



SECTORAL DEBATE

2014-2015

**“Consolidating the Gains
toward Economic Reform &
Public Sector Modernisation”**

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MINISTER WITHOUT PORTFOLIO (PUBLIC SERVICE)

MINISTRY OF FINANCE AND PLANNING

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CHECK AGAINST DELIVERY

LIST OF ACRONYMS AND ABBREVIATIONS

GOJ	Government of Jamaica
GEP	Global Economic Prospects Report
GDP	Gross Domestic Product
ERP	Economic Reform Programme
EU	European Union
NIR	Net International Reserves
IADB	Inter-American Development Bank
INGP	InterAmerican Network of Government Procurement
CIPS	College of Insurance and Professional Services
INPRI	International Procurement Institute Jamaica
NHF	National Health Fund
MSMEs	Micro Small and Medium Enterprises
NWA	National Works Agency
FAA Act	Financial Administration and Audit Act
PPL	Public Procurement Law
E-GP	Electronic Government Procurement
PSLP	Public Sector Learning Framework
JNOPP	Jamaica Network of Public Procurement Practitioners
GEI	Government Electrical Inspectorate
SHRMD	Strategic Human Resource Management Division
MOFP	Ministry of Finance and Planning
RFP	Request For Proposal
ICT	Information and Communication Technology
IMF	International Monetary Fund
PSED	Public Service Establishment Division
CMDD	Corporate Management Development Division
PSEP	Public Sector Efficiency Programme
HCMES	Human Capital Management Enterprise System
TAJ	Tax Administration Jamaica
JCA	Jamaica Customs Agency
AGD	Accountant General Department
FY	Financial Year
MOU	Memorandum of Understanding
NAJ	Nurses Association of Jamaica
JMDA	Jamaica Medical Doctors Association
AGMC	Association of Government Medical Consultants
MDAs	Ministries, Departments and Agencies
E-Gov	Electronic Government
M.I.N.D	Management Institute for National Development
RECU	Research and Establishment Control Unit
JCSA	Jamaica Civil Service Association
JCTU	Jamaica Confederation of Trade Unions
BGLC	Betting Gaming and Lotteries Commission
BGL Act	Betting Gaming and Lotteries Act
JRC	Jamaica Racing Commission
CTL	Caymanas Track Limited
POCA	Proceeds of Crime Act
DNFI's	Designated Non-Financial Institutions
CGC	Casino Gaming Commission
CDB	Caribbean Development Bank
SLB	Students Loan Bureau
HRM	Human Resource Management
EA	Executive Agency
CEO	Chief Executive Officer
UNCTAD	United Nations Conference on Trade and Development
ASYCUDA	Automated System for Customs Data
LEDs	Light Emitting Diodes
NCC	National Contracts Commission
OCG	Office of the Contractor General
MSME	Medium, Small and Micro Enterprises
PAB	Public Appeals Board
CET	Common External Tariff
IRDs	Integrated Resort Developments

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ECONOMIC OVERVIEW

Mr. Speaker, my contribution to this Sectoral Debate seeks to inform this Honourable House of the significant gains that have been made in the Public Sector during the 2013-2014 fiscal year, as well as the remaining challenges going forward into 2014-2015.

My presentation will focus on the Government's efforts to meet its commitments to modernise the public sector, which itself is a fundamental plank of Jamaica's economic reform programme.

Mr. Speaker, this programme of reform on which the Government has embarked, is concentrated on **macro-economic stability**, through the elimination of the **fiscal deficit** and consequential **reduction of Jamaica's national debt**, as well as, the **promotion of fiscal discipline** as solid foundations for achieving sustainable growth and development.

Mr. Speaker, it should be well understood by now, that successful implementation of **Public Sector Transformation, Pension Reform** and the overhauling of the **Public Procurement** regime, are essential to meeting the targets and goals of the economic reform programme. Tremendous strides have been made and as my colleague Minister, Dr. Peter Phillips disclosed in his opening budget statement 2014-2015:

- **The IMF Agreement is in place and on sound footing.** Jamaica has met all its obligations and passed all quarterly tests and met ALL benchmarks;
- The latest IMF review, which was done in May, concluded that the country's overall economic performance, under the programme, remains strong;
- The economic outlook is improving, crisis risks have retreated, growth has picked up, inflation has been brought under control, and our reserves are starting to improve:
- The current account deficit of the balance of payments declined to an estimated **9.6%** of GDP in 2013 down from **12.9%** in 2012;
- The NIR recovered to **US\$1.376b** at the end of June 2014;
- Jamaica has recorded three consecutive quarters of growth. In fact, the World Bank's *Global Economic Prospects (GEP)*, in its latest report, revised upward the growth prospects for Jamaica, projecting growth at **1.1%** in 2014, **1.3%** in 2015 and **1.7%** in 2016. According to the GEP report, Jamaica saw the largest fiscal improvement in the region, going from a deficit of more than **4%** in 2012 to a surplus of **0.1%** of GDP in 2013. This is the best performance since 1995.
- Let me quote from the **GEP** report:

"Spending restraint, higher tax revenue, and lower interest and amortisation payments on restructured domestic debt, together with assistance from multilaterals supported this remarkable fiscal improvement."

