PRESENTATION

BY

PHILLIP PAULWELL, M.P.
Opposition Spokesman on Energy and ICT

2010/11 BUDGET DEBATE

GORDON HOUSE

April 14, 2010

INTRODUCTION

Mr. Speaker, I rise to make my contribution in this 2010/11 Budget Debate mindful of the crucial point at which Jamaica sits and the need for us as members of this Parliament to go beyond mere description of where we are and contentious analysis of how we got here,and move to identifying the prescriptive remedies of our nation's problems.

I am also mindful that I continue to benefit from the many kindnesses and support from my Parliamentary colleagues, in particular the Leader of the Opposition and you Mr. Speaker as well as the staff of the Houses of Parliament.

The continued support of the leadership and constituents of Eastern Kingston and Port Royal must take pride of place in my acknowledgment of help and support Mr. Speaker. God knows life has not been easy for the majority of them as the combination of the severe world economic crisis and poor local policies take a massive toll of their quality of life and their efforts to improve future generations through education and economic opportunity.

Budget Process

Mr. Speaker, the headlines of one our daily newspapers recently described the 2010/11 Budget as "crafted in Washington and delivered in Kingston". Surely that has to be the reason why this budget is totally devoid of any direction, policy or programme which shows the way forward in terms of economic progress and growth. It is indeed the "hold yu corner" budget which offers nothing beyond IMF dictates and a total preoccupation with the fiscal accounts and collecting more taxes.

As important as those are, Mr. Speaker, we have to "ride bicycle and chew gum at the same time" because Jamaica must grow and develop out of the present situation. IMF and multi-lateral loans and assistance are only helping us along the way, they are not an end in themselves.

And so this leads to the first of my concerns about this budget. "Job, jobs, jobs" has been an empty promise of the 2007 election campaign. Mr. Speaker, what is in this year's budget that would let us believe or even think that the government is serious about creating an enabling environment for job creation?

The economy has lost almost fifty thousand jobs under this government with unemployment now at a five-year high of 11.3 percent up from the 9.8 percent, the PNP government left it in September 2007. In all likelihood, 2010/11 will see further deterioration in the employment statistics, unless the government begins to take more seriously the issue of providing the structure and sub-structure for job opportunities in Jamaica.

Mr. Speaker, all of the programmes to invest in human capital, build capacity for job creation, expand opportunities in science and technology as well as research and development have been severely affected. Several key programmes have received no allocation or drastic cuts.

This is so in key economic Ministries such as Agriculture, Industry and Investment as well as Science and Technology. Programmes such as the small business incubator project at JBDC are wiped out. JTI and the SRC are savaged. The National Commission on Science and Technology is reduced and the Prime Minister Adviser on Science and Technology has no provision.

We are not aware of the specifics of the Technical grant for the Bodles Centre of Excellence. Mr Speaker, these are important programmes, especially at a time like this. We make significant progress in Research and Development in areas involving pumpkins, callaloo, tomatoes, the coffee berry borer, the pink mealy bug, scotch bonnet pepper and honey. It is important for such work to be funded.

Look at the impact the flavours extraction plant is having in St. Elizabeth. During these hard times the investments must go on to allow our people jobs, livelihood and economic development.

Creating a framework for jobs

Mr. Speaker, I am pleased to say, at the start of my presentation, that all the positive proposals and innovations I will make are consonant with the emerging Progressive Agenda of the Peoples National Party which *today* forms the loyal opposition.

Old ways of thinking about and doing things that are not working must be transcended and discarded. The Jamaican people demand and need a new approach to **political practice, policy development and governance** that defends and protects the rights and promotes the responsibilities of **each individual to live a productive life and create value for others.**

We offer these proposals with sincerity and in keeping with the developmental needs of Jamaica at

this time.

I begin first with the critical issue of jobs. The Micro, Small and Medium enterprise sectors (MSMEs) are key elements of growing Jamaica and providing growth with jobs.

