

SECTORAL PRESENTATION, FY 2016/2017

By

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THEME: Empowering People – Securing Our Nation’s Future

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INTRODUCTION

Mr. Speaker, last week we lost perhaps the greatest boxer of all times, Mohammad Ali. He was not only a brilliant sportsman but a humanitarian extraordinaire.

Ali said and I agree “service to others is the rent you pay for your room here on earth”

Mr. Speaker, when I started my sojourn in politics as a member of the People’s National Party in 1983, my aim was to serve the people of Jamaica and to do my best to improve their lives.

As a Senator, a Member of Parliament and a Minister, I have always done my best even if it meant challenging the norms, to advance and improve the lives of our people.

That is what politics and representation of the people must be about; unselfish service, stepping outside the box and taking risks, if there is a chance that we can give people opportunities to progress and be the best that they can be.

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The change of administration in February/March of this year has provided our team the opportunity to re-energize, refocus and re-engage our people around the important issues of economic growth, sustainable development and progress.

Importantly also, the people of our country now have the opportunity to evaluate what would have been more beneficial to them over the long term...the empty promise of prosperity or a partnership for progress and real achievements.

I believe that the promise of quick Prosperity sends a bad message.

We are all familiar with the negative consequences of the get-rich-quick mentality not only on our people but on the image of our country, as a haven for scammers. We also know that our people had to make sacrifices during the economic reform programme and continue to feel austerity fatigue and frustration. The Government needs to come clean to the people who were fed a steady diet of empty promises during the campaign. The over promising and under delivery could result in the social chaos that has afflicted other countries going through similar reforms.

We must always tell our people the truth...as servant leaders we must never deceive the people.

The gradual reduction of confidence in the government's inability to deliver on its promises reinforced by expectation that more debilitating taxes are coming does not give us any comfort for the future.

The revered ancient Indian Philosopher, Economist, **Kautilya**, wrote centuries ago and I quote: *“Just as one plucks fruits from a garden as they ripen, so shall a King have revenue collected as it becomes due. Just as one does not collect unripe fruits, he shall avoid taking wealth that is not due because that will make the people angry and spoil the very sources of revenue.”* End quote!

Today, Mr. Speaker, we must ensure that our people, especially our youth do not fall victim to hopelessness, broken promises and hardship fatigue. Jamaicans from all walks of life have sacrificed too much to achieve the gains we have made. As a responsible opposition, we will not stand idly by and allow these gains to be squandered at the altar of political expediency.

Real progress, Mr. Speaker, must be underpinned by confidence, inclusiveness, integrity and positive values and attitudes.

Mr Speaker, despite the disappointing loss, our commitment to the people has not waned. We are energised and will continue to work to ensure that we make "*Jamaica, the place of choice to live, work, raise families and do business*".

Progress and the achievement of sustainable development are appropriate messages to positively influence rational and realistic expectations.

Even some of the harshest critics of our administration have acknowledged that given where Jamaica was in 2012, the period between then and March 2016 was arguably one of the best in the achievement of economic and social stability of any administration.

Already, we are gratified that many of the policies now being implemented are a continuation of initiatives started by our administration.

While the focus of my presentation will be on the subjects assigned by the Leader of the Opposition – Energy and Mining, I will briefly reflect on the subjects which comprised my portfolio as Minister of Science, Technology, Energy and Mining, in particular the telecommunications Sector.

Reflections on Science, Technology and Innovation

Mr. Speaker, during our tenure, we were steadfast in the promotion of science, technology and innovation as the keys to development of new products and services; increased production and enhanced productivity and the generation of meaningful jobs.

In this regard, we promulgated and implemented policies critical to the success of the national growth agenda.

- We revitalized the National Commission on Science and Technology (NCST)
- We focussed on the contribution of science, technology and innovation to national development.
- We promoted science, technology and innovation through initiatives such as the National Innovation Awards with emphasis on Innovative Youth.

- We revamped the mandate of the Scientific Research Council (SRC) to enable the organization to become more responsive to the challenges of sustainable development and the facilitation of new industries
- We facilitated investments in the vibrant ICT sector, with sharpened focus on Business Process Outsourcing (BPO)
- We crafted the Science, technology and innovation ‘road map’ designed to create the critical path toward entrepreneurship, employment and wealth creation.