- The Debt to GDP ratio is trending down (standing now at **139%**, down from **147%** last year);
- The public sector wage bill to GDP is trending down and we are on target to achieving the **9%** wage to GDP by 2016;
- Very importantly, Jamaica went to the International Capital Market last Tuesday with tremendous success, securing US\$800m at the rate of **7.625%**, the lowest ever since Jamaica started borrowing on the International Capital Market.

This tremendous capital markets response to Jamaica came one business day after the Managing Director of the IMF, Madame Christine Lagarde visited with us on June 27 and 28, 2014; itself, an expression of confidence in Jamaica's implementation of the IMF Programme; and lastly,

- There are clear signs that confidence has returned to Jamaica's economic management.

Mr. Speaker, these achievements have come with tremendous sacrifice from the entire Jamaican people, including our workers, our pensioners, our bond holders and our consumers.

Led by our Prime Minister Portia Simpson Miller, this Administration, possesses a 'will of steel', to carry through the economic and social reforms in order to secure a better future for our people.

We will **NOT** squander the fruits of the peoples' sacrifice, but will strive to stay on the path of fiscal prudence. Simultaneously, we will spare no effort to place the highest priority on implementing policies and strategies to boost investment and growth, the surest path to expanding opportunities for all Jamaicans.

PUBLIC SECTOR TRANSFORMATION AND MODERNISATION

Mr. Speaker, a most important part of these reforms which I speak of, is Human Resource Management and Development in the Public Sector. You cannot have a modern economy without the capacity to implement and manage change. That's what Public Sector Transformation and Modernisation is about.

Indeed, many opinion writers including Civil Society, the Workers and their Representatives, the Private Sector, the Government and our International Partners, all agree that the Public Sector is in serious need of reform. The Gleaner, in an editorial published Sunday May 18, 2014, accused the Government of "sleeping on public-sector reform".

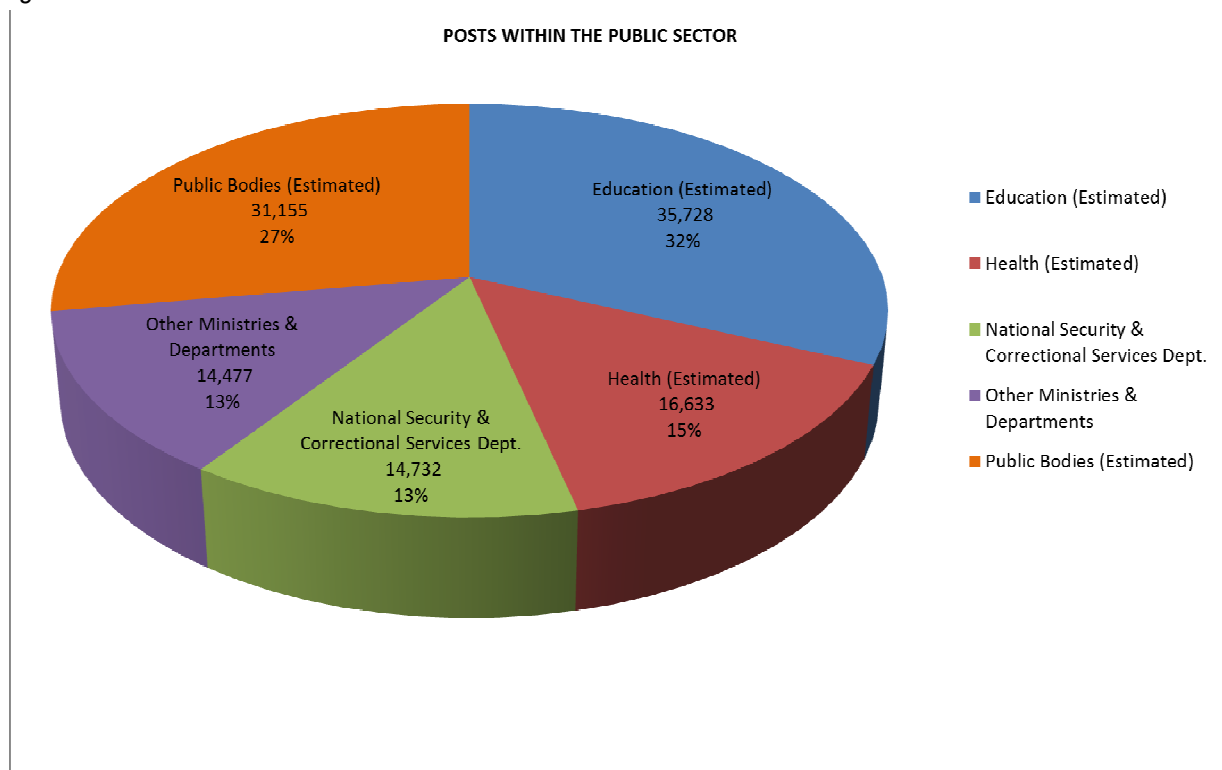
Mr. Speaker, the progress might seem a bit slow but you have to be aware that the Jamaican public sector is extremely complex.

