

**2015-2016
BUDGET DEBATE**

**Growth And Jobs:
Our Only Salvation**

Presentation by

AUDLEY SHAW, CD, MP

Opposition Spokesman on Finance and Planning

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Introduction

Mr Speaker, at last year's budget presentation, I noted that over the two years and four months of the PNP administration, the condition of the lives of the citizens of Jamaica had sharply worsened. This month marks approximately three years and three months since the PNP has been running the affairs of the country and the condition of the lives of the citizens of Jamaica has continued to sharply worsen from where it was at last year's Budget. And that is the sad truth.

This government is presiding over an intolerable state of affairs where social services are crumbling, and workers in both the public and private sectors are entirely involved in a daily struggle to make ends meet in order to take care of their families.

A 34% devaluation of the Jamaican dollar over the past three years and 3 months has led to a sharp deterioration in the purchasing power of the average citizen who has had to cope with average 40% increases in the price of basic commodities needed for daily survival.

Public sector workers have endured a wage freeze for several years and private sector workers are not faring much better as their salaries are not keeping pace with the slide in the exchange rate.

In consequence, poverty and depravity stalk the land which is manifesting itself in increasing hustling to make ends meet, while the welfare of our children – our very future – is being systematically compromised.

In this presentation, I will first discuss the state of the nation highlighting the realities that we face. I will examine the fiscal responsibility framework, the

macro-economy including public debt under the IMF programme, Expenditure programme the state of some public bodies and end with prescriptions to accelerate economic growth, which is broad-based and inclusive – as our only salvation going forward for our precious country, Jamaica land we love.

THE STATE OF THE NATION

- While the PNP government celebrates every passage of yet another IMF Test, bills remain unpaid, leaving our social service infrastructure virtually in tatters and disarray.
- Our doctors and nurses suffer in silence as they scrounge around to find basic things like gauge, gloves, speculums, disinfectant, medication and protective gear with which to safely and confidently discharge their professional duties, often times placing themselves and their patients at risk.
- The Jamaica Observer reported the following on January 5, of this year:

“At the University Hospital of the West Indies (UHWI), the situation is not much better.

“There are no purple top tubes which are used to check your blood count. There are no branulas used to insert the IV drip. There is no prednisone – anti-inflammatory drug – so if anyone comes in with an allergic reaction, asthma or auto immune disease there’s nothing that can be done here at the UHWI. Also there’s no lidocaine, which is used as an anaesthesia so anyone who needs to get stitches will feel the pain and this is a huge issue as the doctors have to reschedule many procedures,” the doctor said.

“There is no barium enema (a special X-ray of the large intestine), so if you have abnormal bleeding from your rectum you can’t check to

determine if it's cancer or something serious causing the bleeding," one doctor said.

He also said the X-ray machine has been without film so patients have to be sent to KPH or elsewhere to do their X-ray.

The doctor added: "There is also an ultrasound problem so you have people here waiting for an ultrasound and can't get a date."

In addition, he pointed to a shortage of toilet tissue, hand towels and bed linen, which pose a problem when admitting patients.

Please note that the UWI, unlike other hospitals has never been wedded to the abolition of User fees.

- Our Blood Bank continuously runs out of critical reagents to test blood on a timely basis, and doctors don't have enough equipment to assist with proper diagnosis and treatment.
- We were not prepared for Chick-V; we are not ready for Ebola, and after the Riverton fire over the weekend the Ministry of Health is scrambling to source protective masks.
- Meanwhile, 700 new patients are diagnosed with renal failure each year, many of whom cannot afford private dialysis service and the MOH is unable to fill the gap. People are dying for want of help in our country.
- A senior medical professional recently told us that the public health system is in imminent danger of collapse.
- Some of our schools, despite the provision of the PATH School Feeding Programme, are denied adequate funding on time, leaving the principals and staff to be hustling to make ends meet and to still try and find food to

feed our children, many of whom without a square meal at school, cannot function academically.

- And while the Minister of National Security comforts himself, if not us, with his latest statistics on crime, murder and mayhem, our country, undeniably continues to slip inextricably into deepening social and moral decay – not even the Church is spared in this phenomenon of spiralling crime – neither are our graves safe from criminals who have now developed a thriving business in selling used caskets.
- The statistics can't hide the fact that our women and children are now being slaughtered in record numbers by ruthless predators, scammers and, conveniently, we are told, men of unsound mind. Just last week a female warden assisting school children in Clarendon to cross the streets, was murdered in cold blood right before the children.
- Meanwhile the contractor on the North Coast Highway project is besieged by criminals who act with impunity and arsonists set fire to Riverton City for selfish economic gain, yet again placing the country's health and productivity at risk. Where is our law enforcement?
- Other consequences of the savage austerity under which we now abide, include the government's willingness to summarily dishonour its financial obligations to its own citizens as mandated by the Courts of the land, to the point where our Financial Secretary is called upon to present an Affidavit to the Court stating why the government cannot make payments which are ordered by the Court.
- In a recent unprecedented case where the Court ordered payment to a private company, the Financial Secretary in an Affidavit to the Court said "If the additional unplanned expenditure is not compensated for by either the imposition of a new tax measure or the reduction in planned expenditure in

some other area, then the consequence would be that Jamaica would fail to meet its fiscal commitments under an IMF-supported economic programme as at March 31, 2015”.

This means that the government is prepared to dishonour a court-ordered financial obligation in order to pass an IMF test.

Amazingly, the government has not tried to enter into a payment arrangement, as they would require in a tax matter had the situation of liability been reversed, where a taxpayer has a liability to the State.

- Equally, Mrs Daphne Thompson from Hanover, was owed \$1.0 million as final payment from the government’s acquisition of 900 acres of land purchased from Daphne and her husband in 1974. She has now been paid the one million dollars, not with simple interest which would be \$3.0 million or not inflation-linked which would be over \$400 million that she would be due to be paid by the government today. And if the figure were interest rate compounded the figure owed to Mrs Daphne would be much higher.
- While all across Jamaica, people are in need of water while the GOJ has failed to access billions of dollars from the IDB to rebuild vital infrastructure that can reduce underground leakage and provide more water for citizens. This failure to utilise these funds on a timely basis amounts to rank incompetence and a gross dereliction of duty.
- Persistent arrears in the payment of bills by government continues to exist and even cause inappropriate raiding of special dedicated funds.
- For instance, a recent internal audit at the Manchester Parish Council has revealed that the Emergency Repair Fund has been savagely depleted, not on expenditures for genuine emergencies, but to pay salaries and recurrent expenses because of the failure of funding from central government.

But, it's okay to deplete the Emergency Repair Funds at our Parish Councils, which are set aside for a rainy day, because "we pass the IMF Test".

- And while we plunder the National Housing Trust of \$11.4B a year in order to meet our IMF fiscal targets, the NHT is building less and less units for its contributors. Columnist Reverend Garnett Roper just this week said that the NHT will build less than 2,400 houses in 2015, and noting that the NHT's present output "**is a betrayal of its purpose and its mandate**".
- And now, the government proposes to sell people's land in lieu of property taxes. How does the government propose to sell parcels of land, many of which do not even have a registered title? It's nothing but an old socialist plan to take away people's property instead of seeking other solutions to encouraging compliance.
- Meanwhile the people of Jamaica are suffering and are finding it more and more difficult to make ends meet.
- Under this PNP government, the exchange rate has depreciated by 34% moving from J\$86.00 to US\$1.00 to J\$115.50 to US\$1.00, driving up the cost of everything including fuel, electricity and food. The average cost of basic foods and basic necessities have increased by an average of 40% over the period.
- This increase has been on the backs of most consumers whose incomes have not increased, making them poorer and poorer.
- Although there are two outstanding surveys of the Jamaica Survey of Living Condition, we already know that the poverty level over the past three years has increased to well over 20%.

