether or not you were actually protected from price increases on basic food items.

The truth is that every dollar of tax added at Customs, and every dollar of taxes taken from businesses get passed on to you. Every dollar of devaluation gets passed on to you. In fact, in the last year most basic food items have increased more than if 16.5% GCT were placed on them. Take Chicken Back, that has increased by 90%, take Condensed milk, that has increased by 26%, take Cooking Oil, that has increased by 24 % per litre. This government has not protected the poor they have tricked the poor. They have used taxes like a butcher's knife on the poor.

(Mr. Speaker, I was at the stop light in Liguanea and a street boy came up my car to wipe my windscreen, he looked in the car saw it was me. So he called over his other colleagues and he said:

“boss if you have nuh spare change we glad fi it, but boss mi sorry a nuh you a run tings enuh”.

So I said, well I hope things will improve, but you got the government you voted for. To which another youngster in the crowd at my window responded,

“a nuh dat mi vote fah! Dem trick wi! Dem promise JEEP and all now mi caan get nuh work”.

As I drove off, I reflected on his profound statement. The people did not vote for this.

Mr. Speaker, this government inherited a gift that mapped a pathway to tax reform. Regardless, of deliberations over the prior actions and targets required by the IMF, we all know that there are some structural reforms that must be done if this country is to grow. We all know that the reforms will carry some pain but at the end we all will gain. We all know that tax reform and social protection reform must be done, whether as part of an IMF conditionality or as part of an enlightened strategy to grow the economy. We all knew that the private sector was on board and fully mobilized and had prepared a document that was a very good starting point.

Mr. Speaker, a year ago, the new government should have implemented Comprehensive Tax Reform. Instead they have delayed. Instead, they chose to reverse some of the tax reform measures we had put in place; such as reducing Transfer Tax, and Stamp Duty. Why delay? What was the benefit of delaying? If they had implemented Comprehensive Tax Reform, they would have secured the confidence of the business sector.

What is the chief cause of the rapid slide in the dollar?. Lack of confidence, leading to speculation. If they had gone ahead and implemented tax reform the dollar would not have moved as it did and prices would not have increased in the dramatic way that they have, and we the people of this country would not be experiencing the hardship you are experiencing now.

Our system of taxation was in need of surgery, and we were willing and able to perform that surgery for the benefit of the country. What we have is an Administration that thinks it can apply a Band-Aid to our economic problems!

A critical part of the pathway to the growth we all want to see is tax reform, which is needed to simplify and remove distortions from the tax system. More importantly, business people, large, medium and small, the people who we depend on for growth need to be incentivized. Presently the tax system is a disincentive for growth and a demotivator for business. Even now, it is not too late, even though the people have already suffered unnecessarily because of the delays in implementing tax reform and other structural reforms; it is still not too late to start now. **I strongly recommend and urge the government to revisit the reform proposals of the Private Sector Working Group.**

In summary, the Government has bought itself some time and space from debt repayment. It has – potentially - at least US\$1.3 billion of development oriented funds over the next 4 years between IDB, The World Bank, and JDIP 2 and also from the Chinese government. There are also some private sector investment in roads and other commercial projects. The government must keep its tax revenue and its public expenditure low. At the same time the government has to address some structural weaknesses in the Jamaican economy which have evolved over time and are a product of our history and political economy.

Certainly, the high Debt to GDP ratio which places us in the top 5 indebted countries in the world, the Public Sector Wage Bill which now accounts for **30%** and Pension Bill relative to our economy are symptomatic of our fundamental underlying weaknesses and distortion. The government must also address a peculiarity of the Jamaican economy. In spite of the fact that Jamaica has received significant FDIs over the years we have not been able to generate meaningful and sustained growth. How do we correct the structural deficiencies, maintain fiscal discipline, protect the poor and solve the paradox of high investments and no growth. These are the contextual challenges the government now faces.

Mr. Speaker, I am not going to deliver a thesis today on how to grow Jamaica. Time would not allow and in any event half of the government side would not listen and those of them who listen would disagree. Nevertheless, I have a duty to bring suggestions, recommendation and solutions to the table. As Leader of the Opposition, I have stressed solution-oriented discourse with the people. Audley Shaw, my Spokesman on Finance delivered 11 points of recommendation and advice to the government. This will be a consistent theme through all presentations of the Opposition. We are the Party of solutions.