The work to achieve public sector modernisation and an improved quality of service to the Jamaican people must proceed, fully cognizant of this complexity and the overall construct of the Sector.

To give a sense of the distribution of workers across the Public Sector, I have included in this presentation, data on the size of the Public Sector Labour Force and where the people are located:

- The Education sub-sector accounts for **35,728 (32%)**;
- Health sub-sector **16,633 (15%)**;
- National Security including the Correctional Services **14,732 (13%)**;
- Other ministries and departments **14,477 (14%)**; and,
- Public Bodies **31,155 (27%)**.

Figure 1: Public Sector Labour Force



From this data, it is clear that the Ministries of Education, Health and National Security, account for **60%** of the labour force. These are the areas primarily responsible for the delivery of your social services of security, education and health care.

Therefore, I wish to take this opportunity to assure and reaffirm that public sector transformation remains a critical part of the broader economic reform process, currently underway across the entire government.

HUMAN RESOURCE MANAGEMENT REFORM

Last year when I spoke, I advised this Honourable House of the efforts to improve the human resource management and development systems and practices of the Sector. Much work has progressed since then.

STRATEGIC HUMAN RESOURCE MANAGEMENT DIVISION

Mr. Speaker, the Strategic Human Resource Management Division (SHRMD) continues to be built out with its structure being implemented. The focus now is also on deciding which of the transactional activities will be "divested" to the MDAs; which will be better able to carry out these activities, thereby allowing the Division to concentrate on policy development necessary to guide the MDAs. This will move on during this financial year. The activities to be divested include Pension Administration and Leave Management.

One of the functions of the SHRMD is the review and approval of organizational and staffing structures, and as MDAs seek to reposition themselves to better contribute to the Growth Agenda, the requests for organizational review are increasing. With the realignment of the HRM functions, we are pleased (and the MDAs, while not always happy with our decisions) to report marked improvement in the response time from the Ministry of Finance and Planning. We will continue to be responsive as we recognize and accept our role of facilitators to these entities in helping them to deliver on their mandates.

HUMAN CAPITAL MANAGEMENT ENTERPRISE SYSTEM

Mr. Speaker, last year I also informed the country about the Government's plan to leverage the most modern technology to aid in transforming the way human resource management practices take place in the Sector.

Today, I can report that the procurement process for the Human Capital Management Enterprise System (HCMES) is in a very advanced stage:

- Bids for the supply of the software have been received and reviewed;
- Prospective vendors have been receiving clarification where necessary; and,
- It is projected to award the contract by September of this year.
- The start of implementation is scheduled for January 2015, with E-Gov Jamaica (formerly Fiscal Services Ltd.) being the first live site in January 2015.

CAPACITY ENHANCEMENT

Mr. Speaker, the process of human resource management reform is not only about changing the systems and procedures, as these cannot stand alone. The people, especially those who carry out the direct functions of human resource management, must themselves benefit from reorientation, a change in attitude, and adjustment to how they do their work.

A key function of the service delivery in the public sector is customer service and I have mandated that everyone involved in customer interaction, must undergo customer service training during the life of the Extended Fund Facility. As such, with the help of grant funding from the IADB, beginning this financial year, we will be embarking on a series of interventions to enhance the capacity of our workers.

The Management Institute for National Development (MIND) will significantly be responsible for this effort, using the recently developed Public Sector Learning Framework (PSLF) as the platform for training and development.

COMPENSATION REVIEW

Similarly **Mr. Speaker**, how we compensate our workers (public or private sector) is a critical part of the decision-making process of any organization, and often times it determines the quality of the output from workers.

As part of the Human Resource Management reform, and recognizing that the Sector is in need of a more robust and effective Compensation Strategy, a Compensation Review was conducted by the Government of Jamaica. **Mr. Speaker**, this was actually a structural benchmark under the IMF Agreement and was met in March 2014.

The GoJ and indeed the country, recognizes that our Public Sector employees are deserving of better remuneration, and this Administration intends to continue the effort to improve the fortunes of our workers, as the resources allow. While I cannot today announce any increase in salaries and wages for Public Sector employees, I say to the workers of the Government of Jamaica once again, we appreciate your sacrifice and are committed to working with you and your unions to find ways of easing the burden as we approach the end of the 2012-2015 wage agreement.

Mr. Speaker, if you recall, the negotiations for the 2012-2015 contract period began on Boxing Day 2012 and signed on March 6, 2013. It is our intention to begin the 2015-2017 contract period in November. The framework for those discussions is now being developed and as an Administration, we will continue to take the workers representatives in our confidence as we move forward.

Mr. Speaker, as we prepare for the 2015-2017 round of negotiations, there are a number of sensitive issues that we must address.

These include, the question of the sustainability of some of the allowances payable in the Health Sector (on-call, overtime, sessions) which have been the subject of recent disagreements between the health professionals and the management of the health sector.