Based on the 2009 July data from STATIN, 37.76% of the persons who indicate that they are employed are in fact persons who operate one-man micro enterprises. 15% of these enterprises indicate they employ an additional person, usually on a seasonal basis, informally and likely a family member.

Another 29.2% indicate they are employers of up to 50 persons. These enterprises number some 33,000 and are regarded as small and medium enterprises. Of this number, 30,000 are small enterprises.

So the MSME accounts for 67%, two thirds, of the existing employment opportunities in Jamaica.

There can then be no question that there is need for aggressive programmes which ensure that these enterprises receive the necessary support so that they are first sustainable and then, for those with potential, that their capacity for further growth and the creation of more job opportunities is realized.

Despite the clear and obvious importance of these sectors, there is no coherent government policy to support MSMEs and in fact there are clear moves to fragment the services provided to this sector.

There is confusion on the direction of this important sector and we need to ask who leads on policy and issues affecting the micro and small enterprise sectors, is it the Ministry of Industry, Investment and Commerce, or is it the DBJ, which falls under the Ministry of Finance and the Public Service?

Even the Ministry of Tourism is getting in on the act and is operating its own credit facility for the industry.

Two things are going wrong. First, there is fragmentation in the provision of financial services and second, the Jamaica Business Development Centre (JBDC), an institution built out by the PNP government over 15 years to provide business development services, is being diverted into implementing a hodge podge of projects and programmes, making the institution unable to achieve

the impact necessary.

What did we leave in 2007 re financial services for micro, small and medium enterprises?
We need clear recognition that all three MSME sectors are important. During our administration from as early as 1990 we the established MIDA with the assistance of the Government of the Netherlands. The EU initiatives which followed focused on creating sustainable and revolving wholesaling credit facilities for micro and small enterprises.

Our policy and programme initiatives, such as not intervening in the rates set by private firms and supporting new companies interested in providing access to credit to MSMEs, set the stage for initiatives such as the JN Small Business Loan Facility, now the single largest provider of credit to micro enterprises.

It also facilitated the emergence of companies such as ACCESS Financial Services, which is not only the second major player in the sector, but grew from a new company to become the first MSME funding agency to be listed on the Junior Jamaica Stock Exchange.

We also recognized the need for the state to complement these emerging private sector funding sources to small enterprises and created a window at the National Investment Fund, the NIF, to make credit available at interest rates that small and medium firms could afford. We knew their credit needs differed from that of micro enterprises.

When we left office there was in place J$750million to finance micro enterprises and a further J$1B to finance small enterprises. In addition, the EXIM Bank also had a small business window.

With all the talk, Mr. Speaker, what do we have today? The same J$750-million to finance micro enterprises with an additional J$300-million under a new initiative from the DBJ and J$1Billion, the same NIF funds to finance small enterprises. The Exim window continues to provide credit, but the overall pool of funds to provide additional financial services has not grown substantially.

We were very clear on the need for an increased range of financial products for small and medium firms. This is why despite threats of don't touch poor people money' we thought it important to implement a small business facility utilizing funds from the NIF. We were not afraid to do this as we were investing in our future, in small enterprises which were not looking for a political favour but were

in need of capital to move forward.

The present government had complained about the NIF facility but has continued it. However, they have created their own facility moving some of the NIF funds to the DBJ, a government corporation, and making loans to a very select number of small enterprises.

We are not able to see the data but we hope when the minister comes to speak he will tell us about the loans made by this corporation, to whom and how are these loans performing.

In the midst of this, the Prime Minister announced last year, right here in this House "YEP YOU CAN'. One year later with some J$40M spent on workshops and promotion alone and less than J$15M in loans the programme has been a failure, a total disaster. Had he consulted we could have shared our experience and track record in establishing good practices and helped to ensure success. This is what we did with Jump Start.

