

**“TECHNOLOGY LEADING NATIONAL DEVELOPMENT”**

12 May 2004

**Contribution to Sectoral Debate  
Houses of Parliament, Jamaica**

**By**

**Hon. Phillip Paulwell, M.P.**

**Minister of Commerce, Science and Technology (with Energy)**

**INTRODUCTION**

Mr. Speaker, I rise to make my contribution to the 2004/05 Sectoral Debate in a mood of great confidence in our future as a people, faith in our policies and programmes and pride in our accomplishments as an administration working in the spirit of joined-up government and partnership with the private sector.

I must say thanks to the great team of public sector employees in the Ministry of Commerce, Science and Technology and its agencies headed by the hardworking and dedicated Permanent Secretary, Dr Jean Dixon. Thanks to all the Chairpersons, Directors, and heads of the over 20 agencies, as well as to the leadership of the several industry organizations and companies which worked closely with the Ministry to ensure the success of our programmes.

Mr. Speaker, this Ministry has been given a total of \$864.5 Million in the 2004/05 Estimates of Expenditures to implement its programmes. There is also a provision of \$110 Million in Capital B.

Although all Ministries could always use more resources I am pledging that we will deliver value and better service in this financial year.

Mr. Speaker, we are committed to delivering quality service and in a cost effective manner to the public. This year we will, therefore, begin the process of putting the Ministry on a path to qualify for international certification, perhaps ISO 9,000 in the shortest possible time. We will benchmark our performance against international standards in several areas such as general management, financial management, service delivery, business processes, and customer service.

Mr. Speaker, we take our responsibilities very seriously and we are putting in place a number of cost-containment measures in utilities, administrative overheads, procurement of goods and services and other areas.

Mr. Speaker, that will be our major contribution to the success of the Memorandum of Understanding between the Government and the Private Sector. We are assuring the Ministry of Finance, the workers of Jamaica and the Private Sector that specific cost savings measures will be implemented. We intend Mr. Speaker, to facilitate staff training geared to deliver consistently high quality service to the public in keeping with the Government's commitment in the MOU and to enhance Jamaica's image as a business friendly destination.

In the area of revenue enhancement, we are equally determined that all our agencies should maximize their own sources of revenue so as to lessen dependence on the Consolidated Fund.

During the last Financial Year, two of our agencies, the Bureau of Standards and the Spectrum Management Authority came off the Central Government budget and are steadily improving their own financial situation.

In the case of the Bureau, because of the efficient way it is now operating, I am in a position to announce today that I propose to meet with the Jamaica Chamber of Commerce shortly to discuss a review of the formula for the import monitoring fees now charged by the Bureau.

Mr. Speaker, the Spectrum Management Authority introduced its Regulatory Fees in 2003, thereby ensuring its own source of revenue for administration. All proceeds from Spectrum Licences, which have tripled since the establishment of the Spectrum Management Authority, are passed on to the Consolidated Fund.

The Board of the SMA recently approved a US\$6 Million Business Plan to bring its operations up to world class standards in three years, and the full cost of the first year of that plan is already fully financed by the Authority's own efforts, without any assistance from Central Government.

Next year Mr. Speaker, I will report on the progress of other agencies, which are working towards self-sufficiency, including the Post Office, which has established its “Road Map to Profitability” programme.

## **COMMERCE**

Mr. Speaker, I want to begin the detailed section of my presentation with Commerce, as this area is so vital to the functioning of business in Jamaica.

## **OFFICE OF THE REGISTRAR OF COMPANIES**

Mr. Speaker, the Office of the Registrar of Companies (ORC) is a critically important organization in the establishment of structures to support trade and commerce and the generation of wealth. Its mission is to enable the legal creation of companies, sole proprietorships, partnerships and industrial and provident societies and its operational principles rest on the creation of an environment of trust and a strong commitment to all its stakeholders.

A major highlight of the year was the passage of the Companies Bill 2004 in the Houses of Parliament. Twelve years in the making, the landmark legislation establishes the framework for the modernization of corporate governance.

Mr. Speaker, I have entertained many discussions with several groups since the passage of this Bill and based on the strong representation, I am to announce that the ORC is now engaged in preparation for effective implementation on January 1, 2005.

## **CONSUMER AFFAIRS COMMISSION**

Mr. Speaker, the activities of the Consumer Affairs Commission continue to stimulate the growth of consumer awareness. Primary emphases of the Commission are on consumer protection and consumer education as well as the parallel concern of educating the business community to develop a business culture that recognizes consumer sovereignty.