Related to the issue of extra hours compensation and the availability of funds to cover other expenses in out health facilities, is the matter of personal deductions not being remitted by the government agencies on behalf of workers. In 2009, the Ministry of Finance and Planning took the decision to withhold all statutory deductions (NHT, NIS, Education Tax, PAYE) from all ministries, departments and agencies funded from the Consolidated Fund.

The Ministry remits directly to the relevant authorities, the payments on behalf of the workers, through the Accountant General Department. Personal deductions to financial institutions (credit unions, commercial banks, loan companies, insurance companies, etc) continue to be taken by several government entities and not remitted on a timely basis to these institutions. In some areas, this has become a crisis.

The Government will engage the workers in discussion on how this facility can become more efficient and mutually beneficial for all parties. These matters will be included in the upcoming talks.

REVISION OF STAFF ORDERS

The Staff Orders for the public sector is the widest applicable set of rules used in human resource management for the public sector. The last revision was done in 2004 and in recognition of the need to make this set of rules more current, to today's environment, the Orders is being reviewed. A draft set of new regulations is now with our stakeholders for their further review and it is intended that a new Staff Orders will be implemented this financial year.

A significant provision under the Orders that will be addressed is the matter of Leave Administration in the public sector.

AGREEMENTS IMPLEMENTED

Mr. Speaker, last year I mentioned that Cabinet had instructed us to clean up all outstanding wage and other collective bargaining issues. We had inherited many of them which had languished for years.

- **HEALTH SECTOR RECLASSIFICATION**

Last year, we implemented phase I of this agreement. In August of this year, phase II of this exercise will be implemented.

- **RELATIVITY STUDY FOR JAMAICA FIRE BRIGADE AND CORRECTIONAL SERVICES**

The Ministry of Finance and Planning has implemented the results for the Fire Brigade. We have just concluded with the Unions representing the Correctional Services. Their component of this relativity study and will be implemented by the end of August.

- **ONE-OFF PAYMENT TO PUBLIC SECTOR WORKERS**

In August, Mr. Speaker, the second payment of \$25,000 to every public sector worker will be paid.

- **7% RETROACTIVE PAYMENT TO PUBLIC SECTOR WORKERS**

Mr. Speaker, the Government is happy and relieved that the final payment of the **7%** to all public sector workers was made in May of this year, including all Members of Parliament and Councillors.

- **TEACHERS RECLASSIFICATION ARREARS**

Mr. Speaker, the last payment for our teachers under this exercise was made in June 2013 as scheduled.

- **EDUCATION OFFICERS REALIGNMENT (2007-2011)**

Mr. Speaker, this matter is now settled and payments made to education officers.

- **WEST INDIES GROUP OF UNIVERSITY TEACHERS (WIGUT) PAYMENT OF NEW RATES (2010-2011).** Payment has started.

- **SCHOLARSHIP FOR CHILDREN OF PUBLIC SECTOR WORKERS**

Mr. Speaker, this is a new feature of the 2012-2015 Heads of Agreement and the Government has already disbursed over **\$10m**.

- **ACCESS TO STUDENTS LOAN BY PUBLIC SECTOR WORKERS**

Mr. Speaker, the moratorium period for groups such as nurses and pharmacists, who are licensed to practice in their profession, after completing their course of study, has been extended by the Students Loan Bureau. Discussions are continuing for other groups.

- **INTEREST RATE ON STAFF LOANS TO PUBLIC SECTOR WORKERS**

The Government has implemented the agreed reduction in interest rate to one standard rate of **3%** on loans.

- **AMBULANCE FOR THE JAMAICA CONSTABULARY FORCE (JCF)**

A fully equipped ambulance was handed over to the JCF for use at the Convalescent home

- **DISCOUNT FACILITIES**

The introduction of discounted goods and services by the private sector was implemented with MegaMart leading the way, Fontana Pharmacy, Tools Hardware and Supplies, Digicel and several companies under the umbrella of the Private Sector Organization of Jamaica (PSOJ) and the Jamaica Chamber of Commerce (JCC) have now come on board.

INDUSTRIAL HARMONY

Mr. Speaker, this Government, under the leadership of Prime Minister Portia Simpson Miller, takes special interest in the value of a stable industrial relations climate. So, despite the economic challenges, we know the important benefits to be gained from having industrial harmony in the public sector and in the country.

This has been significantly occasioned due to a deliberate strategy on the part of the Government to maintain ongoing, honest, frank and genuine dialogue with the Unions and associations representing public sector workers. That is why; industrial peace is at an unprecedented high level.

As I speak, **Mr. Speaker**, **96%** of public sector groups have signed the **2012-2015** Heads of Agreement. The Ministry of Finance & Planning continues to work closely with the remaining **4%** and is very confident that they will sign soon.

PUBLIC SECTOR PENSION REFORM

I now turn to the matter of Public Sector Pension Reform, another key area of priority under the current economic reform and public sector transformation process.

THE WHITE PAPER

Mr. Speaker, the policy, as outlined in the White Paper was approved by the Cabinet and tabled in this Parliament in December 2013.