What else have they done? They have taken a functioning wholesale programme and moved the facility to sit under the JBDC. This is anything but best practice in the development finance sector, as it creates an institutional conflict of interest by having the same entity that is advising and providing business support to MSMEs, also seeking to lend them money.

We commend the private sector for continuing to increase funding to small firms, BNS and NCB have initiated special lines for small firms. We note that during this month the First Caribbean Bank launched a credit card facility for small businesses. Commercial banks and Jamaica National now provide some J$3.7B in credit and they are to be commended for their commitment to nation building. (Speak about constituency micro-finance through COK)

Business Development Support

Mr. Speaker as much as these very important sectors, which provide 67% of the jobs, need credit, they also need technical support delivered at a scale consistent with the size of each MSME sub-sectors. While we recognized that it should be provided by the private sector, there was a gap.

It was against that background that the Jamaica Business Development Centre, with a core mandate of providing technical support for small enterprises, was created.

The JBDC, through its services distributed from its head office and through the 12 Business Information Centres (JamBICs) across the island, provided much needed business counseling, marketing support and product development to small enterprises. We also recognized that we needed to compliment the JAMBICs with business incubators for small enterprises.

Incubator & Resource Centre

The Incubator & Resource Centre (IRC) was launched in April 2008. The facility has not been utilised for its primary purpose. In fact, the design and concept seem to have undergone major changes to the plans we left so much so that one is forced to ask whether the government really understands the concept and potential of the Incubator.

The IRC is only being used as an internal training facility, offering various training programmes to clients from time to time on Business Development and Product Development at a cost. It is located in premises that are rented from the Factories Corporation of Jamaica in the Garmex Free Zone for a significant sum monthly in US Dollars.

The facility is not being used as an incubator and JBDC instead seems to be using the facility as an income generating facility to cover the costs to keep the facility open rather than providing assistance to the smaller enterprises that seriously need it.

Mr Speaker, the Incubator Centre requires significant resources to be properly established. It will also require considerable promotion to make potential clients aware of the host of services available. These services range from the utilisation of graphic artistes to assist with the packaging and design of products, Product Development Officers, Food Technologists and a Fashion Department.

I am also recommending that the government finds a more accessible and cheaper location to house the Incubator and Resource Centre. There is also need to go back to the drawing board and revisit the original concept and design. JBDC now has control of MIDA, which has been relocated to Camp Road (beside JBDC formerly the location of the ODPEM). There hasn't been much activity at this new location so this could be used as an alternative facility for the Incubator Centre.

When the Minister comes to speak he needs to tell us about government's plans for the IRC since there is nothing in the budget. He also needs to indicate to this House how the 12 Jambic Centres will remain open as their funding through the PSDP has recently ended.

Solutions Overall

Mr. Speaker, there are somethings that government need to do immediately. Firstly, finalise the policy for the micro and small enterprise sectors. It is our hope that the policy is indeed progressive and that it recognizes the importance of these sectors. It must address all issues, including access to a range of financial services, the legal and regulatory environment and business development support.

The Minister of Finance has announced that he will return here with a proposal to lower taxation of MSMEs. Mr. Speaker I hope he realizes that there is a step he must first take - he must finish our work on streamlining the process of paying taxes. The issues for our micro and small entrepreneurs are not just a matter of how much, but also about making the payments.

Micro and Small enterprises do not have the luxury of standing in line, and because we still do not have access to online payments of all taxes, they cannot pay online. This means that a sole trader, which is what the majority of our micro and small firms are, is required to take time off and leave her or his enterprise to pay taxes, which is inefficient and disruptive to business.

We must increase points of access for micro and small enterprises to use the government's online facilities to make payments. There is no point being online if our entrepreneurs still have to get in line at a tax office.

Secondly, a micro entrepreneur - and let us understand who we are talking about, the market vendors, the persons who have their Digicel booths in Half Way Tree, the dress maker making uniforms for back to school - they don't maintain the records to determine their profit for accounting and tax purposes. Where then will the services come from to provide the support to these entrepreneurs?

