

**Closing Presentation: Sectoral Debate 2014/2015**

**Hon Phillip Paulwell,**

**Minister of Science, Technology, Energy and Mining**

**Gordon House**

**Tuesday, July 8, 2014**

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**Introduction**

Mr Speaker, the Sectoral Debate 2014/2015 has come to an end and the many hours of thoughtful and insightful presentations from members of both sides of this Honourable House will serve us well going forward. Indeed, Mr. Speaker, although this is not unique to this year's debate, the common thread that runs through this year's presentations appears stronger. This augers well for the continuing development of our nation.

The common thread, Mr Speaker, is the recognition that strong and decisive actions must be continued if the economy is to be positioned on a path of sustainable development and the attainment of meaningful economic growth. This recognition assumes great significance given the traditionally competitive and partisan nature of our democratic process, and the high expectations of our people. The less fortunate and vulnerable bear the brunt of the necessary adjustment process. However, once empowered, these persons, through their hard work, enterprise and investment, will enable our country to grow its way out of the syndrome of unsustainable debt, adjustment fatigue and stunted growth.

Mr. Speaker, for a number of years, these debates have been criticized for their lack of structure and length. I wish to acknowledge that for next year it cannot be business as usual. For one, for the next financial year, we have to conclude the Budget Debate prior to March 31. Further, we will have to modify the operations of the Standing Finance Committee in order to achieve this. In the same breath, the Sectoral Debates will have to be more structured and time-sensitive. In that regard, I have, today, written to the Leader of Opposition Business expressing these intentions, with a view of engaging a process of reform. I wish to assure this House that this reform will have an end, because it must be implemented next year.

Mr. Speaker, all Jamaica is seized with the implementation and outcome of our IMF approved economic programme. This is understandable and as the Most Honourable Prime Minister and the Hon. Minister of Finance have done, I too acknowledge the understanding and sacrificial patience which our people have shown in regard to the tough decisions that their Government has had to take. I would be remiss in not recognising the strong endorsement of the head of the International Monetary Fund, Madam Christine Lagarde during her recent visit to this country. She observed that despite the deep-rooted and challenging circumstances facing our country, the Government of Jamaica under the enlightened leadership of our Prime Minister, the Most Honourable Portia Simpson Miller and that with strong and decisive policy implementation of our Minister of Finance Hon. Peter Phillips, we have achieved economic stability, maintained social harmony, and started the positioning of our country on the path of sustainable development and growth. These achievements and objectives are possible only with the support of our people.

As legislators and as representatives of our people, we must do our part and continue to act in the national interest by embracing the process of transformation, and the earnest search for solutions to our various maladies. We must invest our trust and abiding faith in our people, who patiently and correctly look to us for guidance and a more secure path to growth and prosperity. The strength, resilience and faithfulness of our people demand nothing less.

For our nation to grow, those of us in leadership at all levels must be less concerned with the safety of our own jobs and position in society, and step up to the plate in a more fulsome manner. We must be prepared, within the regulations and guidelines, to think outside the box in our search for solutions. Where our laws, regulations and past applications are found to be inadequate, we must be bold enough to reform them for the greater good. Indeed, we now stand on a strong foundation of democracy because those who have walked this way before us had the strength of conviction to make a difference for the peoples' good. I am patently aware that this route least travelled is not easy, not always safe, not always popular; but, if pursued with focus and purpose, we will succeed. Mr. Speaker, we have no choice but to carry that burden in representing our people and working for this nation.

Mr. Speaker, I will now address a number of recent developments as well as some issues that have been raised during the Sectoral Debates.

### **Telecommunications/ICT**

Mr. Speaker, Jamaica's Global Information and Communications Technology (ICT) ranking has been fodder for much debate. I wish to set the record straight on this most important matter. These rankings tell the world the nature of our social and economic progress; the readiness of our society to use ICTs; actual usage of ICTs; and the impact that ICTs generate in the economy. These rankings can therefore exert a powerful influence on decisions that generate foreign direct investments (FDI).

Reports such as the 'Global Information Technology Report' (GITR) from the World Economic Forum (WEF) and 'Measuring the Information Society' from the International Telecommunications Union (ITU) indicate that our rankings are below that of some of our competitors and major trading partners.

However, we strongly believe that in some instances, the data used to inform the ratings were inadequate and also did not take into consideration the significant prepaid and wireless characteristics of our market, especially the way we access data. Mr. Speaker these reports focus, for example, on fixed broadband and fail to recognize the pervasive use of mobile/smart phones that utilize wireless services.