Telecommunication/ Information Communication Technology

Mr. Speaker, I can proudly claim paternity and leadership of the information technology revolution in Jamaica. Oftentimes, I had to swim against the tide but I was never daunted. I was always motivated by the people of Jamaica whose interests all of us who are honoured to represent them must protect.

Indeed Mr. Speaker, during the period 1995-2016, I have been either Minister or Shadow for that portfolio. For the first time in 23 years, I will not have portfolio responsibility or opposition oversight for that subject. *This is clearly an act of renewal, by our leader and supported by me.*

I therefore wish to congratulate my colleague and able partner in the Ministry, Julian Robinson who has now been assigned responsibility for Technology.

Liberalization of Telecommunications Sector/ Competition

The process to liberalize the telecommunications market was conceptualized as far back as 1993 during my tenure as the Executive Director of the newly established Fair Trading Commission. The first order of business was to design an appropriate approach to breaking the monopoly, while ensuring that an effective competition policy was in place. Our early intervention involved the tackling and approval of value-added services.

We carried our commitment to liberalize the industry forward in 1995 when I became Minister of State with responsibility for technology.

Prior to 1999, the Jamaican telecommunications sector was dominated by Cable and Wireless Jamaica, (C&WJ)

In 1988, (your time) the company was granted five exclusive licenses each for 25 years, which would be valid until 2013, with options for extensions for a further 25 years to 2038. The licenses made C&WJ the sole provider of the island's domestic and international telephone service and guaranteed an after-tax rate of return of 17.5% - 20%.

This was a burden on the backs of our people... This was untenable.

On September 30, 1999, the historic agreement was signed between Cable & Wireless and the government of Jamaica. This agreement facilitated the phased liberalization of Jamaica's telecommunications sector until full liberalization was completed in March 2003.

With the abolition of the monopoly, the market was open to new investments and competition. Two new cellular licenses were issued in 2000 to Digicel and Oceanic Digital Jamaica.

We facilitated further competition in the telecoms sector with the entry of another player in 2005, Flow

Liberalization of the telecommunications sector has had a positive impact on Jamaica's Gross Domestic Product (GDP) and Government revenues. Investment by the various players in the telecoms sector has been quite significant since liberalization began in 1999. In excess of US\$ 2 billion has been invested in this sector by LIME, Digicel, Claro and Flow over the last decade; with direct employment exceeding 2,000, and substantially more spin-off employment/economic activities.

More importantly, liberalization has led to increased competitiveness and growth in the Information and Communications Technology (ICT)/Business Process Outsourcing (BPO) sector. The ICT/BPO sector contributes approximately 5% to GDP, employing well over 18000 individuals. The single most crucial factor that has led to this growth is the significant reduction in telecoms cost to BPO operators for example the cost of T1 line was United States dollars 30,000; today the cost is US\$ 400 for equivalent capacity.

Consumer benefits of competition in the mobile market are conservatively estimated to have exceeded J\$ 16 billion during the first 10 years of liberalization, largely due to fierce rivalry among the top three major players.

Impact on Government revenues has been outstanding. Over US\$ 92 million was secured from the sale of two mobile carrier licenses in 2001. Most recently, the renewal of mobile carrier licenses and the award of new spectrum licenses saw the government of Jamaica receiving over US\$ 115 million in revenues.

Mr. Speaker, we also recently facilitated the entry of a new player into the Jamaican market, which will further generate increased competition and attendant spinoffs in terms of quality service at a lower cost.

Impact on Communication

Mr. Speaker, many of our young Jamaicans may not believe that prior to liberalization in 1999, we had a teledensity rate of 17%, one of the lowest in the Caribbean. Today, there are approximately 3 million mobile subscribers reflecting a penetration rate of over 100%. Internet users continue to grow significantly, though not as fast as mobile subscribers. There were fewer than 80 000 internet users prior to 2000; this number grew to an estimated 1.6 million by 2009.

It is undeniable that Jamaicans had limited means of communication before liberalization; this is now virtually a thing of the past. From phone calls to smartphone apps; Jamaicans can communicate with family members, loved ones and friends across the globe. They are even able to do this for free once they have internet.