Mr. Speaker, it is established, in research undertaken during our watch and which had begun to guide our policy direction, that 42% of the economy is informal. So there is no point thinking about establishing another tax threshold, when persons are not even in the tax net. And, I repeat, there is international research which confirms that the majority are outside the tax net not just because of the money they do not want to pay over, but because of systemic constraints and frustrations.

I can see some doubt. When I am finished Minister, I will give you a list of reading material.
In fact there is one study which compares Jamaica to Ecuador.

May we suggest the following:

1. Focus on a request for micro and small enterprises over an established threshold to pay the following:

- Heart/NTA
- Education Tax
- NHT for themselves and employees
- Necessary PAYE
- NIS

This gets them familiar with the system, and they will also be protecting their rights and that of their employees who currently cannot access NHT benefits, and who are not currently making the NIS contributions to assist them when they retire (small as it is).

2. Establish tax thresholds which are consistent with the primary sub-sectors in the micro and small enterprise sector. This cannot be an across the board figure. There are models from the Pacific and Asia – India, Indonesia - where they set thresholds at informed and researched levels. If you are a barber in an urban area your potential income is 'x' you therefore pay 'y'.

3. For small enterprises, acknowledge that a small firm requires a 4-5 year operational period to attain sustainability. From birth they would pay their payroll taxes and then at Year 5 they begin to pay tax on profits. Mr. Speaker a profit of J$1.2M is not much, and when you have to pay, J$400-thousand over for corporate tax there is little left to plough back into your firm at start up.

4. I also want to propose that there be a ease of the GCT burden on the MSMEs in relation to the payment of their electricity bills. At present, businesses with annual revenue less than $3M are not registered tax payers and so the imposition of GCT on their electricity bills is an irrecoverable cost that hits their cash flow and bottom line. They don't even get the 200kwh given to residential customers. It is having a detrimental impact. We are therefore proposing that the first 200 kwh for small businesses (Rate 20) be treated in the same way we treat residential customers (Rate 10).

Business Development Support

Let the JBDC be more focused on a best practice model which will allow it to have a greater impact on

a larger number of small and medium enterprises. In Jamaica there are over 30,000 firms which should be considered medium and small enterprises and an additional 425,000 operations which are own account.

So with those numbers JBDC is merely reaching 1%. We need to look at options to increase its outreach.

Young Entrepreneurs

Revisit the provision of financial support services for young persons, starting at the beginning. That is at the beginning of a school year, identify young persons who wish to choose an entrepreneurial career path and provide them throughout the school year with the business development training,so that, upon graduation they are then ready to consider a loan or equity for their enterprises.

Use the lesson from last year's efforts and develop a programme for youths at risk. The reports indicate that it is the young persons graduating in the last three years who kept calling to see if they could access the facility. They have been unable to find employment and several of them see entrepreneurship as a way to build a future for themselves.

Information and Communications Technologies (ICT)

Mr. Speaker, both in last year's budget debate and in a Supplement in the Gleaner on the 9th of September 2009, I recounted the tremendous impact of the watershed event of the liberalization of the telecommunications industry in Jamaica approximately ten years ago and the pivotal effect it had in fostering competition among providers of telecommunications services, which resulted in faster, more reliable, and cheaper services and propelled Jamaica's participation in the digital economy.

That historic event resulted in our little country making progressively major strides in the development of an enviable ICT infrastructure in, what seemed to be a few years ago, an inexorable march towards the establishment of ICT capabilities that could provide the fulcrum for economic development.

Unfortunately as I indicated last year, that progress has been slowed considerably by inactivity and inattention to critical developmental elements in the sequence of steps that are unavoidable preconditions for the national realization of ICT benefits.
Last year too I asked the Prime Minister to reconsider the re-imposition of GCT on computer hardware, software and peripherals. I got a no. Well Mr. Speaker the experience is that GCT is

retarding the acquisition of computers and so the government is not getting the revenues in any event, therefore, we are in reverse.