- So now with 1 out of every 5 persons being below the poverty line, instead of announcing a credible plan for investment, growth, job creation and growth in personal and family incomes, the Minister of Finance has proudly announced that he will have a new Poverty Reduction Programme by the end of FY2015/16.
- At present many businesses are unable to meet their payroll each week. As a result, many persons are going home on Fridays without pay. The following week the first sale received is split between the workers and it goes on until they all receive their salary. Sometimes two weeks or more salary is owed to staff. Sales are sometimes just enough to pay salary, light bill and sometimes telephone bills. Telephones are sometimes disconnected.
- At present professionals are also suffering. They too are unable to pay their bills, lawyers, doctors, chartered accountants etc. If professionals are suffering like this, people at the bottom must be suffering unspeakable. Many of them depend on the professionals to employ them. These include the helpers, gardeners, plumbers, etc.
- The government and some of the large companies are purchasing but not paying. They purchase from the smaller companies or employ – the electrician, carpenter and take 120 days or more to pay them. This has caused the economy to be at a standstill. They cannot get pay; hence, they cannot pay who assisted them. At the end of the week no grocery, no lunch money for their children, no rent etc. The government and some large companies are taking interest free loans from the smaller man, by not paying bills on time.
- Meantime, many workers are resorting to taking out multiple loans with micro-finance companies and now find that they can't keep up with the payments and put food on the table at home.

- Public sector workers who have been on a wage freeze for the past five years, had a measure of protection in the first two years, when the exchange rate remained stable thereby keeping prices stable, but in the last three years, this government broke the social contract with public sector workers by presiding over the most aggressive devaluation of the Jamaican dollar since the same PNP government's devaluation during the 1990s.
- When the workers signed on to a three-year wage freeze they did not know that they would be put into a state of abject poverty with the depreciation of the exchange rate. Minister Phillips did not tell them he would be signing an IMF agreement that requires currency depreciation. The May 2013 IMF Extended Fund Facility spelt out the IMF's assessment that the Jamaican currency would need to depreciate by 9-22%. Over the past three years under the PNP government, the currency has depreciated by more than that. In fact, it has depreciated by 34%.
- And now the public sector is being asked to band their bellies a little more with a little pittance of a wage increase that cannot make a dent in the worker's ability to cope with the high and escalating cost of living. A noted Trade Unionist, Danny Roberts, was moved to describe many public sector workers as the "emerging working poor".
- And now, in addition to our workers on limited incomes being poorerer, what else do we have to show from this strategy of devaluation?
- While imports have fallen, exports instead of increasing, have also declined and the economy declined in the last two quarters of calendar year 2014. The Jamaican economy is in a recession.
- And while we fail to grow the economy and create jobs, we opt instead for regional political theatre in advancing a Caribbean Court of Justice when we know that to attract foreign investment, it is better to stick with a Court of

recognised international standing that investors know they can turn to in the event of litigation.

- Mr Speaker, a recent survey found that that nearly half of all Jamaican young people are willing to give up their citizenship to go overseas. This is deeply troubling. There is no hope among our young people, Prime Minister. Where is the future for Jamaica, if there is no hope among our young people?

- Mr Speaker, this is the state of the nation, a very sorry state indeed.

Finance Minister's Budget Presentation

Mr Speaker, I turn now to the Minister's speech when he presented the Estimates of Revenues and Expenditure, the budget for FY2015/16.

At the beginning of the Minister's speech, he lauded the enhanced fiscal rules and with added emphasis was quick to point out that "...the enhanced fiscal rules are expected to outlast this, and succeeding administrations." While it is true that the Estimates of Revenue and Expenditure were tabled at the same time, let us not forget that in February 2010, five year ago, under the Jamaica Labour Party government, the House of Representatives passed amendments to the Financial Administration and Audit Act and the Public Bodies Management and Accountability Act, as part of the JLP Government's fiscal responsibility framework to improve the management of public finances.

The promulgation of fiscal rules legislation passed recently were explicitly stated parts of the agenda of the fiscal responsibility framework instituted by the JLP government.

The Bill passed in this House in February 2010 requires that the Minister lay before the House and the Senate, for approval before the end of each financial year, estimates of revenues and expenditure in respect of all public bodies. The Financial Administration and Audit Act's amendment of February 2010 imposes a duty on the Minister of Finance to table in Parliament a Fiscal Policy Paper containing, among other things, a macroeconomic framework providing an overview of the state of the economy. The Bill of February 2010 imposes on the Auditor General a duty to review the fiscal policy paper and report to Parliament thereon.

So I say again, what the Minister is holding up as achievement is NOT new, except for the tabling of both the Estimates of Revenue and Expenditure at the same time and the change in the timing of the budget presentations.

You know Minister, we teach our students that when they write their research paper and quote from other people's books or publications, they must acknowledge the source. Minister, you could take a lesson and give credit where credit is due. It won't hurt you. Go back and look at the Bill that was passed in Parliament in Feb 2010. What you are holding up as achievement is NOT new.

Mr Speaker, the Finance Minister said that three years ago his administration launched Jamaica's Economic Reform Programme and that it was appropriately captioned, **"A New and Binding Covenant for Stability, Equitable Growth and Prosperity."** Well, Mr Speaker we don't have stability, growth is non-existent (let alone equitable) and we certainly don't have prosperity.

But I have to give it to the Minister for putting his finger on the reason for the IMF programme. He said the programme is necessary because of one word: DEBT. Mr Speaker, the Minister should know well of which he speaks. The FINSAC debt added some 40% to the debt-to-GDP ratio in the 1990s, after the PNP had inherited a debt of a mere \$31 billion in 1989, and took it to almost \$1.0 trillion by 2007.

Yes, Mr Speaker, the Minister knows the answer quite well: DEBT.

Mr Speaker, I must also speak to the Minister's often-times repeated "restoring credibility with Washington" line. Let me say, Mr Speaker, Jamaica ended its relationship with the IMF in the 1990s. There was a net outflow of funds to the World Bank and the IDB as Jamaica sharply reduced borrowing low cost loans from them. The Finance Minister of the day, preferred instead to get easy to access but high cost money on Wall Street. He scoffed at the

low interest rate money from the IDB and the World Bank. These institutions were asking too many questions. The Jamaica Labour Party government re-established ties with the multilaterals. The Jamaica Labour Party government restored relationships with the multilaterals.

If there was loss of credibility in Washington, how come on Nov 17, 2011, one month before the election, the Jamaica Labour Party government signed an IDB loan for US\$218 million with the IMF and with the World Bank representatives present at the IDB Board meeting? Would this have been a government that lost credibility in Washington? Minister, stop it. Be truthful. When you unfairly malign the previous administration for political effect, you are also maligning Jamaica's international reputation.

Mr Speaker, as the Finance Minister tallied his administration's achievements at the opening of the Budget Debate, he thumped his chest about honouring commitments to the workers who are under the wage restraint. He also announced, to much applause from his colleagues, and I quote, "...the fiscal discipline that we have imposed on ourselves will enable us to make the first major repayment of \$62B, as scheduled, on maturing bonds issued under the National Debt Exchange, which comes due next February (2016)." Minister, maybe you should read your own publication.

Fiscal Policy Paper dated 19th February 2015 shows that indeed \$62 Billion of debt comes due. In fact, it goes further to show that much more than the \$62 Billion comes due during FY2015/16. That figure, Mr Speaker is \$178.5795 Billion that comes due during FY2015/16 AND the Fiscal Policy Paper, put out by your Ministry shows that, the Finance Minister MUST BORROW every dollar of that in order to be able to repay that \$62 billion he listed as an achievement on page 9 of his speech. The facts don't look so good now, do they Minister? You can only paydown debt by borrowing to paydown debt. Unfortunately, that is where the Jamaican economy still is despite the years of gut-wrenching austerity measures cheered on by your government and the IMF.

THE ECONOMY TODAY UNDER PNP GOVERNMENT VERSUS WHERE THE JLP LEFT IT

Per Capita GDP

Mr Speaker, we on This Side believe it is very useful for the Jamaican people to know on a set of objective measures where the economy is now versus where we handed it over to the PNP administration. I want to take you back to December 2011 when the JLP demitted office. GDP per capita (the amount we produce per person in Jamaica) in USD terms was US\$5,254, not high by any standards, and therefore as a country we want to see improvements. We want to see growth in this number. It would be a sign of economic progress. Well, international rating agency Standard & Poor's estimates that GDP per capita in USD terms was US\$4,874 at the end of December 2014, a 7.2% decline from where the JLP left it. In fact, GDP per capita declined every single year in USD terms since this PNP government took over running the affairs of the country. This is a disgrace.