Some aspects of the revised public sector system include the following:

- The retention of the Defined Benefit System;
- Introduction of a contribution rate of **5%** of salary by all employees, towards their pension;
- The gradual increase of the normal retirement age from 60 to 65 years;
- Maintaining the special provision for members of the security forces;
- On retirement, the worker will continue to be given the option to receive a lump sum payment as presently obtains;

- A 'Survivors Benefit' payment to the spouse and dependents of all public servants, including teachers;
- The vesting period of ten years will remain unchanged;

Finally, **Mr. Speaker**, a new pension law is being drafted and the Government along with its stakeholders is committed to achieving all the targets, and to continue the dialogue, as we strive to complete the implementation of the new public sector pension regime by **April 1, 2016**.

INCREASE TO GOVERNMENT PENSIONERS

Mr. Speaker, in an effort to alleviate the economic challenges of pensioners, Five Hundred Million Dollars (\$500M) is provided in this year's budget for increases to Government pensioners including spouses and dependents of deceased public servants.

Mr. Speaker, of a total of approximately **34,000** pensioners, approximately **27,000** are eligible for this increase. We intend to pay these pensioners by November 2014.

PENSIONER'S LIFE CERTIFICATE

One of the major problems that pensioners face **Mr. Speaker** is the requirement to provide a life certificate every three months.

In an effort to improve the welfare of our pensioners and reduce the administrative costs associated with the quarterly submissions of this life certificate, the Ministry of Finance and Planning has instructed the Accountant General's Department and the Registrar General's Department to find ways to minimize this requirement.

A Memorandum of Understanding (MOU) between the two departments will be signed towards the end of this month, which will allow for the sharing of critical information needed to verify whether a pensioner is alive or dead.

It is also envisaged that the issuance of Life Certificates will reduce the frequency with which pension payments are withheld or suspended because of non-submission.

UPDATE ON 84 CONTRACTORS DENIED REGISTRATION

Mr. Speaker, for over four (4) years, 84 contractors have languished, waiting to have their companies re-registered as the law dictates. These contractors were denied registration by the National Contracts Commission (NCC) on the grounds that the Office of the Contractor General (OCG) was investigating them and had referred their files to the Fraud Squad.

The Minister of Transport, Works and Housing and myself have had several consultations with all the relevant agencies involved and finally after two (2) years, the matter is resolved. On July 2, 2014, the NCC informed me as follows:

- Sixty-Five (65) of the 84 contractors have been written to and were invited to submit their applications for registration. The Fraud Squad has indicated that they have no further interest in these 65 contractors;
- Fifteen (15) contractors files are still with the Fraud Squad and the NCC has requested an update on them;
- The remaining four (4) are still with the OCG.

Mr. Speaker, no regulatory or certifying agency can operate in this manner if businesses are to develop and thrive. Our local contractors play a very important role in executing Government projects while providing jobs for our people. That is one of the reasons that has led this Administration to review the Contractor Registration Process within the context of the new public procurement regime.

PUBLIC PROCUREMENT

Last year, in my presentation to Parliament, I indicated that there were several initiatives being implemented to improve the public procurement system of the Government.

The public procurement regime is a high priority area for the Government due to its significant impact on the local and national economy. It accounts for approximately **30%** of GDP. Therefore, improving the **transparency, integrity** and **efficiency** of the public procurement process is at the forefront of the present reform.

A quick look at Government's procurement for the last financial year indicates that approximately **\$50.55b** in contracts were awarded:

- **2537** service contracts;
- **339** contracts for Consultancy Services;
- **105** Security Services contracts.
- **81** contracts for Janitorial Services.

These are all contracts that must be approved by the Cabinet, with value of over **\$40m** through the Infrastructure Sub-Committee. We still have not yet tabulated the value of all those works contracts below the threshold of \$500,000 issued by several Ministries, Departments and Agencies which we suspect will run into several billions. That is why we will be introducing a new public procurement regime which will address the following:

- Electronic Government Procurement;
- A new procurement law will be promulgated soon;
- The revision of the public procurement handbook is complete;
- We have established a weekly public procurement page in the national newspapers;
- A new cadre of public procurement professionals within the public sector is being developed,;
- A new regime for insurance placement in government will be developed;

- A public procurement policy office within the Ministry of Finance and Planning has been designated;
- The NCC will be separated from the OCG with its own offices and staff;
- The NCC will be renamed the Public Procurement Commission in the new law;
- Establishment of a Public Appeals Board (PAB) as an independent tribunal to adjudicate contractor complaints in a procurement process. This administrative tier will strengthen the integrity and transparency of the public procurement process;
- A further revision of approvals threshold;
- The revision of emergency contracting procedures; and finally,
- The requirement of Ministry of Finance and Planning's comments on all contracts prior to approval **has been** removed.
- Most importantly there will be a new Contractor Registration system

I am happy to say **Mr. Speaker**, that our stakeholders, mainly the MasterBuilders Association of Jamaica, have fully endorsed the new public procurement regime. The new Bill will be tabled shortly in this Honourable House.

JAMAICA CUSTOMS AGENCY

Mr. Speaker, part of the public sector reform initiatives I reported to this Honourable House last year, was to transform the Jamaica Customs Department into an Executive Agency. This has been done.