I again call for the removal of GCT on computers so Jamaica can resume its forward march.

Mr Speaker, I would like to reposition the spotlight on two of the issues that I spoke about during my last sectoral presentation. I am forced to return to these issues because of the absence of any appreciable attention to them and because of the apparent lack of political leadership and will to establish the implementation mechanisms to make them happen.

The first issue has to do with our progress towards digital effectiveness where we can truly harness the potential of ICT to help provide solutions to our economic problems, and address the myriad social challenges, and build resilience against our environmental vulnerabilities.

The second relates to the lack of progress in advancing the conversation and coming to a decision on the extremely important but little discussed issue of a single regulator, which is the reality in several countries.

Regarding the first, I had outlined the progressive stages of digital effectiveness - **Awareness, Access, Diffusion, Exploitation, and Innovation** – that a nation traverses in order to realize national ICT benefits.

I reminded this honourable house last time, that while we have celebrated our consistently high ratings in global indices that rank nations for ICT awareness, access, and to some extent, diffusion (incidentally we have been overtaken by Trinidad & Tobago in these initial stages).

Global indices focus mainly on the first three stages but the later stages of **Exploitation** and **Innovation** represent the crux of implementation effectiveness; they are the benefit sweet spots. However, in order attain these benefits an effective, coordinated, implementation blueprint is required.

Exploitation refers to the optimal use of established infrastructure and resources to address national problems. The **Innovation** stage, which has to be facilitated by national policy and strategy, would assist Jamaica to end the cycle of ICT imitation and unleash the creative potential of our people. This would ultimately help to create a vibrant and viable ICT-sector, which has

considerable implications for job creation, conserving and earning scarce foreign exchange and other wealth-generating opportunities.

I turn to the second issue, that of the single communications regulator. The emergence of digital convergence and its importance have grabbed the attention of small and large nations alike and has been the perpetual preoccupation of national policy makers and regulators globally.

At the core of digital convergence is the notion of the integration of the value chains of previously independent industries that involve the provision of integrated digital technology products and services. This convergence involves the Telecommunications, Consumer Electronics, Broadcast and Print & Media, and the Software Industries and results in simplified and flexible ICT-based information dissemination and use.

As a result, there is considerable blurring of the boundaries between the individual industry contributors to the service, to the extent that there is now the view that digital convergence provides a compelling motivation for the idea of a single regulator to provide oversight of this integrative approach to the provision of digital services.

You see, Mr. Speaker, multiple functional regulators create tremendous inefficiencies as the duplication of regulatory effort can often impede economies of scale and synergies that are obtainable from an integrated regulatory structure. Similarly, multiple functional regulators in an environment of digital convergence, cannot achieve economies of scale, because of their inability to effectively address cross-functional issues.

At this point in our history, these considerations are as important as the deliberations about liberalization were twelve years ago. Can you contemplate our current plight today if no one in government had the foresight then, to formulate a policy and a strategy or to provide vision and leadership to these efforts as appears to be the case now?

I would like to make two concrete proposals on how to achieve digital effectiveness through the **Exploitation** of our ICT assets and through **Innovation** respectively.

In the case of the former, for several years organizations in the public and private sectors have invested considerable sums to acquire the software they need to run their businesses, largely from

commercial proprietary interests. Increasingly, there is an abundance of free and open source software **(FOSS)** that is available as a feasible option, not just for operating systems, but for a suite of mature, robust, business applications that are readily available to organizations to adopt and adapt to support their specific business needs.

I should explain, that the Free in FOSS does not mean "no cost", but rather free of the traditional license arrangements and restrictions that are associated with commercial, proprietary software.

In the last several years, there has been a sustained national interest in FOSS in both developed and developing countries. Close to home, countries such as Argentina, Brazil, Chile, Cuba, Peru, and Venezuela have all established national oversight capabilities for the adoption of FOSS in the Public Sector, through a variety of policy arrangements. These include, for example, preferential procurement, which precludes the purchase of proprietary software.