The Universal Service Fund

Mr. Speaker, one of the most profound legacies of the liberalization of our telecommunications sector has been the success of the Universal Service Fund originally, the Universal Access Fund which we established in 2005. Since its implementation just over 10 years ago, over \$14 billion has been collected, providing funding for a range of development projects.

This Fund continues to be financed through a levy of US\$0.03 per minute on inbound international calls terminated to fixed lines, and US\$0.02 per minute on calls terminated on mobile lines in Jamaica.

During its conception and early implementation, the carriers from overseas were opposed to it; the American Government was opposed to it and for about three days Jamaican consumers could not make international calls. Mr Speaker, I remember how some people called for the Minister's head. History has absolved the Government and today the Universal Service Fund is making a critical contribution to national development.

The Fund now supports a wide range of programmes that add value to the lives of our people through easy access to communications technology and the enhanced delivery of education and training.

Over 250 Community Access Points, CAPs have been commissioned into service.

Community Access Points are Internet service facilities established in collaboration with community organizations throughout Jamaica and funded by the Universal Service Fund in furtherance of the Government's Universal Service Obligation.

Computers, associated equipment, and Internet access are provided to allow Jamaican residents to access the Internet. CAPs enable members of communities to use the internet at minimal or no cost to them to facilitate research, bill payments, education, communication, business, marketing, and social networking. The CAPs also facilitate basic computer training. Expenditure in establishing the CAPs is some \$700 million. During the Administration's final year in office over 50 CAPs were established.

In addition, well over 334 health facilities such as hospitals, health centres, and regional offices, were connected to the broadband network, so their efficiencies can be improved and their most

critical sites connected. We undertook a similar programme for the Jamaica Constabulary Force. We also actively promoted E-learning including the Tablets in Schools Programme. In this great success story, over 28 thousand tablets were issued to schools and colleges in a pilot project. We urge the government to continue these programmes.

Number Portability

Number Portability is now a reality and consumers can move their number and seamlessly switch from one service provider to another. Number portability for both mobile and fixed line services is of critical importance to the maintenance of competition and the facility can be advantageous to the Jamaican consumer in many ways.

Importantly also, studies indicate that the introduction of number portability facilitates greater competition in the telecoms market which can ultimately result in lower prices and more innovative products and services.

Number portability can also eliminate some of the costs, inordinate delays and inconvenience that businesses and individuals encounter when changing from one telecoms provider to another.

Internet Exchange Point

Jamaica is now benefiting significantly from the Internet Exchange Point facility which allows local Internet service providers to exchange Internet traffic between their networks at a reduced cost. Formerly, all Jamaican Internet traffic was routed through Miami, Florida, in the United States, which came at an extra cost to the country.

My Ministry undertook the initiative because having a local IXP connection could save more than US\$2 million per year on international transit costs and significantly reduce network latency due to improved bandwidth and shorter distances for the data to travel.

Domestic-bound traffic does not have to be routed via international links before being delivered.

International content providers such as Google and Netflix can now be induced to host their content locally.

Mr. Speaker, I remain an unrepentant advocate of ICT for development! The records will show that I have not only talked the talk, but I have walked the walk.

Sometimes it has been arduous and bruising.

Mr Speaker and colleagues, for meaningful change you have to be prepared to take risks. Along the way as I sought to change the status quo, I have been vilified, but the successes and the benefits to our people have given me satisfaction and drive to do even more.

Where do we go from Here?

Now that we have a great infrastructure for a knowledge based society, what is our vision of the future? As a country, we must:

- *Exploit infrastructure through innovation for wealth and job creating activities*
- *transforming into a more efficient/ effective society lead by GOJ*
- *Greater focus on value added services in software development and creation of apps.*
- *using our dynamic culture to focus on content*

Content Development

Mr. Speaker, the country's growth agenda will be seriously compromised if we fail to recognise, appreciate and promote the business of content development in this country.

Already, through our efforts and the development of strategic alliances, a growing number of our bright and talented young people are grasping emerging opportunities with enthusiasm.

This is reflected in the progress of projects such as the GOJ/World Bank Project "Youth Employment in Digital and Animation Industries" and the Start-up Jamaica Accelerator project. These initiatives target our youth; they are designed to generate self-employment; they embrace

private/public sector participation and they can empower our people to access well-paying jobs and opportunities for entrepreneurship.