I say this in the context of when the JLP took over running the country in Sept 2007. GDP per capita was US\$4,815¹ based on World Bank data. The world went through a wrenching financial meltdown in 2008-2009. The bottom fell out of Jamaica's bauxite industry, tourism and remittances declined. Oil prices went from an average of US\$69.10 in FY2009/10 to an average of US\$103.7 in FY2011/12. Yet, the Jamaica Labour Party managed the economy and handed over GDP per capita of **US\$5,254, a 9.1%** increase, to the PNP government.

¹ <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?page=1>

And what have they done since then? Dem mash it up! And the sad truth is, there has been no global recession. There has been no global financial crisis. On the contrary, global growth has been positive in the range of 2-4% since the PNP took the reins of government. We, the JLP, had to pull the Jamaican economy through several consecutive quarters of decline in global GDP.²



GDP Growth

That was GDP per capita, a total disaster.

Turning to GDP growth, where did the JLP hand over the Jamaican economy to the PNP? The JLP handed over an economy growing at a rate of 1.7%. I repeat, 1.7%. These are not the JLP's calculations. This is coming straight from STATIN. Mr Speaker, the sad truth is that the Jamaican economy has

² <https://econfix.wordpress.com/2014/04/16/global-gdp-2007-2013-its-a-chinese-roadshow/>

not seen that growth rate since then, not in any year and not annualized in any quarter since the PNP formed the government in December 2011. I say, “The PNP simply does not know how to grow the Jamaican economy. They are lurching like a drunken sailor from one half-baked idea to the next and in the process the PNP is ruining lives and ruining businesses.”

Ministers of this government trip over each other to make grand announcements, only to learn later that all that glitters is neither gold, rare earth-metals nor the elusive logistics hub. We see this in the actual GDP out-turn versus the projected.

| | Real GDP growth Projected at start of Fiscal Year | Actual or expected Out-turn |
|------------|--|--|
| FY 2011/12 | | 0.9% |
| FY 2012/13 | -0.4% | -0.7% |
| FY 2013/14 | 0.8% | 0.9% |
| FY 2014/15 | 1.4% | 0.3% |
| FY 2015/16 | 1.6% | ?? |

- Businesses are closing.

J. Wray & Nephew is reportedly making 200 workers redundant so is Scotiabank. And why is Nestle Jamaica moving its Milo Manufacturing facility to Malaysia, 5,000 miles away, putting Jamaicans out of work?

Debt-to-GDP

- I turn now to the all-important debt-to-GDP figures.
- Mr Speaker, last budget year, I stood in this parliament and warned the Minister against obfuscating the debt-to-GDP figures. I pointed out to the country the different ratios being bandied about. Sometimes the ratio includes PetroCaribe debt and guaranteed debt and sometime it does not,

depending on when this PNP government wants to make itself look good and the JLP look bad.

- Minister, I asked you then to use one ratio, the one that the IMF uses in the Extended Fund Facility so that we can all be on the same page. We can all be following the same ratio. After all, that is what the IMF is measuring the country by. Here we are again. We come back this year and it is the same thing again, different ratios that only serve to cause confusion. I tell you, it is simply because the PNP government does not want to report to the Jamaican people that the all-important debt-to-GDP ratio has not improved since the JLP left office.
- I have created a table to show the actual and projected debt-to-GDP ratios published in the Fiscal Policy Papers dated 18th April 2013, 17th April 2014 and 15th February 2015. The upshot is the government's debt-to-GDP ratios, starting with FY2013/14, have **increased** overtime, contrary to their constant refrain that they are bringing down the debt. Minister, you continue to mislead the people.

| Government's Debt-to-GDP ratios | | FY2011/12 | FY2012/13 | FY2013/14 | FY2014/15 | FY2015/16 | FY2016/17 |
|---|--|-----------|-----------|-----------|-----------|-----------|-----------|
| FPP dated April 18, 2013 | | 131.5% | 134.1% | 126.7% | 119.6% | 112.0% | 104.7% |
| FPP dated April 17, 2014 | | 131.5% | 135.6% | 131.9% | 129.3% | 122.7% | 114.5% |
| FPP dated Feb 19, 2015 | | 131.5% | 135.2% | 133.3% | 131.6% | 121.3% | 115.7% |
| Government's definition: The stock of debt directly contracted by the Government and Government guaranteed external debt | | | | | | | |
| IMF's Debt-to-GDP ratios | | FY2011/12 | FY2012/13 | FY2013/14 | FY2014/15 | FY2015/16 | FY2016/17 |
| EFF doc dated May 2013 | | 141.5% | 147.0% | 142.5% | 136.7% | 131.7% | 126.5% |
| EFF doc dated Dec 2014 | | 141.7% | 146.5% | 141.6% | 140.1% | 131.0% | 124.9% |
| IMF's definition: The stock of debt includes guaranteed domestic debt and debt incurred by the PetroCaribe Development Fund | | | | | | | |

- More specifically, when the government presented the debt-to-GDP ratios in the Fiscal Policy Paper dated April 18, 2013, it projected that by FY2014/15, the debt-to-GDP would be 119.6%.

- The truth is, this has not happened, though the PNP government keeps proclaiming how good it has been at “bringing down the debt.” The reality is the debt-to-GDP figures for FY2014/15 is 131.6%, not 119.6% as was projected **and**, Mr Speaker, this 131.6% is no different from the 131.5% that the JLP left when it demitted office. So Mr Speaker, where is the debt reduction? And the Jamaican people cannot rely on the government’s projections about the debt-to-GDP either.
- I ask again, is the PNP government really ‘bringing down the debt’ or is it simply **saying** it is bringing down the debt?” Is the government working, working, working or is the government just chatting, chatting, chatting?
- Oh, I should warn you that these figures that are published in the FPP are lower than what you would see in the IMF’s EFF publication. For example, while the PNP government talks about a debt-to-GDP ratio of 131.6% for FY2014/15, in the fine prints, they tell you that the ratio is 8.1 percentage points less than that calculated by the IMF. So instead of having 131.6% in a table looking pretty, why not put the real figure of 139.7% for FY 2014/15?
- I believe I know why. It would not look so good to report to the Jamaican people that after two years of gut wrenching IMF austerity, the debt-to-GDP, using the IMF’s measurement, has moved marginally from 141.7% when the PNP government took office to 140.1% at the end of FY2014/15. That is not a significant improvement and it certainly should not be on page 10 of the Minister’s budget speech listed under achievements.
- Mr Speaker, for us the Jamaica Labour Party and for the country, Mr Speaker, the important benchmark is where did the JLP handed over the country to the PNP. The important question is, “Has the PNP government improved on that?”

- The truth is, the PNP government has not improved on the per capita GDP figures. The PNP government has not delivered economic growth. The PNP government has not appreciably reduced the debt-to-GDP since it took over from the Jamaica Labour Party.
- So what has the PNP administration been doing? The PNP government has simply been cleaning up the mess it made of the economy in the first 17 months of coming to office in December 2011 when it promised to get a better IMF deal in a matter of weeks. When it did not happen, confidence flew out the window. The economy fell into several quarters of decline, inflation climbed and the NIR was cut in half.
- That is what the PNP government has been trying to restore. Where the economy is now is no better than where the JLP left it after multiple years of gut wrenching austerity measures. Where is the improvement?

The Depreciating Currency – Impact on the Debt

- You know Mr. Speaker, the debt-to-GDP target has been a difficult target for the government because of the havoc the depreciating currency has on the mountain of debt. Between the end of March 2014 and the end of December 2014, depreciation of the currency added \$54.8 billion to the debt stock. For fiscal 2013/14, depreciation has added \$108.0 billion. When added together, this is a huge number for which we the taxpayers must bear the additional interest cost. It hurts when you consider that this is money which could have gone into providing better healthcare, better educational outcomes and training for the young men and women languishing on the street corners. It could have gone into providing early childhood care for Jamaica's children. It is a shame, Mr Speaker.
- Approximately 61% of the total public debt is denominated in foreign currency. This is almost 10 percentage points higher than where the JLP government left it. For this reason alone, we need to maintain a stable exchange rate or the debt will continue to spiral and local investors will

continue to convert assets to foreign exchange to protect their assets from the ravages of depreciation, which itself helps put pressure on the exchange rate.