Regarding **Innovation**, in the same way that we have identified the effective deployment of ICT innovation as a catalyst for reaping national ICT benefits and ameliorating our growing ills, Jamaica, has long appreciated the tremendous contributions of Small and Medium Enterprises (SMEs) to entrepreneurial creativity.

I believe it is about time that we design strategies that will help to maximize the impact of the contributions from the SME sector by facilitating the effective deployment of FOSS to expand the scope and capability of its entrepreneurial potential and creativity.

Again, national policy and oversight is required, for even if SMEs acquired completely free software, they would continue to be challenged to establish the hardware platform required to run those systems.

Because of our well-established ICT Infrastructure we can take advantage of a new arrangement called **Cloud Computing**. It is a hosted service that makes computing resources available over the Internet for typically low subscription fees, without the associated costs of space, electricity, hardware, excess capacity, and obsolescence. This allows organizations to access computing resources on demand in the same way they pay for electricity or water.
For smaller organizations in particular, this facility helps to remove the capability barrier in establishing and maintaining a robust and affordable ICT infrastructure. In any case, a cloud service is "elastic",

meaning subscribers can have as much or as little of a service as they desire at any given time, and the service is fully managed by the provider.

Mr. Speaker, in many of the ICT-related issues I have addressed, I have reiterated, almost *ad nauseam,* the need for coordinated oversight to drive ICT diffusion and effective application. There is now a critical need for more, not less, coordination and national oversight if we are to begin to realize the ICT benefits we seek
opposite direction.

The national ICT drive has to be coordinated by an agency with the status and stature and the requisite resources to provide leadership in impelling the ICT deployment process and to guard the integrity of ICT governance.

Who currently has these responsibilities? The Central Information Technology Office (CITO) was originally conceived as the Agency with the national responsibility to lead the drive. We hear that there is a plan to merge CITO with Fiscal Services. I sincerely hope that this is idle rumour, for the latter is essentially a software development outfit that serves the Ministry of Finance and CITO was intended to be the chief instigator of the national ICT thrust, the custodian of ICT strategy, and the chief implementation orchestrator.

There is other persistent evidence of the lack of focus on ICT: Last year I brought to the attention of parliament that the bundling of the ICT portfolio with several others in the Prime Minister's Office and now under the generalized portfolio of Information cannot begin to provide the focus it deserves as a pivotal enabler of economic recovery and social transformation.

Many opportunities have already bypassed us; let us begin the recovery NOW. We are missing out on opportunities because with so many trained Jamaicans losing jobs in the bauxite sector, financial services sector, and other commercial services sectors, in addition to unemployed university students, we should be looking to ICT.
We should be looking to harness their skills through out-sourcing opportunities in the ICT sector. The government should now be moving to enhance the ICT environment for these trained Jamaicans.

They could be involved in telecommuting, back office support services and other forms of out sourcing.

There is need for office space and broadband capacity in areas such as Mandeville in Manchester, Santa Cruz in St. Elizabeth and Ocho Rios in St Ann to secure their opportunities.

This leads me to the issue of Universal Access. The fund was established in 2005 under the Telecommunications Act to provide universal service for broadband access. It is now generally accepted in most modern developed societies, that ubiquitous access to ICT services is a basic necessity of all citizens and essential for social mobility and educational advancement. The National e-Learning project was established as one of the primary vehicles through which this service is being deployed.

Mr. Speaker about $7 billion has now been collected and put in the consolidated fund, but little progress has been made on the intended projects due to the lack of funding. Indeed, the Prime Minister admitted in the Standing Finance Committee that there was a cash flow problem resulting from the use of the funds for other government activities.