Since being accorded Executive Agency status, the Jamaica Customs has improved its performance as the second largest revenue collection agency of the State.

For FY 2013/2014, the Agency's net revenue collection was **\$134.254b** which is **\$14.172b** or **12%** above the previous year (FY 2012/2013). As at **June 18, 2014**, the YTD target for the current fiscal year is **\$27.896b** while the YTD collection was **\$28.270b**, therefore exceeding its current YTD target by **\$0.374b** or **1.34%**.

The new tax reform measures also make special provisions for improving efficiency and customer relations at Customs. These new reform measures include:

- Amendment to the Customs Tariff in relation to retaining the recently changed **5%** Duty on Light Emitting Diodes (LEDs) in keeping with the GoJ stated Energy Policy;
- Reform of the Provisions of the Customs Regulations to update the schedule to reflect current best practice and improve the administration of the Customs Act;

- Amendment of Customs Act to allow for CET Suspension to allow for a standardized, criteria driven application in accordance with the Treaty of Chaguaramas; and,
- Amendment to the existing Customs Act to provide for the implementation of the ASYCUDA system to enhance border control and protection, which I announced last year. This is now being implemented.

Mr. Speaker, the United Nations Conference on Trade and Development (UNCTAD) has received the first payment for Technical Support which will be provided for the integration of the ASYCUDA World system. Phase I of the project commenced on **April 7, 2014** with the UNCTAD team administering training in the relevant areas of system configuration and employee orientation.

To date, a functional Team has been put in place and stakeholders' sensitization sessions have been held with Customs Brokers and the Chamber of Commerce, among others.

Mr. Speaker, the ASYCUDA Feasibility Study projects that Customs revenue will increase by **10-20%** once the system is fully implemented. It will guarantee transparency, uniformity/standardization and consistency of Customs procedures. The ASYCUDA project will improve Customs Control and risk management capabilities thereby reducing the incidences of smuggling. The operations of the JCA will be further strengthened to promote trade and accelerate the expeditious clearance of goods from our ports.

This is part of the refocused public sector transformation programme to enhance Jamaica's 'Doing Business' profile.

THE GAMING INDUSTRY

Mr. Speaker, I begin the review of the gaming industry with a summary of the recently held Gaming Industry Summit. This inaugural conference expanded on the initial horseracing summit which was held last year, to include all the major stakeholders from the betting, gaming, lotteries, casino, financial and legal sectors.

Coming out of that initial summit, the government responded to the requests of the stakeholders and the following initiatives were implemented:

- Sunday racing was re-introduced and expanded to include the OTBs;
- The restructuring of the betting levy orders enabled the redistribution of revenue from the consolidated fund to breeders, Caymanas Track Limited (CTL) for purses and the Jamaica Racing Commission (JRC);
- Telephone and text betting regulations were promulgated.

The goal of this year's summit was to further refine the strategy for the entire gaming industry in order to tap into the enormous economic potential available in this estimated **JA\$95b** industry.

Mr. Speaker, Jamaica's Gaming Industry has undergone significant growth. For the **2013-14** fiscal year, intake to the government from this industry was **\$4.583b**, an increase of **11%** over the previous fiscal year. This sum included monies to the CHASE Fund, BGLC, JRC and to the Consolidated Fund.

Mr. Speaker; this is not the kind of revenue intake in the economy that any sensible administration can ignore. Thus, the required efforts are being deployed in order to guarantee the highest level of **integrity**, **transparency** and **profitability** within this industry.

The main policy objectives of the government at this time are to preserve the **integrity** of the industry, **foster growth**, the **creation of jobs** for our people; while protecting the randomness of all the games and at the same time, ensuring that the regulators can correctly calculate the appropriate taxes due to the government. Also, to ensure that investors in this growing industry are not threatened by the ever increasing incursion of illegal operators from whom no taxes can be collected.

An example of the potential of this gaming industry is an estimated **US\$400b** being spent globally on this current FIFA World Cup alone. In Jamaica, the BGLC has conservatively estimated that sports betting revenues have increased by over **400%** daily, since the start of the world cup.

Once again, **Mr. Speaker**, this is not the kind of industry that we can ignore. We intend to continue tapping into this industry.

THE BETTING, GAMING AND LOTTERIES COMMISSION

Mr. Speaker, in an effort to ensure the integrity and probity of the games, the Government has introduced certain amendments to improve the regulatory framework. These amendments aim to:

- Strengthen and improve the regulatory oversight of the Betting Gaming and Lotteries Commission (BGLC) so as to develop and expand the industry in an orderly manner, while at the same time increase the Revenue streams through:
- The expansion of the sports betting and lottery industries through the licensing of new outlets;
- Introduction of fees for activities undertaken by the Commission in the gaming machine industry;
- Licensing fees for certain persons operating in the horseracing, betting, gaming and lotteries industry;
- Introduction of Telephone Betting Regulations;

Additional Amendments were made to the BGL Act to facilitate:

- Inclusion of a Fixed Penalty Order;
- Imposition of monetary fines for breaches committed by licensees; and,
- Increasing the gaming machine limit (from **150 – 225**) for operators, who held gaming machine licenses prior to the Amendments to the BGL Act in 2010.