Unemployment

- Mr Speaker, I turn now to the unemployment figures. The unemployment rate at October 2011 when the Jamaica Labour Party was in office was 12.8%, a high figure and one that we, like all Jamaicans, would like to see move into single digits.

- Mr Speaker, Madame Prime Minister with much fanfare about the JEEP and the election promises about jobs, you would think that the unemployment rate in Jamaica is now approaching that of the US at 5.5%. Well, Mr Speaker, in October 2014, the unemployment rate was 14.2%, well higher than the 12.8% that the JLP handed over. Jamaica is moving in the wrong direction.

- For the male population, unemployment at October 2011 during the JLP's time in government, was 9.9%. At October 2014, unemployment among our males was exactly where the JLP left it at 9.9%. Where is the progress?

- For the female population, unemployment at October 2011 was 16.9%, not a number of which we in the JLP are proud. It needs to be significantly lower. Well, Mr Speaker, at October 2014, female unemployment was 19.4%. Almost twenty thousand (19,800) more females were in the unemployment ranks at October 2014 than when the JLP handed over the government. The country, Mr Speaker, is moving in the wrong direction.

| Labour Force Survey | Unemployment Rate | Male Unemployment Rate | Female Unemployment Rate |
|---------------------|-------------------|------------------------|--------------------------|
| Oct 2011 | 12.8% | 9.9% | 16.9% |
| Oct 2012 | 13.7% | 10.2% | 17.9% |
| Oct 2013 | 14.9% | 10.6% | 20.0% |
| Oct 2014 | 14.2% | 9.9% | 19.4% |

Inflation Performance

Mr Speaker, I now turn to the inflation figures. In 2011, when the average oil price averaged US\$95.12 per barrel, inflation for the calendar year was 6%. At the end of 2014, inflation was 6.4%. Yes, we hear the rosy projections about inflation from the government. Let's not pop the champagne yet.

Inflation – Calendar Year

| | | |
|------|------|---|
| 2011 | 6.0% | Average Oil price was \$95.12 per barrel ³ |
| 2012 | 8.0% | |
| 2013 | 9.7% | |
| 2014 | 6.4% | Average Oil price was \$54 per barrel |

Global Bonds

- Mr Speaker, turning now to Jamaica's global bond ratings. These reflect primarily the views of the international rating agencies and international investors. Listening to this PNP government, one would be led to believe that they did such a fantastic job at rescuing Jamaica's credit ratings.
- For the record Mr Speaker, when the JLP left office in December 2011, GOJ global bonds had a rating of B3 from Moody's and B- from Standard & Poors. Today, those same GOJ global bonds, the 10.625% of 2017, the 8.5% of 2021, the 11.625% of 2022, the 7.625% of 2025, the 9.25% of 2025, the

³ http://www.boj.org.jm/uploads/pdf/boj_annual/boj_annual_2011.pdf, p22

8.5% of 2036 and the 8% of 2039 are all rated Caa3 by Moody's, three notches or ratings lower than when the JLP left office! The B- rating at Standard and Poor's is the same as the Jamaica Labour Party left it. Where is the progress?

| The JLP handed over the following: (Post global crisis) | The Economy under PNP now: (No global crisis) |
|--|--|
| Unemployment at Oct 2011: 12.8% | Unemployment at Oct 2014: 14.2% |
| GDP per capita December 2011: US\$5,254 | GDP per capita December 2014: US\$4,874 ⁴ |
| GDP growth for 2011: 1.7% | GDP growth for 2014: 0.3% |
| Debt-to-GDP FY2011/12: 131.5% (GOJ's calculation) | Debt-to-GDP FY2014/15: 131.6% (GOJ's calculation) |
| Public Sector debt FY2011/12: \$1.788 trillion (IMF's calculation) | Public Sector debt FY2014/15: \$2.235 trillion (IMF's calculation) |
| Debt-to-GDP FY2011/12: 141.7% (IMF's calculation) | Debt-to-GDP FY2014/15: 140.1% (IMF's calculation) |
| Inflation – calendar year ended Dec 2011: 6% | Inflation – calendar year ended Dec 2014: 6.4% |
| Gross International Reserves – Dec 2011: US\$2.8204 billion | Gross International Reserves – Dec 2014: US\$2.4730 billion |
| Net International Reserves – Dec 2011: US\$1.966 billion | Net International Reserves – Dec 2014: US\$2.0011 billion |
| Credit Ratings – Dec 2011: Standard & Poors: B- Moody's: B3 | Credit Ratings – Dec 2014: Standard & Poors: Caa3 Moody's: B3 |
| Foreign exchange Dec 2011: J\$86.6 to 1USD | Foreign exchange Mar 16, 2015: J\$115.39 to 1USD |
| Real GDP – Calendar year ended Dec 2011: \$841.6 billion Real GDP – Jan to Sept 2011: \$550.5 billion | Real GDP – Calendar year ended Dec 2013: \$841.6 billion Real GDP – Jan to Sept 2014: \$550.8 billion |

⁴ S&P's projection

Revenue - FY 2015/16

- I turn now to the Revenue for FY2015/16.
- At 24.4% of GDP projected for FY 2015/16, tax revenues as a percent of GDP would be the highest it has been for four (4) fiscal years.

Tax Revenue % of GDP

| FY2012/13 | FY2013/14 | FY2014/15 | FY2015/16 |
|-----------|-----------|-----------|-----------|
| 23.9% | 23.6% | 24% | 24.4% |

- The government has projected tax revenues of \$411.9 billion for FY 2015/16. (Table below). This represents 9% growth relative to the \$377.9 billion tax receipts the government is projecting for FY 2014/15. Inflation is expected to be 6.3% and so there is real growth of 2.7% anticipated in tax revenues.
- The 9% growth is **not credible** as tax revenues have been running below budget for three fiscal years and the government has had to reduce its budgeted figures midway through the process to remain credible. Additionally, the current growth rate for taxes for April-Dec 2014 is **6.6%** relative to the same period in 2013. This growth rate is approximately a third less than what the government is projecting for the full fiscal year 2015/16. (Table below.) It is not evident what will accelerate growth in the 2015/16 fiscal year to get to a full fiscal year growth of 9.0% in tax revenues.

| | Tax Revenues | | | | FY 2013/14 | FY2014/15 |
|--------------------|--------------|------------|------------|------------|------------|-----------|
| | FY 2012/13 | FY 2013/14 | FY 2014/15 | FY 2015/16 | April-Dec | April-Dec |
| Out Turn/Projected | 319.8 | 343.8 | 377.9 | 411.9 | 242.7 | 258.6 |
| % Growth | | 7.5% | 9.9% | 9.0% | | 6.6% |
| Prior Budget | 335.6 | 360.5 | 384.3 | 411.9 | | |
| Shortfall | -15.9 | -16.7 | -6.4 | | | |

- Additionally, the government is assuming that the \$377.9 billion tax revenues anticipated for FY 2014/15 will be the actual outturn. However, recall that tax revenues are running some \$10 billion behind budget. So if the actual outturn is \$367.9 billion, then the anticipated increase in tax revenues for FY 2015/16 over FY 2014/15 would be roughly 12%, a number that is not credible. We recall that the current growth rate for taxes is 6.6%.

EXPENDITURE BUDGET

Wages & Salaries

Mr Speaker, as I look now at the Expenditure budget, let me go back to the Minister's proclamation of 'honouring commitment to the workers who are under the wage restraint.' Mr Speaker, that commitment was not worth the paper on which it was written. The Minister already broke the commitment with public sector workers by driving them into poverty with the devaluation of the Jamaican dollar. A leading trade unionist said public sector workers are the "emerging working poor." Who are you fooling Minister? How could you ask for wage restraint and agreed to such an aggressive devaluation? I think the public sector workers should demand restitution.