While the government has been furnishing schools with computers, amazingly, the most important aspect, broadband provision, has been ignored; so schools have computers but no connectivity. Some schools are now having burglaries leading to millions of dollars of computer being missing.

We are now in danger of losing the financing arrangement as the American government, aware that the projects are not being implemented, has written to the government threatening to block the levy. They have even visited Jamaica and has indicated as such.

We are all aware of the fights our government led against the might of the US regulatory and foreign trade agencies to enable Jamaica to garner these very substantial resources, and it would be scandalous if Jamaica loses the benefits of this hard-fought battle.

The Opposition is willing to support the government in any effort to save the inflow of the levy, but nearly five years after I, as Minister, imposed the universal access levy, it is clearly time for results.
Mr. Speaker, the government has used the telecommunications voice market as its cash cow. I would like to make two recommendations for the benefit of the consumers. The first, a network identification

feature that will enable users to know before a call is registered the network to which they are connecting. Second, it is full time for Jamaica to introduce number portability.

Energy

Mr. Speaker, I come to the important subject of energy. Energy is indeed the life blood of our economy; affects every facet of life and is critical to the business sector especially manufacturing.

Our lack of competitiveness and low efficiency are due largely to the high cost of energy and in particular electricity. The current price per kilowatt hour of electricity in Jamaica is US$00.30 cents. This is exceedingly high and will continue to rise as the cost of crude oil increases.

The government has estimated that the price of crude oil will average US $76.00 per barrel this year this is grossly understated as the price today is US$83.00 per barrel and will likely increase further as the world economy rebounds from the recession.

Along with the recently imposed GCT on electricity we have reached another major crisis in our energy situation in this country. In a growing number of instances it is becoming a cheaper option for businesses to shut off their electricity supply from the public grid and instead run their own private generators.

Last year, I introduced in the sectoral debate, a proposal for the complete review of the situation with the electric grid owned by JPSCo. I likened it to the situation with telecoms 10 years ago and discounted any notion, that with the tremendous improvement in technology, any utility can be regarded as a pure monopoly.

I urged then and renew the call now that it was time for us to engage in serious negotiations with the JPSCo to fast track the process of liberalizing the grid.

This will provide greater meaning and benefits to the public and complete the process which started with the liberalization of generation during our administration. The government is in a stronger position than we were when we initiated negotiations with Cable and Wireless as we own 20% of the JPSCo. Also, and very importantly, I would urge that we also move to eliminate the current practice of allowing the providers of generated capacities to directly pass through the fuel costs to the customers. In a

more competitive environment, with providers having the ability to interconnect reasonably to the grid, competitive pricing will be achieved with the providers being compelled to utilize improved technologies and fuel sources that relate directly to their costs.

The government should no longer be determining the fuel source of preference but rather, guided by the policy which will promote the diversification of the sources and a strict adherence to our environmental standards, providers should decide on whether to use Natural Gas, Nuclear, Coal, Pet coke, Diesel, Heavy fuel oil, or renewable sources. **Let them All CONTEND!**

The good news is that, in relation to most of the fuel sources, the infrastructural requirements are becoming miniaturized. Smaller scale facilities are now becoming increasingly available and feasible rather than the significantly more expensive large scale single plants of the past.

In all of this the greater deployment of renewable sources must be given priority. The target of achieving 20% of our energy from renewable sources by 2030 is too modest and conservative – let us push instead for 30%.

Within the current energy paradigm, renewables are not competitive on a strict financial basis. This is chiefly because the full economic cost of conventional electricity sources are not incorporated in their market price; and because renewables make use of newer technologies that have not yet achieved optimal economies of scale or learning. These dynamics are changing. However, in the mean while, government has to kick start the renewable energy sector as renewables have lower environmental impacts than non renewable fossil fuels and renewables enhance energy security.

The government should therefore do the following: -

(1) Immediately mandate the implementation of a net metering system.

(2) Implement a feed in Tariffs system that mandates JPSco to purchase renewable energy sources at a fixed, favourable price which I recommend to be the actual cost of supplying the energy plus a 15% premium to incentivize investors.