PROCEEDS OF CRIME ACT (POCA)

Mr. Speaker, the further development of this industry in Jamaica is predicated on an environment which not only facilitates the business aspects of the industry but regulates in a manner that keeps the industry clean.

Our ability to attract and maintain both local and foreign investment depends on fostering an environment that prevents money laundering. Money laundering is estimated to be between **US600b** and **US\$1.5 trillion** worldwide and the gaming industry is high risk for this activity. In the Caribbean, it is estimated that **US\$50b** is laundered on an annual basis.

The Government is taking steps to improve Proceed of Crime Act (POCA) with the passage of amendments, which will allow for greater effect in the fight against money laundering and illegal betting and gaming practices. Thus, regulated entities that are deemed as:

- **Designated Non-Financial Institutions (DNFI's)** such as gaming machine operators and casino operators are now subject to strict guidelines relating to financial transaction volumes.
- The new regulations for gaming machine operators licensed under the BGLC Act came into effect from 1st April 2014 and casino operators, licensed under the Casino Gaming Act also came into effect on **April 1, 2014**.

MERGER OF THE BGLC AND THE JRC

Mr. Speaker, the merger between the Betting Gaming and Lotteries Commission (BGLC) and the Jamaica Racing Commission (JRC) is being pursued in accordance with the plans under the Public Sector Transformation Programme and will be undertaken in two phases:

- Phase I is a partial merger of the finance, human resource and core enforcement functions;
- Phase II is a merger of other operational functions and the introduction of new legislations to effect the merger.
- The Merger Committee, assisted by a consultant, is in its final stages of defining the merger strategy, based on consultations with the Ministry of Finance and Planning. Phase I is expected to begin in **August 2014** and completed by **October 2014**.
- **Mr. Speaker**, we are also looking forward to the upcoming completion of the construction at Hagley Park Road where both entities will be accommodated in keeping with the Government's policy of space rationalisation. After that, we will move to phase II

THE HORSE RACING INDUSTRY (CTL)

Mr. Speaker, when this Administration took over the operations of the CTL, it was mired in debt, losses, nepotism, incompetence cronyism and corruption.

As I speak, **Mr. Speaker**, the audited financial statements for 2014 are ready. CTL has continued on a course of financial and operational prudence.

- Debt has been reduced;
- There is vastly improved management of the plant;
- Sunday racing has been doubled;
- The income streams have been diversified;
- The facilities at the Track are being marketed for non-racing activities;
- The physical plant has been greatly improved;
- The relationship among the stakeholders has never been better;
- Reduction of operating losses by over 42% (from \$68.5m to \$39.6m).

All of this was achieved, **Mr. Speaker**, with the government being unable to capitalize CTL; and for three years, they have operated without a capital budget which saddled the entity with an obsolete and aging fleet which are critical to operating a modern race track. The Board and Management of the Track must be congratulated for this significant achievement.

There is no doubt that the Track is in need of significant capital injection to continue its modernization which the government is unable to undertake.

Therefore, the divestment plan for Caymanas Track Limited is proceeding apace.

- A new enterprise team was charged with the mandate to facilitate the divestment of the entity. The team (assisted by a Strategic Consultant) continues to work towards the finalisation of this transaction before the end of the year.
- There have been two expressions of interest to date; one from the Racing Divestment Committee (a local stakeholder group) and the other from Britnelle Development Group LLC (Maryland, USA).
- The government is not opposed to the relocation of the present track within a vicinity of not less than three to four miles from its present location.

Mr. Speaker, CTL possesses tremendous potential to become a viable and profitable entertainment entity, provided the right vision and investments are in place. The company has recently entered into an agreement with bookmakers that will see them acting as agents for CTL. This engagement with the bookmakers represents a potential revenue inflow of **\$1.8b** to CTL.

Similarly, there is huge untapped opportunity for the company to expand into the gaming machine segment and grow its share of the local horse racing betting industry. CTL currently has the licenses for **500** gaming machines which could enable potential investors to build out Caymanas Park, not only a horse racing venue, but a full range gaming complex.

INTEGRATED RESORT DEVELOPMENTS

Mr. Speaker, the continued growth of the gaming sector can be exponential with the advent of casino gaming. This is expected to be introduced with the concept of Integrated Resort Developments (IRDS).

IRDs are luxury resort developments which are expected to cater to "high spenders" and include but are not limited to hotels, villas, sporting and recreational facilities, shopping centres and casinos. The expiry date for the receipt of applications is November 30, 2014. A total of **FIVE (5)** applications were received from the following:

- Amaterra Jamaica Limited
- Celebration Jamaica Limited
- Harmony Cove
- Jamaica Casino Royale
- Fiesta Jamaica Limited (a subsidiary of Palladium Hotels and Resorts)

Given various issues, including partial and non-payment of the application fee, the Attorney General's Chambers advised that some of the applicants were non-responsive to the RFP. Accordingly, the Ministry was obliged to discontinue its review of two applications, while another withdrew. The Financial Investigations Division of the Ministry has begun the due diligence exercise in the process.