Mr. Speaker, if we are to address the hardship of the people we must grow the country. There must be a plan of action and a leader in the role of a field marshal directing all the actors and parts of the plan. No lesser than the Prime Minister must lead the growth thrust. To date we have not heard a growth plan from the government. We have heard bits and pieces of an overall strategy that seems to rest on the success of large FDIs in the development of the North/South link highway and a logistics hub. These are projects that were advanced and endorsed by the Opposition, however we always knew that these large investments by themselves will not be enough for real sustainable growth. We have seen large investments in telecommunication, hotels, and highways in recent years and still no meaningful and sustainable growth.

THE ROLE OF GOVERNMENT

Mr. Speaker the growth plan must start with Government clearly defining its role. While we were on that side, we made it clear that we as a nation must make a decision about what we want our government to do for us, and what we are prepared to do for ourselves.

Here are the 10 functions that We see as critical roles of government:

- 1) Provide social protection support for the disadvantaged and vulnerable (Protect and enable the poor and vulnerable)
- 2) Provide good quality Education System
- 3) Provide access to basic Health Care
- 4) Provide effective and accessible Justice System
- 5) Provide a safe, healthy and secure environment
- 6) Provide public infrastructure and related services
- 7) Provide an appropriate policy environment and regulatory mechanisms
- 8) Provide effective diplomacy on behalf of the citizens of Jamaica
- 9) Provide an efficient public sector for the delivery of business and social services
- 10) Create the enabling environment that serves as a springboard to stimulate ideas, innovation, markets, and industry

Once we agree on the function of government then we can focus on the policies that flow naturally from those functions. You then mobilize your resources around those functions. The main challenges for growth in this environment revolves around function (10), providing a platform to stimulate innovation, markets and industry, and (2) providing a quality education system, and (8) provide an efficient public sector for the delivery of business and social services. I have substantial dealt with function 10 under tax reform as the main policy prescription for stimulating markets, innovation and industry.

PUBLIC SECTOR PRODUCTIVITY & EFFICIENCY

I now want to focus on providing an efficient public sector. Mr. Speaker whenever the issue of public sector reform is discussed the average person hears job cuts. In fact the Minister of Finance in several presentations have stressed that he will cut the public sector but he will not cut jobs. I too Mr. Speaker don't want to cut jobs. Both sides agree that all most that are presently on the establishment and not in use must be taken off the establishment. We both agree that the size of the public sector can be reduced natural attrition...not filling posts when persons retire or resign. Reducing the size of the Public Sector in this way is relatively painless but it still does not address the fundamental issue at hand. This strategy if employed could get the government to the targeted wage bill from 11% to 9% of GDP. However, it doesn't answer the productivity and growth question.

Previous governments have sought to address the productivity of the public sector by trying to work around the public sector establishment. In deed the decade of the 90s and early 2000s were spent trying to establish executive agencies and delegated authorities that would break up dense civil service bureaucracy. This was done in the hope that these semi-autonomous agencies with ministerial or statutory mandate would be more efficient and effective in service delivery and possible become self-financing from fees. I am not here today saying that the public sector modernization thrust has not delivered some benefits and I have not done a study on its effectiveness to date.

However, what is clear, is that through the creation executive type agencies as work-around solutions the public sector has grown both in numbers and in cost relative to what it contributes to GDP.

Mr. Speaker, it is easy for such a conversation to be spun that we are blaming public sector workers. Though Mr. Speaker, I have heard many a Minister on that side lament the bureaucracy of the public sector. From my experience in government, I have met some of the most hardworking and efficient persons, as well as I have had to deal with persons who have interest in their jobs. Regardless of the issues involved, it all boils down to the culture and expectations management creates or allows to take root in the organization. Whenever the issue of growth is discussed and role of the public sector is brought up private sector person complain bitterly of the slowness of approval, the slowness of response, the lack of urgency, poor customer service. While the complaints are universal I must say that there are agencies of government that pleasantly surprise their customers with speed and efficiency. Nevertheless, the perception and reality persist.

Mr. Speaker, I believe the time is right for the government - whichever party is the government - to advance the reform agenda for public sector. The previous government established the Public Sector Transformation Unit. They made useful recommendations about the reform of the public sector that the government could have acted upon right away.