So Mr Speaker, as we look at the budget to assess what is in it for public sector workers, we note that Ms Helen Davis White has put an opening salvo of 15% wage increase per year for the next two years, for a total of 30% increase. I am going to ask Ms Davis White to have her analysts look at the Wages & Salary figures again because even after the PNP administration and the IMF are agreeing to push back getting to the 9% wage-to-GDP until FY2016/17 instead of FY2015/16, what is in the budget as a salary increase for this year is at best 5-6%. So yes, Ms Davis White may asking for 15% and expecting 12%. I want to let you now that you may get 12%... but it will be over two years.

- Interesting observation is that we have not heard a comment from the IMF on this wage-to-GDP target.

For the record, on the public wage issue, the JLP administration took over a commitment of billions of dollars signed off by the previous administration on the recommendation of a sole arbitrator to bring teachers' pay to private sector parity plus further arrears that had to be paid later on.

The PNP agreed with police to have a 40 hour work week with a premium after that. JLP had to implement it. The PNP did not.

We granted 65% pay increase to teachers and 42% to police and over 30% to other public sector workers.

We did all this, kept exchange rate stable so the public sector workers could enjoy their extra disposable income, lowered taxes on motor vehicles so they could buy cars and we did all this without raiding the NHT of \$11.4 billion per year.

Agriculture – Sugar Cane Expansion Fund

Mr Speaker, I must touch on the Sugar Cane Expansion Fund. Under the European Union-sponsored Sugar Transformation Programme, Accompanying Measures Fund, a special \$2.0 billion Sugar Cane Expansion Fund was established.

The Fund was established as a revolving loan scheme to assist farmers to re-establish cane production on an aggressive scale.

There are now reports that the Fund is apparently severely depleted to the point that no further loan can be issued.

I am requesting the Auditor General of Jamaica to carry out a special audit of the entire EU Sugar Transformation expenditure programme, including the housing component as well as the cane expansion programme, as reports are that those programmes are beset by cronyism, improper practices and rank conflict of interest in the distribution of loans.

Mr Speaker, I will briefly speak on another expenditure budget item to illustrate the Government's misplaced priority in spending our tax dollars. In this current budget the Jamaica Information Service budget has been increased from J\$336M in 2014/2015 to J\$ 522M or an increase of \$186M or a whopping 55%. Mr Speaker, we have to wonder why such an increase when we have a plethora of

media houses in modern Jamaica. Further we have to contrast this increase with three important institutions in the budgetary process:-

- 1) The Court of Appeal with a budget of \$246M, an increase of \$31M or 6.9% - just in line with inflation,
- 2) The DPP with a budget of J\$332M an increase of J\$13M or 4% – below inflation, and
- 3) Ministry of Local Government and Community Development – NSWMA, where their budget has been reduced from \$1,005 to \$815M, a reduction by \$190M or 19%, where only a paltry \$75 million is allocated to roads and land fill at the Riverton City Dump.

Mr Speaker, the Court of Appeal and the DPP budgets combined are J\$578M or a mere \$56M higher than the JIS budget. In summary this tells you about this Government's priorities. They would rather have an adequate budget for announcements and propaganda, than prioritize what is really important for the Jamaican people.

TAXATION ISSUES THAT REQUIRE REVIEW

A number of tax measures, recently imposed or are about to be imposed require careful examination and review to ensure that fairness and equity are guaranteed to our citizens.

These include the assets tax, the Minimum Business tax and the proposed amendments to the Property Tax Act.

Assets Tax

The applicable rates for the assets tax were changed in November of 2014 which appears to be inequitable for holders of assets with a nominal value of \$500,000.

This fee has been doubled from \$50,000 per annum to \$100,000 per annum. On the face of it, it appears iniquitous to charge such a high rate of 20% of the asset value when an asset holder of \$5M pays the same fee which amounts to a value of 2% of the asset value.

At the higher end of \$50M of asset value where the tax is only \$200,000, this is mere 0.004% of 1% of the value of the asset.

Surely, this scale of fees which was introduced last November is unfair and iniquitous and victimises the holders of modest assets. Mr Speaker, it victimises the poor man's assets.

This requires review to impose a system which is more equitable across the board.

Minimum Business Tax

The introduction of the Minimum business tax, was done without adequate public clarification.

For instance, self-employed persons and persons “trading as” should be aware that the MBT can be carried forward to future tax obligations and that the tax should only be paid by persons earning income of over \$3 million and not gross receipts.

Also, companies that are dormant with no business activity should not be required to pay the Minimum Business tax.

TAX COLLECTION ACT (Property Tax)

The proposed Bill to amend the Tax Collection Act, i.e. The Tax **Collection(Amendment) Bill**, raises grave concern as it proposes to allow for the sale of property to collect outstanding property taxes.

Bearing in mind that the Tax Collection Act, at S. 46, already allows for a summary procedure to collect taxes (i.e. a quick court process) and bearing in mind that no sale of property in Jamaica can take place without property taxes being paid up, the new provision is draconian and unworkable.

The new bill allows for a sale of property to take place, once 3 consecutive financial years have passed without property tax being paid. See clause 6 of the amending bill.

Property taxes are assessed as a percentage of the unimproved value of the land which is usually a very small figure in comparison to the full value of the property. One could easily be selling property worth \$10,000,000.00 to recover \$20,000.00 in arrears for property tax.

This is unrealistic and unduly burdensome. Most Jamaicans who own property have that property as their sole asset. A provision such as this, if left unfettered,

or where no discretion is applied, would lead to havoc and deprivation of the primary asset of most Jamaicans. This must be reviewed.

The Opposition will not stand by and allow this government to start taking away people's property. Enough is enough.

THE TAX PACKAGE

Mr Speaker, in the Fiscal Policy Paper, the following was written:

“The primary surplus target of 7.5% of GDP is equivalent to \$126,727 million, thereby leaving a gap of \$10,350 million. Adherence to the programmed primary surplus of 7.5% of GDP is necessary to sustain the debt reduction trajectory. In that regard, revenue measures will be implemented in FY2015/16. The new measures, with projected yield of \$10,350.0 million will be provided in a Ministry Paper to be tabled in March 2015 during the opening of the Budget Debate.”

The Minister in his speech said:

“When the budgeted expenditures for 2015/16 are compared to passive projections for total revenues there is a revenue gap of approximately \$22.7 billion if we are to attain the 7.5% primary surplus target. This in the absence of any further policy or administrative actions.”

The way in which this information was presented in the Fiscal Policy Paper and the Minister's subsequent revenue measures gave the impression that the fiscal gap was \$10,350.0 billion and not the \$22.7 billion which has now been revealed to us. This is a deceptive way to present this important information to the country.

Protecting the Poor

Mr Speaker, whenever this government announces a tax package, the Minister goes out of his way to boast how kind and helpful they are in protecting poor people.

After taking policy steps that are hostile to job-creating investment and growth in the economy, punishing citizens with high prices from runaway currency depreciation, they come running to talk about protecting poor people.

It is wearing thin and patronising. One constituent told me after the Minister's latest confession of love for the poor: "Tell Mr Phillips that poor people tired of his love while we have hungry belly. We want jobs and a better life, not hand-outs for the rest of our lives. We want to move from 'dependency' to 'independency'. Halleluyah!

The Tax Man Cometh

In looking for new sources of taxation, the Minister of Finance targeted lower oil prices even as the beleaguered people of Jamaica got a little relief at the petrol pump, having been robbed of a sharper decrease due to the runaway devaluation of the Jamaican dollar.

In addition, the Minister gleefully told us "we have seen a 30% reduction in the price of electricity."

Celebration time, we thought, but our Minister says "not so fast – hold the applause – the tax man cometh!"

Since the price for gas gone down, why don't we stick them with another \$7.00 per litre for gas tax, and JPS bill gone down, let's break another election promise and stick them with another GCT tax on electricity.

Never mind if the lower prices for fuel and electricity would help reduce transportation and food costs, make manufacturing more competitive and give working class people more disposable income to take care of their families.

Does the Prime Minister recall that in 2012, the full withdrawal of GCT on electricity for residential customers was not initially done as promised in the election? At that time the Minister of Finance raised the threshold from 200 kwh to 300 kwh, but there was an outcry.