Mr. Speaker, in recognition of this reality, I personally met with the Secretary General of the ITU in Geneva, Switzerland where this was one of the issues discussed. It is clear that prior to this, the data collection for the generation of these rankings did not take into account the peculiarities of our market. It is now agreed that the data-gathering will be carried out independently by the Office of Utilities Regulation (OUR) in collaboration with local stakeholders.

To aid in this regard the ICT Advisory Council which was established in September 2013, as well as, eGov Jamaica Ltd have been tasked with analysing the instruments used by organizations such as the ITU and identifying the data that are being provided and by whom, in order to ensure that the data sources are authentic from here on.

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Mr. Speaker, there are so many exciting developments taking place in the ICT sector, and the State Minister for Science, Technology, Energy and Mining has enumerated them, and the success stories that they are generating during his contribution earlier in the Sectoral Debates. However, permit me to provide a brief update of the 'Tablets in Schools' project.

Mr. Speaker, in order for the successful roll-out of the Tablets in Schools Pilot Project during the coming academic year, a number of preparatory activities are now underway. Schools and parents have been sensitized in the use and care of tablets; a Tablet in Schools Policy Manual has been developed; and teachers have been trained in basic ICT skills. In addition, at the end of July 2014, 1200 teachers involved in the pilot will receive their tablets at a scheduled training session.

Mr. Speaker, a number of customized training programmes have been designed for the teachers on how to utilize tablets in teaching, and suitable educational applications to be used on the tablets have been identified. All 38 educational institutions will be equipped with Wi-Fi (free internet access).

Mr. Speaker, as you may be aware, contracts totaling some \$800 million have been awarded to four service providers for the supply of the tablets as well as a range of services, including accessories, and device management solutions. Importantly also, services such as tracking and content control were also procured. We are now negotiating with publishers for the pre-loading of the tablets with available material approved by the Ministry of Education and appropriately sourced.

This pilot project is for one year and will be implemented in 38 educational institutions. This initial phase will benefit 24,000 students and 1,200 teachers in 6 pre-primary schools, 13 primary schools, 5 all age and junior high schools, 12 high schools, 1 teacher's college, as well as 1 special education institution. Following a review of the pilot, Tablets in Schools is expected to be rolled out across the island, targeting 600,000 students and teachers.

Mr. Speaker, this is a ground-breaking project for Jamaica, and has the potential to transform our education system. No longer will the inability to purchase books be a barrier to quality education. We are using technology to break down the barriers that lead to poverty. In that regard, I am urging Jamaicans to view these investments as a national asset. It is an investment in our youth. It is an investment in our future. I am appealing to the better angels in us to curb any tendency to relieve students of these learning tools – we would simply be stifling their chances for a better life. For our part, all devices will be equipped with tracking and disabling software that will render them useless should they fall into the wrong hands.

**Energy: Update Electricity Sector Enterprise Team**

Mr. Speaker, I am pleased to announce that the Government of Jamaica and the Jamaica Public Service have signed off on an amendment to the JPSCo. Licence. This will allow for the Cabinet to manage the procurement process through the Electricity Sector Enterprise Team (ESET). It will also grant the JPSCo. the right of first refusal in relation to the replacement of any of its existing generation facilities. The amendments and related matters are pertinent to the critical and urgent issue of the procurement of the new base load generation capacity. It removes constraints on the ability of ESET to proceed with its mandate.

Mr. Speaker, in 2011, the previous administration amended the JPS Licence to confer the management and administration of the procurement of new generation capacity on the OUR. We do not believe that this is a role for the regulator. The role of the OUR as the overall regulator of prescribed electricity services, as outlined in the OUR Act, will be maintained.

As has been announced, I have written to Energy World International (EWI) to indicate that I have formally revoked the licence to construct the 381-megawatt power plant. Consistent with the provision of the licence, the revocation takes effect on July 21, 2014. However, the Government regards the new base-load generation plant as a large-scale major project. As a result, all steps are being taken to give momentum to efforts to make this a reality, and allow for Jamaicans to benefit from cheaper electricity rates.

In this regard, the Cabinet has been advised by ESET that consultancy services are being engaged to complete, within two (2) months, the following:

- a least cost generation plan;
- power plant site options; and
- the business model and projected financial long term plan for JPS.

### **Other Energy Matters**

Mr. Speaker, even as we move post-haste with the process of acquiring the mega-generation plant, we must not lose sight of developments and achievements with regard to conservation measures, and the efforts to tap into non-traditional sources of energy.