CHARTING A DIFFERENT COURSE

Today I want to recommend a course of action to the government.

1. The public sector needs to **divest** itself of **several operations** that could easily be provided under private sector conditions without impairing access and quality.

Mr. Speaker the government should divest entities like Nutrition Products Limited, state run children homes, all the various commodity boards like the Cocoa Industry Board, all maintenance services and transport department, all points or windows of direct service delivery that do not involve sensitive areas or areas dealing with security issues. So you should be able to pay your taxes or license your car, or apply for permits, in much the same way you would pay a bill or request a visa application for the US embassy. I am not going to give all the areas today, I am sure the government has more than enough advisors that could examine this path and come up with other such areas. This move alone would save the government net more than to JA\$4 billion yearly in operating cost and management salaries.

While we are on the subject of divestment... The government is sending conflicting signals. Dr Phillips on page 25 of his speech, where he says "*...government is pursuing plans for either a sale or lease agreement for its shares in CAP*" is contradicted by his colleague Minister of Mining yesterday on page 17 of his speech where the Minister Paulwell said "*Govt has decided not to sell CAP shares at this time*". Aside from the contradiction, how does the government plan to recoup the \$26.5 billion in loss accumulated and accrued to the Government in because of the forward sale agreement. If government retains its shares, it is saying it is willing to allow the poor people of this country should absorb these losses. And in any event Jamalco is in need of major capital investment for retooling. This creates an obligation on the government, even if the partners decide to absorb the cost of retooling it is highly unlikely that the government will get any significant income from holding the shares in the short run. This is just another example of why our public sector is huge and inefficient.

2. The government should as far as possible **merge all corporate services and support services**. When you examine the budget you see a figure called 'Administration and Direction.' When you drill down into that figure you begin to see

significant duplication. Every sub-agency has a budget and staff for administration and direction. What has happened is that as we break up the central civil service and create delegated authorities each agency creates a support staff that is not directly related to the core function of the agency. So you end up with HR officer, Accounting Clerk, Internal Auditors, IT Officers that soon evolve into Accounting Department, IT Department and the like. So the central ministry has an IT department with a manager and staff and the agency has an IT unit with a head and staff. In making the public sector efficient government must mandate the consolidation of these services. Again this would save the government millions and increase efficiency.

3. The government should **establish one central payroll platform**. Mr. Speaker, there are companies that employ and pay more staff than the public sector in Jamaica. They employ enterprise based Human Resource Information Management Enterprise Systems that handle payroll issues in an efficient and central way. One study which I had sight of and which is now outdated estimated that the government lost approximately \$2 – 4 billion per year, due to overpayment, payroll fraud, incorrect payment, payment to person no longer hired. This move alone could save the government without one person losing their job.

GROWTH FOR JAMAICA

4. Mr. Speaker I now make some recommendations for growth stimulation under function 10 of government. The government should **immediately bring to parliament either strategic investment policy of law surrounding strategic investments** that would exempt them from the regular approval process. Presently the government is at war with itself in trying to fast track investment and take them out of the perceived obstacle of anti-corruption scrutiny. The main concern is that proprietary information in investment proposals would be exposed and the investor would lose the competitive edge. There is also the issue of time sensitive opportunities.

Mister Speaker, as far as I am concerned, the government always retains the right to set National Security strategy. So too does it retain the right to approve strategic investments. But this must be done within a legal and transparent framework. Once the government declares a strategic objective, debated and agreed in Parliament, that defines the parameters and areas of interest, then any proposal meeting those previously declared parameters and interests should be given a fast track to approval.

However, after the process is concluded and the investment is either accepted or rejected, the Contractor General would have the right to review the process and take action or recommend action for prosecution if a breach were detected. In this a strategic opportunity is held but the persons doing the approval still face the force of the law.

STRATEGIC URBAN PLANNING – THE NEXT FRONTIER

5. Mr. Speaker, I have given 4 proposals that would save the government more than 10 billion and would improve efficiency. My opposition to the use of the NHT funds for budgetary support is known. I have some ideas about the operations of the NHT, which I have already shared in this house, and will again at an opportune time. However, today I want to make a recommendation that would kick start growth and solve part of the peculiar investment but no growth paradox.