Does the Prime Minister recall that in her Budget speech on June 5, 2012, she said that she had “heard the cries of the people, and we have listened, and feel the pain”. She said further, “after discussion with the Minister of Finance, the decision has been taken to completely remove GCT on electricity bills for all residential customers”. (Applause)?

Madam Prime Minister, now, almost 3 years later, the Minister has re-imposed the GCT on electricity for residential customers at the 350 kwh threshold.

Mr Speaker, the question now must surely be, does the Prime Minister still listen to the voice of the people? And more importantly, does she still feel their pain? Or, are her election promises mere vehicles to state power only to be discarded when it is convenient to do so.

This is a betrayal. And it is a grudgeful attitude that the people and the economy must not benefit from the oil price cut, only the government must benefit.

The Minister tells us he is using the bulk of the fuel tax to hedge against future price increases, without providing much detail. For instance:

1. How was this Hedge Insurance procured and from which company?
2. Was the government’s procurement policy used in selecting the company?
3. What are the terms and conditions of the policy?

4. What is the cap on the price of crude oil that would trigger a reimbursement to the government?
5. If the capped price is not reached, is there any partial refund of the premium?
6. What is the actual cost of the premium and the schedule of payments?
7. Are the gas taxes for the hedge going into a dedicated Fund?
8. Where in the budget is the hedge premium money?
9. And if you are paying such a substantial sum from this Hedge, why refuse to expand the Caribbean Catastrophic Risk Insurance by US\$2.0 million to insure against the possible devastation from flooding given our threats to the environment from natural disasters?

Mr Speaker, I call on the Finance Minister to open up the details on the Hedge Fund so that we can do some analyses and make our own assessment as to whether this is a properly structured transaction or not. As I say this, I am thinking of the CAP transaction in which a deal was structured and we were told how good this was for Jamaica. Well, Mr Speaker, we have since seen how much it has cost the country multi-billions of dollars and so I ask the Finance Minister to publish these details.

Mr Speaker, of importance, the Minister should show us the line item in this Budget for this Hedge Fund. I have not seen it. In which case the Minister must explain how he is closing his stated budget gap of \$10.4B when an unbudgeted item of approximately \$3.9B is being set aside from the tax package for the Hedge Fund. How is the remaining gap to be filled?

Lower SLB Loans to Children of the Public Sector

On the face of it, this is a desperate attempt by the government to seek to ingratiate itself with the public sector given its inability to grant them a living wage increase.

The Public Sector – described as the new working poor – joins thousands of other Jamaicans of modest means who would like their children to attend college. It is not public sector workers alone who have been ravaged by the reckless policies of this government over the past 3 years.

This is a discriminatory policy which should be reconsidered. It's not public sector workers and their families are hurting. The families of many more marginal and poor people are also hurting and they too have the same dreams and aspirations for good education and a better life for their children.

Other Areas of Tax Revenue

Mr Speaker I will now briefly comment on the other items in the tax package of \$10.348B

- 1) Environmental Levy – imposition on domestic supply. I believe this is a wrong tax at a wrong time. We should be encouraging manufacturing and not the reverse. I am mindful of the WTO Rules but it is the GoJ that has decided to implement this tax. It is GoJ policy to implement the tax and the GOJ has decided to do so because it is now convenient to do so. Further, the tax credit to be granted on manufacturers' imports will need clarification as to whether this will ONLY apply to importation by manufacturers or importation by any importer of goods to be used by a manufacturer
- 2) The overhaul of Trade and Business License Fees; and, Excise Duty Fines, fees and Penalties. Mr Speaker, given the amount projected of \$500 million to be raised we need to see the schedule of increases before we comment any further. For the purpose of good governance we request that the Minister supply the schedule listing the fees and fines to be increased and the quantum of each increase.

3) Withholding Tax Regime on Certain Local Services. Minister, before I comment on this specific tax can you please provide this Parliament with the EXACT amount of withholding tax on interest due from the Government. We need this for all withholding tax on interest including amounts to Government entities (NIF, NHT, etc.) and the private sector. I hear of different numbers ranging from \$17B to \$42B owed? Minister, I am very concerned about the lack transparency in this matter!

Minister, given the Government's approach to withholding tax payments I am concerned about increasing same. The principle of the tax seems reasonable but is it reasonable for the Government to continue the practice of not settling its liabilities on a timely basis?

JAMAICA PUBLIC BODIES

Mr Speaker, since 2002 I have made been commenting on the public bodies expenditure as part of my annual Budget Debate. We have travelled a very long journey since then, now Public Bodies' reports are now a formal part of the budgetary process where selected public bodies' debt are now included in the national debt statistics.

Mr Speaker, briefly this year I want to comment on 5 entities that I believe have implications for the budgetary process in the medium to long term period. These public bodies continue to be a threat to the integrity of our budgetary process and may compromise our existing programme with the IMF and other multilateral agencies. These entities are adding to the country's stock of debt through guarantees for specific loans. In some instances entities, such as NROCC, will have to be absorbed into the Consolidated Budget.

- 1) **CAP.** The Government partner, ALCOA Minerals of Jamaica, sold its controlling interest of 55% in the company to Noble Trading Limited. The Government's obligations as the minority shareholder continues -funding its portion for capital expansion and working capital.

The company has been making losses of US\$85M in 2013/2014 and 25.88M in 2014/2015. Projection is for the company to show a profit in 2015/2016 of US\$16M.

Mr Speaker, we have to question the rationale of such projections despite projected increases in sales and the massive reduction in costs.

More concerning to us is the funding of the Government's portion of:-

- a) The debt of US\$177M; and
- b) Capital expenditure of US\$24M.

What budgetary provisions have been made for these “commitments”, if any?

- 2) **NWC** - This company continues track up financial losses at an alarming pace: 2013/2014 – J\$7B; 2014/2015 – J\$5B; and a very optimistic projection for 2015/2106 – J\$2.4B with projected increase in revenue of J\$2.8B. Total debt is approximately J\$41B with Accumulated Deficit of J\$33B. Of great concern, is the alarming pace at which the pension liabilities is growing at approximately J\$2B per year.

Mr Speaker, the Government needs to inform this Parliament what are the specific plans to address this perennial problem and how will we ensure that NWC will not compromise the budgetary process? Let’s face it, this company is virtually bankrupt.

- 3) **JUTC** – this company is projected to incur losses of J\$4.1B in comparison to J\$3.3B last year and J\$2.7B the previous year.

This relatively massive projected increase in losses occurs despite all the promises made when the fare increase was granted last year. Of concern is the fact that operating and administrative expenses are projected to increase by 22%!!

Mr Speaker, the company has an accumulated deficit of \$17.0B and liabilities of \$8.2B!!!

Mr Speaker, we need a plan for this entity! The Minister of Finance needs to advise how he will stop the madness that is happening at the JUTC?

- 4) **NROCC** – Mr Speaker, NROCC is incurring losses of approximately \$7B per year with annual finance cost of J\$4B per year! This is the yearly cost of not absorbing the entity into the consolidated budgetary process.

The company currently has debt of approximately J\$84B and an accumulated deficit of \$53B. This is a growing monster that needs to be put into the Consolidated Fund.

- 5) The **NIF** – has been incurring a CASH DEFICIT between the recurring income (net contributions) and recurring expenditure – payments of NIS benefits and Administration expenses. Hear these numbers, Mr Speaker! The cash deficit was: \$3.6B for 2013/2014; and, 2014/2015, \$4.1B. The deficit projected for 2015/2016 is \$3.35B.

Mr Speaker, the National Insurance Fund is paying out more money than it is receiving which is being augmented by income from investments and loans and which I believe are NOT a sustainable formula to run a state pension fund in the medium to long-term period. This urgently requires an actuarial review.

GROWTH AND JOBS – OUR ONLY SALVATION

Mr Speaker, it is clear from my presentation in this Honourable House today, that passing 7 consecutive IMF Tests may appear to have balanced the books, but passing these tests have most certainly not balanced the people's lives, which is the stated objective of this PNP government.

It is questionable whether the books have been truly balanced when the private sector is owed \$17 billion for withholding tax on interest, other public sector entities are also reportedly owed up to \$25.0 billion in withholding tax on interest, the NHT is owed \$20 billion for statutory deductions (in addition to a raiding of \$44.0 billion of its resources). The JPSCo is reportedly owed \$7.0 billion and other Central Government arrears stand at some \$21.0 billion, totalling \$83.0 billion.