The Internet of Things

We have established the environment and infrastructure to facilitate the use of ICT for development. Broadband Internet has become more widely available. The cost of connecting is decreasing. More devices are being created with Wi-Fi capabilities and built-in sensors, technology costs are trending downwards, and smart phone penetration is increasing.

Mr. Speaker, it is evident that among the technology trends taking place right now the “Internet of Things” has the greatest potential for the most disruption as well as the most opportunity over the next five years.

With the advent of the “Internet of Things” transportation networks and “smart cities” can help us reduce waste and improve efficiency. Countless studies indicate that by 2020 there will be over 26 billion connected devices. This giant network of connected “things” will include what relationships will be between people to people, people to things, and things to things.

Mr. Speaker, in addition to freeing up the telecommunications sector, our administration signaled its support for the ICT sector through policies that guide its development. These include the Electronic Transactions Act and the revision of the Telecommunications Policy of 2007 which provides an updated policy framework for the sector. The Data protection Bill and the Cyber Crimes Bill were also enacted. The legislative framework now in place protects those involved in the sector. Investments can be undertaken with a fair degree of confidence.

ENERGY

Mr. Speaker, the Throne Speech by the Governor General sets the tone for the general thrust of government policy for the financial year and major issues that would be addressed.

For the first time in over a decade or more energy was not mentioned in the Throne Speech, despite the obvious fact that energy is the lifeblood of economic development. Developments in the energy sector and the tremendous strides that have been made to revolutionize it must not be minimized. The energy revolution we started mirrors the successes achieved by the ICT revolution and with similar far-reaching implications for economic development and growth.

Given the importance of energy to the growth and development of our country, we need to properly engage our people in the process of achieving energy diversification, energy efficiency and conservation. We on this side are expecting energy, to remain high on the agenda of national development.

Base Load Developments

Mr. Speaker, as Energy Minister, I was acutely aware of the fact that Jamaica's economic competitiveness depends on the reduced cost of energy.

You may recall that in 2012, we inherited a procurement process that would ensure that electricity prices remained high. In fact, after the procurement for a floating storage and regasification unit came out at US \$0.17 per kWh (which did not include the cost of fuel). I halted and subsequently abandoned that process. It would have been a bad deal for Jamaica.

The Office of Utilities Regulation (OUR) started another process (informal) in 2013 which attracted prices as high as US \$0.23 wholesale to grid. In good conscience and in the national interest, **I could not and would not** recommend any of the bidders to cabinet. Then came a proposal from EWI for US \$12.8 cents along with the promise of supplying *Liquefied Natural Gas (LNG)*.

That offer from EWI effectively established a benchmark of below US \$0.13.

Per kWh!

Mr. Speaker, I must acknowledge the support I received from then Opposition Spokesman on Energy, Minister Samuda. In the face of misunderstandings and innuendoes, he took time to understand the issues and in a show of patriotic responsibility, supported my position. This

magnanimous act has not been lost on those of us who are focused on the best interest of our country. I pledge to exemplify that attitude in my role as opposition spokesperson.

As we all know the process was aborted and ESET was established with a mandate to guide the process to lead the efforts to procure new base load capacity. Thereafter two significant game changing dynamics occurred.

1. I modified JPSCo license to enable the energy provider to renew its existing generating unit. This effectively removed the procurement from the purview of the GOJ to the JPSCO.
2. After negotiations with the United States Secretary of Energy and myself which was solidified with the visit of President Obama to Jamaica, we became the first non-NAFTA country to receive a license for LNG to be supplied from the United States to Jamaica.

Mr. Speaker as a result of the two matters above and under the active supervision of the ESET JPSCo has moved with great alacrity to:

1. Introduce liquefied natural gas at its 120 megawatt power plant at Bogue in Montego Bay, St. James. The 12 year old power plant is being converted at a cost of US 22.7 million dollars and gas will be supplied by the US based new Fortress Energy Company. Infrastructure cost of about 50 million US dollars.
2. Develop 190 megawatts of new capacity at Old Harbour has been finalised. LNG will also be supplied by New Fortress Energy and the total investment will amount to more than US 400 million dollars. This will also include the establishment of a Gas Hub for the region.