At the same time, **Mr. Speaker**, the Casino Gaming Commission is ramping up its preparations, including staffing and will be fully ready to give full regulatory oversight to casino operations in Jamaica.

INTERNET GAMING (iGAMING)

Finally, **Mr. Speaker**, as I close this section on the gaming industry, I would like to say a word about internet gaming.

Internet Gaming is the future of gaming. This online gaming business is advancing and changing the model of the gambling industry worldwide as many consumers turn to the Internet to bet on sports, gamble on slots, or play cards. The Government is mindful of the potentials of *iGaming* and is reviewing the possibilities for this platform.

A report by Forbes Magazine titled "*Online Gaming: A Gamble or a Sure Bet?*" states that iGaming already produces more than **US\$20b** in worldwide revenue and may be ready to grow further.

Also, the last Juniper Research study in the US projects that internet placed bets will reach **US\$100b** by 2017. Internet gaming is taking place illegally in Jamaica. Therefore, it is time that we make that progression to this methodology of gaming, as Jamaicans are already well equipped with the devices to facilitate this.

The legal and regulatory framework must be in place to enable the government to earn revenues from this activity.

CONCLUSION

Mr. Speaker, as I close my presentation, I wish to reiterate that all Jamaicans must recognise that securing the growth and development of this country is a collective responsibility. Now is the time for us to unite, because, **Mr. Speaker**, unity is strength.

Indeed, some great strides are being made with respect to economic reform and public sector modernisation. I have highlighted several of the initiatives in my presentation – the reengineering of the public procurement regime, public sector transformation, pension reform, the expected technological and legislative improvements at Customs, the improved gaming landscape being made possible through critical pieces of legislations and mergers, and importantly, the continued development of public sector workers to prepare them for work in a modern economy.

Mr. Speaker, the current gains in economic reform and public sector modernisation are being consolidated to position our country firmly into a modern economy characterised by:

- Growth in all economic indicators;
- Rapid evolution and adaptation of technological change;
- Dynamic efficiency in public service delivery;
- Increased productivity; and,
- Structural transformation.

Mr. Speaker, achieving these **FIVE** objectives is the vision of this Administration being led by the Most Honourable Portia Simpson Miller.

This Government was elected to office to help steer this beautiful Island into calmer 'seas' and advance the hope for a brighter future for our people.

We are working tirelessly to effect the critical reforms, thus, 'sleep' is never an option.

That's why our economic reform programme is on track;

That's why growth has returned;

That's why the IMF Agreement is securely in place; and,

That's why the confidence of the Jamaican people has returned and is moving up.

All these have been accomplished because this Administration has NEVER fallen asleep or become complacent on the job.

We are committed Mr. Speaker. We are committed to staying the course.

I thank my colleague Minister at the Ministry of Finance and Planning, Dr. Peter Phillips as I do all my other Cabinet colleagues. I want to recognise in this Parliament, Minister Phillips in a special way for the leadership shown in Jamaica's economic reform programme. Your clarity on the need for reform, your unflinching focus and capacity for work are exceptional.

As I recognise the Minister, I acknowledge and thank the team at the Ministry and its Agencies and Departments, my personal team, all my sector leaders, Trade Union leaders, all workers in the Public Sector, thank you for your support.

I must associate with these expressions, you Mr. Speaker for your continued wise leadership of this House, as well as, all my colleague Parliamentarians and the staff of this Honourable House.

I must thank my Constituents, the people of Northern Clarendon because without their support and confidence, I could not be here today. Mr. Speaker this is my 20th year representing them in this Parliament and so, this is fitting for me not only to recognize this milestone, but to recognise, the hardworking, independent resourceful people of Northern Clarendon.

I am humbled by their trust and confidence, love and support and I pledge to continue my work to transform this beautiful part of Jamaica. I thank also, my three Councillors, my Constituency Executive Members, PD Workers, and the wide cross-section of people who give support as I carry out my duties as Member of Parliament and a member of the Cabinet of Jamaica.

I must also thank the Most Honourable Prime Minister, Portia Simpson Miller for the trust and confidence, placed in me to be a member of your Cabinet. Your leadership of the team has been exemplary; your deep and abiding love for the people of Jamaica is all you know. It is the tremendous love and goodwill that you enjoy from the Jamaican people that has been the linchpin in the success of the economic reform programme. The people of Jamaica trust you and we your ministers, will do everything to be worthy of that trust by turning around the economic fortunes of the people of Jamaica.

To my dear family, I could not do what I am assigned to do if I didn't enjoy your love and support. You see the stress regularly as I dedicate my life to public service over these last 20 years.

And to the people of Jamaica, thank you. I invite every Jamaican to be a part of the mission to create a better Jamaica. We sometimes disagree on many things but let it be known, that there is no mountain too high, no burden too heavy, no barrier too strong, that we will overcome to build, a just and prosperous Jamaica.

And finally, I must give thanks to the great architect of the universe, Almighty God for His blessings and His favours.

May He continue to bless Jamaica Land We Love.