This is money that is being kept out of the economy that itself could provide a stimulus for economic growth and job expansion.

But while the government boasts about passing the IMF tests, it is clear for every Jamaican to see that they have failed to balance people's lives – they have dismally failed the people's test.

They have failed the test of maintaining adequate social services. They have failed the test of economic growth. They have failed the test of job creation and they have failed the test of wealth creation through the growth of personal incomes.

Mr Speaker, the real test of a nation state, is not how many contrived tests passed by the IMF or anyone else, the real test to pass is the test of wealth creation through sustained economic growth over a protracted period of time, where people enjoy a better life.

It is instructive for this Parliament to note that since Jamaica achieved Independence in 1962 – 52 years ago – there has been only two periods in our economic life as a nation that our economy has experienced sustained real economic growth in excess of 6% per year, were during the 1960s when we grew for ten years by an annual average GDP of 6% and again in the 1980s when we again restored the economy to economic growth of 6% per year between 1986 and 1990.

These two periods of growth were inspired by the leadership of the Jamaica Labour Party government.

So, Mr Speaker, armed with these impressive credentials, let me end this Budget presentation by offering a simple, organic and practical prescription for growth that can rapidly take our economy back to those levels of growth and be transformative in both social and economic terms.

20-POINT PRESCRIPTION FOR GROWTH

Mr Speaker, the GDP of the United States at \$16.3 trillion in 2014 was the highest in the world because of the strength of its industries. Yet, even that country is still mindful of the need to invest in education, technology and innovation and other industries that invigorate economies or it will fall behind.

For our economy, we must:

1. Reorder budgetary priorities to transform the educational system by:
 - Government taking over the early childhood education system from age four (4)
 - Abolish the shift system in all public schools
 - Introduce an intensive programme of character education in all primary and All-age schools

2. Use only one measure to report the national debt, by reporting the total stock of debt in all categories, similar to the IMF/EFF(Extended Fund Facility). This will build confidence from greater transparency.

3. Take steps to more aggressively access the US\$1,020 billion pledged by the World Bank and the IDB over the life of the EFF. At present, at the half way mark of the EFF, only 44% of the World Bank resources have so far been disbursed with project disbursement lower at only 31%, and major projects at the IDB are slow in disbursement. For instance, of three projects in water, taxation and energy that were signed by the JLP government with the IDB in 2011, totalling US\$218.0 million, only US\$72.0 million or 33% of this amount has so far been expended, while our country continues to suffer from poor water supplies, inadequate tax reform and insufficient energy diversification.

**STATUS OF IDB LOANS APPROVED IN NOVEMBER 2011 FOR WATER
SANITATION, TAX ADMINISTRATION AND ENERGY EFFICIENCY
US\$MN**

| | LOAN TOTAL | DISBURSED/FEBRUARY 2015 | UNDISBURSED |
|-------------------------------|-------------------|------------------------------------|--------------------|
| WATER SANITATION | 133,000,000 | 52.5 | 80.5 |
| TAX ADMINISTRATION | 65,000,000 | 14.9 | 50.1 |
| ENERGY EFFICIENCY | 20,000,000 | 4.6 | 15.4 |
| TOTAL | 218,000,000 | 72.0 | 146.0 |
| | | (33%) | (67%) |

4. Negotiate for the multilateral institutions to jointly purchase Jamaica's US\$3.0 billion PetroCaribe debt at a 50% discounted face value similar to what was recently done by the Dominican Republic with a private institution. The fundamental difference is that Jamaica would benefit from not just a lower discounted debt stock, it would also pay the multilaterals a low interest rate similar to or not much higher than the 1% per annum paid on the PetroCaribe debt. And the period of the loan would also be over 20 years, instead of paying over 7% to a private intermediary on the global capital market, perhaps over a shorter period of time.

The result would be a sharp reduction in the debt stock by US\$1.5 billion or about 8.0% and equally low interest rate over an extended period. This is the path to travel on this issue.

5. Carry out a review of the Fiscal Incentives regime to ensure relevance and competitiveness with the global investment environment. This includes a reinstatement of the incentives under the Junior Stock Exchange and a review of other sectors such as Manufacturing, Tourism and Agriculture to ensure that Jamaica's regime is "cutting edge competitive". For instance, in

agriculture small farmers now have to pay GCT and advanced GCT on agricultural equipment. This needs to be abolished.

A special tax regime must also recognise the critical role played by small businesses in driving economic growth at the micro level.

Growth directed tax incentives must be guided by the objective of increasing exports, decreasing imports, promoting a vibrant local business sector and generating large numbers of jobs for our citizens.

The concerns recently expressed by the Jamaica Exporters' Association must also be confronted. The exporters are not satisfied with the fiscal reforms already announced by the Minister. They have requested:

- i) Budgetary support for the implementation of the National Export Strategy
 - ii) The maintenance of the modernisation of Industry programme
 - iii) A reduction in disincentives for exports now inherent in Jamaica's bureaucratic regulatory regime
 - iv) They also advocate the need for the promotion of greater public/private sector linkages to support more production and export.
6. The Business Process Outsourcing Sector offers significant potential for exponential growth in job creation. This is an urgent priority at this time. We object to the proposal to impose a 10% profits tax on this sector.

This sector must be treated as an emergency creator of jobs in the economy. The target of creating 20,000 by 2018 is far too modest, this must be doubled to 40,000 jobs.

7. With Jamaica's large foreign ownership of banks, insurance, telecommunications and hotel businesses, the remission of dividends overseas, represents a serious annual depletion of foreign exchange, which

itself helps to put pressure on the exchange rate. Investment tax credits should be offered to these companies to retain and invest their profits in Jamaica, including diversification and backward and forward vertical integration into linkage sectors.

8. The Caymanas Economic Zone should be implemented without delay because the previous government had left a template inclusive of a business plan, design and a raft of local potential land purchasers to expand their warehousing and manufacturing facilities. The announced intention for a \$30 million feasibility study is an absolute waste of money. This should be scrapped.
9. The divestment of the Kingston Container Terminal must be done on a basis that the new operators are able to attract large scale transshipment activity involving mega-vessels given our strategic location near the Panama Canal.

Time is of the essence in this important matter, as Miami, Cuba, Dominican Republic, Puerto Rico, Bahamas and Haiti are all ahead of us with this plan.

10. New steps must be taken with urgency to accelerate the development of downtown Kingston and Jamaica as a major regional “near shore” financial centre, to attract businesses from North, Central and South America. The pending legislation should be crafted to target this market.
11. Commercial banks and other lending institutions must be encouraged and incentivised to provide affordable single-digit interest rate-pegged funds for small businesses and small farmers with marketable business plans. The allowable spreads between DBJ rates and commercial bank lending rates for DBJ loans should be regulated by the Ministry of Finance.

It is full time that commercial banks step up to the plate and play a meaningful role in the mission of economic growth and job creation.

12. MICRO INVESTMENT DEVELOPMENT AND SELF START FUND - These public bodies are woefully undercapitalized and the government should re-examine their mission and increase their capital to provide loans and equity investment to grow MSME BUSINESSES that are focused on growing crops, manufacturing goods and services for the export market and to MSME's that also manufacture goods for the local market to reduce imports. This policy change will create jobs and grow the economy.

13. JAMPRO's BUDGET SHOULD BE DOUBLED TO ENABLE IT TO MORE ROBUSTLY FULFILL ITS MISSION TO FIND NEW MARKETS FOR JAMAICA'S PRODUCTS INCLUDING MERCHANDISING AND TO ATTRACT NEW FOREIGN INVESTORS TO JAMAICA. This mission is more crucial now more than ever with the USA reopening trade and diplomacy with Cuba. THIS POLICY CHANGE WILL GROW THE ECONOMY.

14. Until our economy develops its own internal growth momentum, we must develop a formal overseas work recruitment programme similar to the Farm Work and Hotel Workers programmes, that seeks job opportunities overseas for a wider range of locally available skill sets that are unemployed or underemployed in Jamaica.