One of the reasons offered by experts who study the no growth phenomenon in Jamaica is that though we have the second highest road density in the world, and fair good port and communication infrastructure, it is not properly planned and coordinated for logistic value. Our towns have just grown over time, housing developments have just popped over time, more driven by developers than strategic planning. For us to truly be able to utilize the investment that comes to Jamaica the logistics of our infrastructure must facilitate the farmer in Portland getting his produce to the hotel in Negril in less than a day.

Mr. Speaker, when you look at some of our towns they are so congested, you waste quite a bit of time trying to maneuver in and out. My recommendation, is that **the government starts the process of urban renewal and logistic planning** (I am not here talking about a logistic hub) by **developing a properly planned town** with housing, schools and social facilities, and an urban district between Spanish Town and May Pen. We need to build a new city. If you study growth strategies all over the world, a main plank in the building of new efficient areas where people can live work, do business and raise families. We need only to look to the example of Brasil and its strategic development of Brasilia as a prime example of how this can work well.

If government adopts the plans and realizes the saving from the public sector, it could then use only one J\$11 billion tranche from the NHT to seed the project. That in itself would spark growth.

VENTURE CAPITAL PARKS

6. Mr. Speaker, underutilization of capacity is also a major obstacle to growth. We have idle capacity in labour and we have idle capacity in factory space. The suggestion I am about to make is not new or originally mine. This is an idea well document in a book by two renowned Jamaican economist entitled “A Growth-Inducement Strategy for Jamaica in the Short and Medium Term”. The recommendation to the government is to **use some of these idle factories to set up Dynamic Venture Capital Parks**. There are a few versions of this business incubation idea already working. However, we want to take it to another level. We have to create our own Silicon Valley in Jamaica.

The experience with micro and small business is that piecemeal support is not as effective as comprehensive support. Government policy towards the start up MSME sector has been to provide access window to capital, some fragmented training and development support, and limited marketing support.

Under the new model the government for a defined period would provide a one stop shop that would take the business from idea stage to funding, to production, to market and then to graduation. I urge the government to review the proposal and implement it as quickly as possible.

LOW HANGING FRUIT

Mr. Speaker, I now make some suggestions to the Prime Minister regarding some critical issues that will have some effect on growth.

- In this budget roll back the Transfer Tax and Stamp Duty. This would send a good signal to the real estate sector.
- In this budget year, do not implement the Revised Property Tax Base, which is to come.
- I see where the NWC is asking for a rate increase. We are not of the view that a rate increase is necessary at this time. Our considered view is that there will be automatic increases to compensate the NWC for fuel, devaluation and inflation movements and that should keep the company in a solvent position. Prime Minister, you should use your political capital to impress upon the board of the NHT to pursue loss reduction and cost containment strategies.
- Mr. Speaker, I see a growing problem where entire communities have been disconnected from the grid for being illegally connected. Let me state categorically that we are not in support of electricity theft. I am, however, in support of universal access to electricity.

We note the call from the NWC for water to be covered under the PATH programme. We have discussed the issue internally and believe there is

merit in the call preserving legal access to critical utilities. As utility companies try to remain viable, more and more illegal users will be cut off from the grid. This means that a child in Samocan, or in McIntyre Villa, or in the Prime Minister's Community may not be able to do her homework. I strongly recommend Prime Minister that you mandate the implementation of pay as you meters. Where persons can purchase the electricity or water they need in much the same way as they purchase phone credit. If there is a problem in financing these smart meters, I believe this would be a worthwhile project for Petro Caribe before it is no more.

If these critical issues are not addressed, they will have a dampening effect on any growth strategy the government may choose to adopt.

Mr. Speaker, as I said, if there are good things done we must agree with them. I agree with the increase in education tax and I agree with the Ministers announcement yesterday of introducing tablets to schools. I now make some suggestions as to improving the efficiency of these moves for growth enhancement.