Renewable Energy

Mr. Speaker I declared in 2012 that achieving the then 20% renewable energy target by 2030 was not ambitious. I announced then that we would raise the bar to at least 30%. So I would like to correct both the now Minister of Energy and the Prime Minister that this target was long established long before their recent announcement on the matter.

Apart from a heightened level of advocacy we were able to achieve great success through real policy action.

The first action was the introduction of the Net Billing Programme.

Net Billing Programme

Since I started the programme in 2012, a total of 400 net billing licenses have been issued. Of note is the number of small businesses that are getting involved including chicken farmers.

Mr. Speaker, the award of the licenses is part of measures to liberalize the energy sector and diversify the energy base. These licenses allow persons to sell excess energy generated through renewable sources to the Jamaica Public Service (JPS) grid. Other activities to support renewable energy started with the removal of the monopoly arrangement involving the PCJ, and the PCJ is now a competitor within the field. In addition, we removed the tax on solar equipment, GCT was removed on a range of items and we enabled DBJ to provide loan funding for renewable energy projects.

Other Achievements:

- Licences and Power Purchase Agreements (PPAs) for 80.2MW of renewable energy.
- Broke ground for two (2) wind projects – Wigton 111 Wind Farm (24 MW) and Blue Mountains Renewables (36.2 MW) and the WRB 20MW Solar Project in Content Village, Clarendon –the largest solar project in the English-speaking Caribbean.
- These renewable projects delivered investments of over US\$200M (J\$23 billion)

Hydro Developments and Feasibility Studies:

In 2014, the Jamaica Public Service (JPS) officially commissioned its Maggoty hydroelectric power plant on the Black River in St Elizabeth.

The plant which was constructed at a cost of over US\$36 million will add 7.2 MW of electricity to the national grid – the single largest hydro development since independence. The hydroelectric power plant will generate electrical power, using the natural flow of the Black River, as opposed to traditional generation methods which involve fossil fuels. It was the ninth such plant to be operated by the power company, thereby expanding its renewable energy portfolio, which includes a 3 MW wind farm.

In addition, we signed a contract valued at just over US\$1 million for Hydro feasibility studies at several sites across Jamaica for the provision of at least 20 mw of electricity.

The selected sites are: Rio Cobre; Negro River; Spanish River; Martha Brae River and Morgan's River. In addition six (6) additional sites are being explored: Green River; Wild Cane River; Rio Grande 1; Rio Grande 2; Swift River and NIC Irrigation Channel

MINING

Comprehensive Mining Plan

A major priority of my ministry during our tenure in office was the promulgation of a comprehensive plan to fully develop and expand the minerals sector during the 2015-2018 planning cycle.

This would involve:

- Finalisation of the National Minerals Policy creating framework to attract investments in the industrial and metallic minerals sectors (including prospecting for gold and copper as well as the exploitation of Jamaica's limestone potential
- Prospecting for copper and gold in Jamaica is once again generating investor excitement. Positive signs are emerging that the country has commercially viable gold and copper deposits. For instance, prospecting activities in Bellas Gate, Clarendon, and Connors district in St Catherine have yielded encouraging results of copper and gold deposits.

During our administration, two Canadian firms, Miocene and Carube, in a joint venture with OZ Minerals, started exploration activities and so far the significant yields of copper and gold, as well as other minerals have come from four of 14 earmarked drill sites.

The companies have a budget of Canadian \$3.6 million for the project and have so far spent close to Canadian 2.9 million.

- **Limestone:** The Limestone Sector is a major part of Jamaica's industrial minerals sector. Jamaica has in excess of 250 billion tonnes of minable limestone of varying qualities. These materials are distributed throughout the country, including areas that are currently not the most accessible and which may not be the most economically feasible for commercial exploitation.

Our plans included a focus on expanding the sector's value-added possibilities. Focus was placed on the manufacturing of lime, hydrated lime, cement, grout, thin-set, boulders for coastal protection, slabs (commercial marble / recrystallized limestone) for cladding, flooring, furniture and other purposes.

- **The National Minerals Policy**, which was left in an advanced stage of development, was designed to provide bankable information on incentives that can facilitate growth within the Minerals Sector (MS), particularly the Industrial Minerals Sector (IMS).