New projects for renewable energy supply are set to be implemented within 12 – 15 months, and I must dispel any notion that renewables will result in higher electricity rates to the consumer. Renewable energy enhances the energy security of Jamaica, and reduces the heavy reliance the country has had on fossil fuels.

In fact, by mid-2015, Jamaica will be among the top countries in the region in terms of its use of renewables when, in addition to the 40 megawatts of wind that we now generate, plus approximately 20 megawatts of existing hydropower, there will also be 78 additional megawatts of renewable energy to be linked to the national grid. Further, I have previously reported that I have signed 166 licences with a combined capacity of

over 2.6 MW for Net Billing. Mr. Speaker, in total, these additional 80.6 MW generated from renewable sources will avoid the importation of 1,085,000 barrels of oil annually, and save approximately US\$108.5 Million per.

The additional 78MW will be generated from two wind projects that will offer 58MW, with the remaining 20MW to come from solar. Recommendations for licences for the projects are expected by my ministry from the Office of Utilities Regulation (OUR) shortly, while the Power Purchase Agreements (PPAs) with the JPS are being finalized. The three bidders have been selected for these projects. They are:

- Blue Mountain Renewables LLC, to supply 34MW of capacity from wind power at Munro, St. Elizabeth;
- Wigton Windfarm Limited, to supply 24MW of capacity from wind power at Rose Hill, Manchester; and
- WRB Enterprises Inc., to supply 20MW of capacity from Solar PV from facilities in Content Village, Clarendon.

Mr. Speaker, my Ministry plans through its National Energy Policy (NEP) 2009-2030, to continue to pursue fuel diversification, and renewable electrical energy and capacity from renewable sources. This is in keeping with Government's vision of having 12.5 per cent electrical energy from renewable energy sources by 2015.

### **Mining - Extended Clinker Supply to Venezuela**

Mr. Speaker, I wish to update this Honourable House that discussions are well-advanced for the expansion of the arrangement that exists between Caribbean Cement Company Limited (CCCL) and the Government of Venezuela under the PetroCaribe Trade Compensation Mechanism. This expansion requires that CCCL will supply Venezuela with an additional 240,000 tons of clinker, (cement product at the intermediate stage) over a further 18 months. The extended deal will be valued at approximately US\$20.5 million. The applicable Jamaican dollar equivalent will be paid directly to CCCL by the Petrocaribe Development Fund (PDF), and will be applied toward partial debt repayment consistent with the government's existing debt repayment obligations under the financing arrangements of the PetroCaribe Energy Accord Initiative.

The initial clinker deal required that CCCL export approximately 100,000 tonnes of clinker to Venezuela, and was valued at some US\$8.5 million. Therefore, Mr. Speaker, the total package at the end of the extended 18-month period will be valued at approximately US\$29 million.

The programme is designed to support Venezuela's objective to build two million houses over a seven-year period to alleviate their severe housing deficiency while boosting employment in the construction sector. It should be noted Mr Speaker that this trade mechanism with Venezuela can serve as a catalyst to expanded trade relations between our two countries. Apart from cement, that country's economy has real and

potential demand for a wide range of products that our manufacturers and producers can satisfy.

Mr. Speaker, the Ministries of Industry, Investment and Commerce; Foreign Affairs and Foreign Trade; Finance and Planning; and my own will be working closely with the private sector to facilitate further opportunities under the trade compensation mechanism. We must not hesitate to exploit these.

#### **Developments in Bauxite/Alumina Industry**

Mr. Speaker, as you may be aware, the bauxite alumina sector has been critical to the development of our nation over the years and remains an important part of the Government's growth and employment agenda. Traditionally, the sector has contributed 5 to 6 per cent of GDP and has been a leading source of foreign direct investment.

As a nation with this valuable natural resource we must re-examine how we reposition this sector in the context of today's global marketplace. We must maximise what we currently have, as we seek new ways to exploit this critical resource over the next 50 years. This, therefore, is a top priority of this government going forward.

Mr. Speaker, as is well known and acknowledged, the global financial situation and decreases in the world market price of alumina in 2008 and 2009 adversely affected the

local bauxite and alumina industry. This resulted in the contraction of the production capacity and output.

At this time, we are also witnessing a change in the global bauxite / alumina market. For one, the ban in Indonesia has created a shortage of supply on the world market, and has made Jamaica a more attractive prospect internationally. Secondly, there is an emerging delinking of the price between bauxite and aluminium. This has been confirmed by authoritative industry sources such as the London-based Commodities Research Unit International Limited (CRU), Platt's Metals Week, and as established by the indices employed by RUSAL and ALCOA. Previously, the price of bauxite was directly related to the price of aluminium. This emerging delinking would mean a reassessment of our policy as it relates to the bauxite industry. The increase in the price of bauxite has created greater value in our existing bauxite reserves. We therefore have to be strategic with how we treat with those reserves going forward.