(3) Finalize and implement a Carbon Credit Policy that will provide financial benefits for renewable projects.

Mr. Speaker, with the changes being advanced above, we could see the creation of many suitable jobs from the new providers of electricity.

I refer to the Ministers speech last year in relation to liberalization of Grid. The Minister has still not answered the questions I posed in the Standing Finance Committee about the actual provisions in the policy document which seeks to achieve an "unbundling of transmission and distribution, creating an energy efficient electricity structure".

Petrojam Upgrade

I am pleased with the Prime Minister's assurance that this project is still being pursued. Indeed it was one of the strategies that we were implementing to achieve lower prices for the products of the refinery. The Prime Minister has announced that a proposal on the table now is to allow Venezuela to increase its stake in the Refinery from 49% to 51%. We welcome this but urge that every effort be put into fast tracking this project. The survival of the Refinery depends on it, and with that will come lower prices.

Petrocaribe

It is now five years since the historic signing of the Petrocaribe agreement. I want to highlight that one of the objectives of retaining the 40% portion of the cost of our oil purchases, was to enable us to use those funds to invest in areas that will result in sufficient earnings to pay off the loan. This has not been done.

We are therefore alarmed that instead of using some of the funds as part of our contribution to the Petrojam upgrade/expansion project, we are providing Two Hundred and Seventy Million Dollars ($270,000,000.00) as a grant to the LNG project which is now a private sector driven project. The government was unable to confirm whether it will have any equity in the project.

Petrojam Ethanol

The news learned, in the Standing Finance Committee, that Petrojam Ethanol was not operating is quite alarming. This is apparently due to the lack of raw material from Brazil. The government must accept full responsibility for this state of affairs as, by unceremoniously terminating the arrangement we had with Coimex our source of raw material has been extinguished.

The termination of the deal with Coimex came as a result of the misguided and botched excursion with Bio Infinity. That has cost us dearly, including the over Three Hundred Million Dollars ($300,000,000.00) that the government had to fork out to settle the premature termination of Coimex's contract.

Mr. Speaker, the energy sector is not being properly managed. In the past, it was our management expertise that allowed us to survive during challenging times. Too many things are going wrong.

CONCLUSION

Mr. Speaker, I end where I began. 2010/11 is a crucial year for Jamaica as a nation. The government and the people will not be able to traverse the hazards unless we move with unity of purpose, respect, truth and honesty. Dealing with the public deficit of trust is a prerequisite and a precondition.

Too many times the administrations has eschewed good advice either because of arrogance or because it emanates from this side. Mr. Speaker, everytime the country has paid a price. It is a recurring decimal in so many of the subject areas on which I speak.

Nevertheless, I want to assure this House that I remain firmly committed to giving my co-operation to the fullest extend. And Mr. Speaker, it is not weak leadership to accept help. So many areas would benefit from greater collaboration between the government and the opposition. The fierce urgency of now ought to give us a reality check and get us moving.

The Jamaica people cannot sit and await for so called economic recovery. For while the grass is growing, the horse is starving. We need to act to bring the opportunities and benefits which can flow now if we only work together and build on what has been done before.

Mr. Speaker, in the midst of the despair of the hopelessness, Jamaica is still a place with vast potential if we only grasp the opportunities, implement them and bring wealth-generating projects to our people. Mr. Prime Minister you once said Jamaica is too rich to be so poor.

It is your government that must lead the way, get creative and bring confidence to our people through work and reward. Its about jobs, jobs, jobs. This budget will achieve nothing because we have failed to invest in our people. This budget, instead, continues the cycle of decline into persistent poverty.

Mr. Speaker, I am still bullish on Jamaica and our people. We are a creative people who will achieve once we provide the level playing field and predictable policies. The task is clear. Let us put out shoulders to the wheels.

God bless Jamaica, land we love.