BAUXITE AND ALUMINA SECTOR

Mr. Speaker, the Bauxite Alumina industry remains resilient despite challenges over which we had limited control such as the slow recovery of the world economy resulting from mounting geopolitical tensions and a general cooling in major economies such as China and Japan.

Activities within the bauxite/alumina sector are gaining traction and therefore the overall prospects remain positive over the medium-term. The programme to restructure the sector's energy use to substantially reduce costs and improve efficiency must continue apace.

Mr. Speaker, Caribbean Alumina Partners (CAP) losses are no more and the stage has been set for the country to recoup those losses by expected profits in the near future.

Jamalco has become more efficient and well positioned for the future, thanks in large measure to the entry of new partner Noble.

Despite the challenges, U.C Rusal has continued to maintain operations at Windalco, Ewarton.

With respect to ALPART, that operation has been given a new lease on life. Mining has resumed, but more importantly, I have been instrumental in negotiations with a Chinese firm and U.C Rusal that will see the most exciting development on the south side of Jamaica since our independence. I was careful not to announce this during the election campaign because the discussions were still ongoing but I am pleased to have signed off on certain matters with the Chinese company in January of this year.

I am more confident than ever that the refinery will be reopened, bigger and better once certain environmental standards are satisfied. I am also excited that the prospect for aluminum smelting is real. **This project will be a BIG DEAL for Jamaica and, no doubt, the new GOJ will announce it with much fanfare.**

This promising development harmonises with our philosophy to develop the sector with new energy dynamics and with a dedicated focus on value added production.

The production of Aluminium in this country will open the door for other kinds of value-added production such as the production of industrial wire metal sheets, specialized alloys, plus opportunities for metal fabrication. Indeed, this development can give impetus to the economic transformation and industrialization of Jamaica.

Our plans for the industry are underpinned by responsible operations and the strictest adherence to national and international mining best practices. This includes pollution controls, reforestation,

issues relating to the compensation and appropriate resettling of affected individuals and in general environmental protection.

The Cockpit Country Debate

Mr. Speaker, our administration has always supported the position that there will be no mining in the area designated as the Cockpit Country, given its unique multiple ecosystems, its rich cultural values, its sheer natural beauty and its contribution to our water resources.

The challenge is that the area has some six proposed boundaries, with one of those boundaries extending into St Ann, St Elizabeth, St James, and Trelawny and would effectively neutralize the mining of over 300 million tonnes of bauxite, valued at some US\$9 billion.

At the lower end, there is another proposed boundary closer to the so called core Cockpit country which would impact access to bauxite resources, with losses estimated at US\$0.30 billion or 10 million tonnes.

This issue needs to be addressed with utmost urgency through dialogue, objective studies and public consultations.

The Future of the Industry

Mr. Speaker, recent studies indicate that despite decades of mining the ore, we have more bauxite reserves today that are yet to be mined than we have processed/exported to date. Given this fact, the emerging mining and refining technologies as well as global demand, the best days for the industry may well be ahead of us.

Mr. Speaker, we have long said that aluminum is the metal of the future.

The mega-trends that are driving the emerging markets are mobility, care of resources and recycling. These trends will also have a decisive influence on the future of the aluminum

industry. Thanks to its material properties, the wide range of processing possibilities, as well as its excellent re-usability, aluminum is the material of the future.

Mr. Speaker, I am proud of the achievements of our administration in the areas of Science, Technology, Energy and Mining. We made bold moves; we did not cower when confronted by enormous challenges. We took risks as long as there were inherent benefits for the people of Jamaica. In 2012, we found sectors that were floundering and we infused them with energy and innovation and are proud to have left tangible legacies for the people of Jamaica.

A wise man once said *"History can't give attention to what's been lost, hidden, or deliberately buried; it is mostly a telling of success, not the partial failures that enabled success"...* while the great Albert Einstein said, *"Imagination is more important than knowledge."*

Mr Speaker, we have approached our task with creativity and imagination and made great efforts in the areas relating to science and technology. We have begun the transformation of Jamaica's economic landscape. We had the courage to let go of the fears of what could happen and took bold actions that could give our people opportunities to create a better life.

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