The Consumer Protection Bill designed to support the Commission’s mandate continued to make its way through the legislative processes. An early tabling in Parliament is expected.

Among the major highlights of the Consumer Affairs Commission's achievements last year were:

- Ninety-four per cent, that is 2,414 of 2,569, complaints handled during the year were resolved.
- Compensation of over \$6.7 M, in addition to rebates, returns and exchanges was negotiated on behalf of aggrieved consumers.

## **ANTI-DUMPING AND SUBSIDIES COMMISSION**

Mr. Speaker, one of the agencies playing a critical role in protecting the nation from harmful trade practices is the Anti-Dumping and Subsidies Commission.

In carrying out its mandate, the Commission is required to conduct detailed analysis of confidential current and past financial data of domestic firms as well as the analysis of factors such as exchange rate fluctuations and market conditions.

International trade remedies, and in particular, Safeguards, constitute a still relatively new discipline in Jamaica. Last October, the Commission began its first Safeguard case in response to a complaint filed by the Caribbean Cement Company Limited and has reached a preliminary determination in the statutory time frame. In December, it initiated a dumping case against cement from a particular exporting country. Investigations will continue toward final determinations, which are scheduled for June 2004 in the open dumping case and July 2004 for the Safeguard case.

Mr. Speaker, as I noted earlier, this is a new discipline for Jamaica and I would like to use this opportunity to encourage all stakeholders to participate fully in the process.

During the year, the Commission was very active in its Advisory role in relation to negotiating positions in the international arena. I am pleased to indicate that the competencies of this "young" organization have been recognized by the Regional Negotiating Machinery of CARICOM and a small team from the Commission travelled to Guyana in January to provide technical assistance with regards to an anti dumping petition mounted against Guyana by the US Southern Shrimp Alliance.

## **JAMAICA INTELLECTUAL PROPERTY OFFICE**

The mission of the Jamaica Intellectual Property Office (JIPO) is to establish and administer a modern, effective intellectual property system, to protect the creativity and inventiveness of Jamaicans and act as a catalyst in the creation of wealth.

Work on the automated Trade Marks Registration System continues and it is expected that it will be fully operational by September.

Mr. Speaker, Jamaica in November 2003 became party to the WIPO Internet Treaties, the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT), which provide for the protection of copyright material over digital networks.

Legislation for the establishment of the Patents Directorate is expected to be passed early in the new legislative year. With the new Patents and Designs Law in place and the consequent accession to the Patent Cooperation Treaty, work will begin on the full establishment of this Directorate.

Preparation has started for the World Intellectual Property Organization (WIPO) expert mission to install the automated Patents Registration System.

Other significant developments in the field of legislation last year was the passage of the Geographical Indications Act.

The Act has generated much interest among the business community and the public in general. A Geographical Indications Working Group has been formed to explore all aspects of the protection of Geographical Indications locally and abroad. Among the membership are JAMPRO, Grace Kennedy, Lascelles, Walkerswood Food, Coffee Industry Board, Bureau of Standards and Ministry of Foreign Trade and Foreign Trade.

Mr. Speaker, a major undertaking of JIPO this year, in cooperation with WIPO, will be a national intellectual property assets audit. The results will form the basis of a national strategic Intellectual Property Plan.

## **SCIENTIFIC RESEARCH COUNCIL**

Mr. Speaker, over the past year, I have been involved in a number of fora in which the matter of Biodiversity has been under discussion and, the richness of our flora is well recognized. Modern Biotechnology has resulted in genetically modified organisms and foods, and we cannot stand on the periphery of these developments.

The safe and responsible application of genetic engineering and related technologies may hold promise for the country's agriculture which suffers from various pests and diseases.

However it is necessary to have in place the requisite regulatory framework, testing facilities as well as competence to carry out risk assessments.

As the region moves from a "Common Market" to a "Single Market Economy", within which goods and services, people, capital and technology freely circulate, along with the implications of ensuring economic stability, there is an urgent challenge for regional capacity building in various areas.

Jamaica, through the Scientific Research Council has therefore taken the lead in proposing:

- A high level forum to discuss prospects for the commercialization of biotechnology-derived products in the Caribbean
- Development of a National Biotechnology strategy for the Country and
- The establishment of a regional center for the testing of genetically modified organisms in Jamaica.

## **TELECOMMUNICATION**

Mr. Speaker, Jamaica has just completed its first year of full liberalization of the telecommunication sector. Although there are still many challenges ahead, the continued growth in the sector reinforces our position that Jamaica is a success story in telecom deregulation.