Mr. Speaker we are at a very important juncture in the sector. In the repositioning of the sector, there are many credible queries about our reserves, and we now have to make hard nose business decisions in the best interest of the country. In that regard, we will not allow any company to hold us at ransom and deny potential investors the opportunity to invest, generate employment and enable the industry to play its proper role in growing the Jamaican economy. The market is speaking and as growth in the global economy gathers momentum, the enlightened investors will reap their just rewards if appropriate preparation and forward thinking is applied. We must act boldly but always after careful evaluation.

It is in this context, that I am constrained to announce that the government has placed UC Rusal on notice by letter dated July 1, 2014 that it is my intention to revoke the Special Mining Leases (SMLs) in respect of the Alpart and Kirkvine refineries in the event that bona fide mining operations do not commence within six (6) months. Mr. Speaker, this Honourable House will recall that the Alpart and Kirkvine refineries have both been non-operational since 2009. The bauxite reserves associated with both plants represent over 200 million tonnes of ore idling in the ground while the plants flounder in uncertainty, and the livelihood of thousands continue to be in peril. This situation cannot be allowed to continue indefinitely.

At the same time, Mr. Speaker, we have extended to UC Rusal for an additional two (2) years relief from the Bauxite Levy for WINDALCO's Ewarton Plant for the period October 1, 2013 to September 1 2015. This is on the clear and unequivocal basis that a coal-fired generating plant will be constructed to supply cheaper energy to the refinery.

I have already announced that there are discussions with a major Chinese aluminium producer, Xinfu, to export bauxite in exchange for the establishment of a greenfield, 2 million tonnes per annum alumina refinery. This could result in foreign direct investment inflows of approximately US\$2-3 Billion. I will continue to update this House on these negotiations.

Mr. Speaker, the decision to have contracted with Noble Resources Limited in JAMALCO's operations has proven to be timely and visionary. As was generally known, ALCOA had taken a strategic decision to focus on downstream investments. This has the effect of them gradually moving out of upstream activities such as mining and alumina production. With ALCOA's impending exit, we are heartened that Noble

Resources Limited decision to acquire ALCOA's holdings in JAMALCO. This is a positive development for Jamaica as Noble has given firm commitment to finally implement an energy solution that will enable JAMALCO to become a tier one company.

Mr. Speaker, as a Government that puts people first, we will not fail to resolve outstanding land issues involving over 1000 families in the various communities in the parish of Clarendon affected by the mining operations. We are therefore treating as a priority, the finalization of all land resettlement and titling issues. The approval of this transaction between ALCOA and Noble will be subject to the attainment of the resolution of these land issues.

Mr. Speaker, this industry has been a mainstay of the Jamaican economy for decades. From 1974 to 2013, the sector produced over 400 million tonnes of bauxite, from which the country earned US\$3.72 billion in levy and taxes, collected US\$222 million in royalties, while an additional US\$7.6 billion was brought into the country to cover local costs. It is therefore imperative that we seek to develop consensus as to how we move forward. I am aware of a number of sentiments echoed from various quarters as to what is possible for the future – some of the commentary, though well-meaning, suffers from a paucity of information; others are visionary and reflect the Government's current thinking. As a result, Mr. Speaker, in the third quarter of this fiscal year, my Ministry will be leading a national dialogue on the future of the bauxite/alumina industry. It will provide an opportunity for all stakeholders in the sector to bring their information, experience and perspective to the fore as we chart the way forward.

## **Conclusion**

Mr. Speaker, in extra-ordinary times, leaders need extraordinary vision, courage and conviction. This is not only needed in our parliamentary and governance affairs but at every level of our society. It is tempting to take the path of least resistance. That path is almost guaranteed to be safe and trouble free. If you do nothing you are not likely to make mistakes, or face major obstacles, or reap significant rewards. Equally, it is hardly likely to break new grounds or move mountains.

Today, our nation demands courage, fortitude and a willingness to push the envelope in the search for answers. As political leaders, that is our lot. I dear say, it is our responsibility...our mandate. The simple fact is that business as usual will not cut it.

I end by inviting my colleagues in this Honourable House, and leaders at all levels of our society to join together seeing more of our common interests; and what unites us, and less of what divides us. We must develop the capacity, in the national interest, to be critical and vigilant when necessary; but equally, to be supportive and patriotic despite the side we sit on.

I thank you. May God continue to bless Jamaica, Land we love!