The Finance Minister has said that the Education Tax increase will go towards the Students' Loan Bureau. We support this idea, and I believe that there is a more efficient way to fund student loans that would not be pressuring on student and at the same time free some of the proposed education tax for another purpose. Mr. Speaker, while I was Minister of Education, I established the National Education Trust, to promote and manage public private partnerships in the construction of schools. There happens to be quite a robust market in schools construction using PPPs. Developers are willing to upfront the cost of building schools in much the same way as highway developers are willing to upfront the cost of building toll roads. However, they need to be assured that

there is a stream of secure income against which they can collect. The incremental increase in the Education Tax could be that secure and steady flow that would attract school developers. That would kick start and sustain school construction for years to come, in addition to sparking growth through construction. Of course, Mr. Speaker, merely building the school is not enough, the schools must be operated as centres of excellence with good leadership to turn out the productive workers of tomorrow.

Mr. Speaker, we welcome the announcement of the tablet computers for selected schools. However, my advice to the Minister is that computers don't make children bright. They will aide in learning, and stimulate interest. However, they can equally become distractions and consumer fetish. I want to put to the Minister the suggestion, that it is the content on these instruments that will improve the knowledge of the student. In the same way that you have provided the instrument, I would want you to develop a support fund for content developers and apps programmers in Jamaica. Mr. Speaker, the apps market is valued at over US\$20 billion dollars. Books and other content are now being exclusively written for tablets. Jamaica should strategically seek to develop and market locally generated content and application to the world using our brand. I recommend this strongly to Minister.

Mr. Speaker, education is usually treated as exogenous to the growth model in Jamaica. When the country grows then we can spend on education. Treating education in this way will surely lead to no growth. The truth is; education is a constraint on growth in Jamaica. Studies have repeatedly shown that increasing the number of years of schooling of the population, and the level of completion and attainment are very closely and positively related to growth.

The Business Process Outsourcing industry is said to be a low hanging fruit for Jamaica. There are some obstacles, which we have to overcome to truly benefit for the potential of that industry here.

We have to bring the Lottery Scam under control, we have to build the infrastructure to house the operations, but we must train the people. When investors come to invest in the industry in a large scale they want the worker ready with certain skills. More and more the industry is moving to high end services other than call centres. One BPO operator complained to me that he had to interview 100 job applicants to find 10 suited. It is very sad that each year we turn out of our schools system a large percentage of our children who are not certified in any skills. This is a waste of human resources. The previous government declared a policy of compulsory education from 3 years up to age 18 years.

To achieve this we instituted the competence based transition policy, the free tuition policy, ASTEP, and the Career Advancement Programme. All designed to ensure that the education system gave access to all. Ever-so-often, I hear and see signs of scaling back these programmes or morphing them into some other form. CAP was designed to stem the flow of students who left school with no skills and who could be assisted in areas that would give them a minimum standard of marketability in industries like BPO.

Mr. Speaker, if the government is serious about growth, it should continue the policy of compulsory education, and increase its budgetary support for the CAP programme. The country should consider that only 10% of our labour is vocationally trained and certified, approximately 13% has a diploma or higher degree, and 71% have no certification at all. This is the most telling statistic that explains our low productivity.

ADDRESSING THE CRISIS OF LEADERSHIP

Mr. Speaker, I conclude on recommendation 10. **Leadership!**

The country is at a point where people are disillusioned, people distrusting of government and their leaders. They want vision and hope. They want to see a path way to their future. Today, I am giving 10 simple recommendation to the government as a sign to show that the Opposition has changed its approach from the conventional 'oppose oppose model.' We believe that if this government fails Jamaica fails. We understand the crisis we were there, we know what is to be done and we have advised the government what to do. He who hath ears let them hear!

But in all of this we need transformation leader. We need leaders who will take risk in bucking the conventional wisdom and who will lift the standards by which we serve the people, we need leaders who will speak the truth and be consistent. We need leaders who say what they mean and mean what they say. We need leaders with vision, who see things for what they are but also see them for what they could be. We need leaders, Mr. Speaker, who hear the cry of the people and respond to that cry. We need empathetic leaders but we also need competent leaders. What Jamaica needs right now in this time of crisis is LEADERSHIP, Mister Speaker.

Let us all decide, in this House to be the leaders we were elected to be. Let us agree that when it looks grim we have to call on our faith, but let us also recognize that faith with works is dead. Eternal Father bless our land. Guard us with Your Mighty Hand through these difficult times. Give wisdom to our leaders, and give them vision, knowledge and understanding, lest we perish.