A number of illicit operators have been scamming unsuspecting victims. The government should regulate the sector, register and license qualified operators and charge a fee of these employment agencies as well as a fee from successful applicants for overseas work.

The benefits gained would be increased remittances and government revenue and exposing more of our workers to an international work ethic that will redound to everyone's benefit from increased productivity.

15. Ban the importation of construction workers unless their skills certification do not exist in Jamaica. This must be proved beyond the shadow of a doubt. This nonsense about importing unskilled labourers by the hundreds

to work in construction is unacceptable and is a betrayal of the hard working people of Jamaica.

16. Riverton Fire

The Riverton fire has taught us that in considering the growth strategies, we should be careful that we don't do things that subtract from growth, which is what the Riverton fire will do. At last count, hundreds of Jamaicans showed up at the health facilities with respiratory issues. Foreign investors will think twice about investing in the Corporate Area.

So Mr Speaker, I want to ask of the government, was the Riverton fire sabotage or gross negligence? Minister Pickersgill made a commitment to provide the funds to correct management problems. Moving the dump without correcting the underlying problems of management will only cause another fire in another location. Why has the government stopped all the measures started by the Jamaica Labour Party government to transform the dump to a landfill?

We employed a qualified Jamaican from overseas to advise on this issue. We divided the Riverton dump into cells; we started to cover the dump by using marl from a UDC marl pit at Caymanas. We arranged a "swap" with the JDF: free collection in exchange for a security post at Riverton. We issued an RFP, selected a preferred bidder to turn the waste into a 40-60 megawatts of electricity. We had plans to install four pumps, store water and a network of pipes & systems to spray onto the dump. Mr Speaker, Riverton dump needs management, proper management.

17. Ramp up training at HEART/NTA and MIND to train and retrain public and private sector workers to achieve higher levels of productivity, as well as offer the private sector incentives for more on-the-job training programme. We simply must fashion policies at the workplace that provide the means by which the peoples' productive potential can be efficiently deployed.

18. Give the Auditor General the necessary resources to properly discharge the duties of the department in carrying out forensic performance and value for money audits on all Ministries, Departments and Agencies as they see fit. This includes a review of salary scales and employing the full establishment of 200 staff members instead of the 106 now employed.

The Auditor General's Department must also be made independent of the Ministry of Finance in the budgetary process with Parliament approving its budget directly.

19. Provide the remaining \$15 million required to complete the Report of the Commission of Inquiry into the collapse of the financial sector.

The Minister needs to tell this nation the true reason why we have not had the Report of the FINSAC Commission of Enquiry. It has been 4 years since the commission completed its deliberations.

It could not be an issue of cost. A comparison of hourly costs of that commission and the West Kingston Commission of Enquiry will show that the costs of the former was far less.

COMPARISON OF HOURLY COSTS OF FINANCIAL SECTOR AND WESTERN KINGSTON INCURSION COMMISSIONS OF INQUIRY (US\$)

| POSITIONS | FINANCIAL SECTOR INQUIRY | WESTERN KINGSTON INQUIRY |
|---------------------------|---------------------------------|---------------------------------|
| CHAIRMAN | 300 | 370 |
| COMMISSIONER | 150 | 300 |
| COMMISSIONER | 150 | 300 |
| SENIOR LAWYER | 300 | 300 |
| SECOND LAWYER | 250 | 250 |
| SECRETARY TO COMMISSIONER | 150 | 150 |
| SUB TOTAL | US\$1,300 | US\$1,670 |
| | | SECRETARIAT |
| ADMINISTRATIVE ASSISTANT | 14 | (8,000/MTH/160 HRS) 50 |
| CLERK | 8 | (10,000/MTH/160 HRS) 62.50 |
| 4 STENO WRITERS | 25 | (18,000/MTH/160 HRS) 112.50 |
| JDF LAWYER | | 250.00 |
| JDF LAWYER | | 250.00 |
| JDF LAWYER | | 250.00 |
| JCF LAWYER | | 250.00 |
| JCF LAWYER | | 250.00 |
| JCF LAWYER | | 250.00 |
| TOTAL | US\$1,347 | US\$3,395.00 |

- The West Kingston Commissioners are paid a maximum of 540 hours to write the report. The Financial Sector Commissioners did not get this compensation.
- The items listed as professional support in the Financial Sector Inquiry was not put in the hourly costs as they were a one-off cost for 5 days.
- From the table above, it is clear that the West Kingston Commission has an hourly cost of more than twice the cost of the Financial Sector Inquiry.

The commission requires payment to complete its report, a mere \$10,000,000.00. That report would shine light upon what went wrong in the 1990's that caused so many Jamaican owned financial institutions to collapse, and what caused so many business owners and ordinary Jamaicans to become bankrupt and disillusioned in taking up any entrepreneurial activities that might involve debt financing.

Take for instance, one Mrs Vera Donaldson, a retired senior citizen, who borrowed \$1,000,000.00 in December 1993 and ended up owing \$111,263,933.34 in April 2008.

Her house was sold, and she has lost everything. She is now weak, destitute and a broken woman, who searches for the answer as to how she comes to be owing in excess of \$111,000,000.00.

Her story is not unique. She is among thousands of Jamaicans who lost their business, life, and hope, because of poor government policy.

The answers she seeks can only come from the report of the FINSAC Commission of Enquiry. She, like so many other FINSAC victims have given testimony before the commission and as citizens they are entitled to the answers from the government.

This government, if it is a just government must ensure that the government economic policies that led to the creation of FINSAC should never be repeated again, and this nation therefore needs that report to protect our future entrepreneurs and ordinary citizens.

The precedent has been adequately established by the government in providing resources to the West Kingston Commission of Inquiry for pre-inquiry costs, cost of hearings and report writing.

For this government to refuse to put closure to this important Inquiry, will be a gross dereliction of fiduciary duty, a blatant act of governmental tyranny and a barefaced cover-up for political reasons.

20. On April 1, the Minister of Finance should sign the warrant to provide the Electoral Commission of Jamaica with the resources to immediately commence an intensive programme of re-verification of electors on the Voter's List. This will ensure the generation of a clean Voter's List, which can be completed within six to nine months, once adequate funding is in place. No election should be held until a clean Voter's List is generated.

This will build investor confidence and preserve Jamaica's democracy by guaranteeing free and fair elections.

CONCLUSION

Mr Speaker, in this presentation, I have demonstrated conclusively that passing the IMF tests under the 4-year programme, is necessary but not sufficient to achieve the desired results of nation building.

We have to go far and beyond passing these tests if we are to pass the people's test.

- We have failed the test of price stability for workers of modest and frozen incomes.
- We have failed the test of managing down the national debt which is several hundreds of millions of dollars higher today than 3 years ago, which is the same the debt to GDP ratio as when the JLP demitted office
- We have failed the test of economic growth, job creation and growth of personal and family incomes, which is the basis for the creation of national wealth
- We have failed the test of being a kinder and gentler nation in which our children and women are protected from predators and murderers

We have presented a credible growth plan as an alternative to this ruinous path on which the government is embarked.

It is a plan that recognises that we must educate our people and nurture our children because they are our future, we must make maximum use of the resources of our international partners, we must provide competitive incentives for investment and job creation, to increase personal and family incomes, we must ensure transparency, accountability and effective oversight of government, to stem corruption, we must secure our citizens and we must ensure electoral integrity to preserve our democracy.

Mr Speaker, I end with the words of a song written by a past student of Knox College who is now at the theological College in Mandeville, Jovane Blagrove:

Our children cry even louder than before
No opportunity will come knocking at their doors
For no one sees the potential deep inside
Why don't you hear our children's cry?

Violence is the only thing we see
With so much crime how can we be?
It may not sound strange but it's time for a change
Why won't we come together and pray.

CHORUS

Pray for Jamaica
The land of wood and wata
So we might live together
For the betterment of another
That we might rise against
The oppression of our mind
Pray... For Jamaica.

Indeed, Mr Speaker, Honourable Members, let us together, pray for Jamaica, Land we love.

May God bless you all, and may God bless Jamaica.

Audley Shaw, CD, MP
Opposition Spokesman on Finance and Planning

Tuesday, March 17, 2015