Based on any measure of performance recorded in the industry worldwide, the Government can justly claim the success of its telecommunications policy.

Take for instance, tele-density, the number of phones per hundred inhabitants, an important indicator of development. In 2000, tele-density was 30%. By the end of 2003 it had increased dramatically to over 80%.

This has resulted in Jamaica being ranked by the International Telecommunication Union's Digital Access Index (DAI) among the countries in the world in the upper Access Category. In this region, we are above Mexico, Brazil, Venezuela and Costa Rica.

Mr. Speaker, let us consider the area of investment. In addition to the US\$103.5 M paid by cellular providers for licences, other investments in such areas as infrastructure, have surpassed by far, the US half a billion dollar mark. Revenue estimates for the industry in 2003 was J\$50 B, with over J\$8B being paid in General Consumption Tax.

The major achievements during the year included the sale of a fourth mobile licence to AT&T Wireless. When this new operator rolls out its service here, it will connect Jamaica to a mobile provider with over 45 million customers in the United States and Canada.

Two weeks ago, the Company sent representatives here to assure the Government of its full commitment to the Jamaican service.

Along with the other 15 Caribbean countries in which AT&T has secured licences, Jamaica will become part of one of the largest mobile networks in the world, covering the entire North American continent and the Caribbean Sea. Mobile services will operate freely in any of these locations.

AT&T has indicated their willingness to partner Jamaica in co-op advertising by inserting tourism brochures in mail pieces to its forty-five million subscribers.

Consumers continue to benefit from the continued growth of fierce competition among existing telecoms service providers. An additional 112-service provider and carrier licences were issued during the year, bringing the total number of telecoms licence holders to 392. These licences include

84 international voice service providers, 61 international carrier licences, 76 Internet service providers and 31 domestic voice service providers.

Mr. Speaker, these developments should be considered against the background that four years ago when Jamaica embarked on the process of deregulation, in the face of opposition from certain members of this Honourable House, there was a monopoly provider. This provider was operating under a licence signed in 1988 and scheduled to expire in the year 2038. We have certainly come a long way!

Nevertheless, Mr. Speaker, as I had indicated before, there are challenges facing the industry.

Perhaps the most difficult of these have been in the area of inter-connection and the issue of settlement rates with the United States of America.

We have to arrive at the delicate balance between raising settlement rates high enough to benefit the Jamaican economy while lowering termination rates enough to allow sufficient margins to stimulate sustainable investment in the telecoms industry.

Mr. Speaker, there have also been disappointments in this post-liberalization period. One is an inability to deliver broadband or high-speed Internet service at affordable prices to the Jamaican consumer. At present there are only 95,000 Internet accounts, although a 2003 Internet market study showed that awareness of the Internet among Jamaicans over 15 years old is universal and 80% of non-users are interested in becoming users.

Cable operators have not delivered on their promise of high speed internet through cable modems, and the ADSL access provided by Cable and Wireless is approximately US\$93 per month which is still too expensive.

The limiting factor, really, is still the monopoly on submarine optical fibre connecting Jamaica to the rest of the world. We recognize that one of the basic inputs for affordable Internet access is competitive submarine fibre optic connectivity to the regional Internet hubs.

The Government is, therefore, encouraging and supporting companies, which have shown interest in making this investment. Government participation in the venture might also be necessary in order to stimulate

investor interest and assure adequate capacity at reasonable prices to public institutions.

A key part of our efforts to bring data access to all Jamaicans may be the use of CDMA technology on the 450 MHz Band. Indications are that this would have the capacity to provide broadband capabilities and would allow deployment in even the most remote areas of Jamaica. The Government is giving consideration to the terms by which the 450 MHz Band can be made available to the telecommunication industry in order to ensure that this additional resource supports the Government's policy objective for accelerated Internet access.

The Spectrum Management Authority has been given the responsibility to prepare recommendations and I expect them to consult widely so that the position of industry players is taken into account.

Mr. Speaker, while broadband access has been a challenge, the objective of universal voice service throughout the country has been substantially met. The small number of difficult pockets where residents are without service will be provided with pay phones or other special facilities. This will ensure that every Jamaican has access to emergency telephone service, based upon the recommendations of the Office of Utilities Regulation (OUR) for the implementation of universal access.

Jamaica has now achieved its universal service objectives in terms of voice. There are 1.6 million cellular users and 500,000 landlines, which means that of the current population of 2.7M there are now 2.1 million active voice lines, a growth of 300,000 over last year. Digicel reached the one million customer mark last month.

The universal service objective will now have to move from voice communication to the provision of data access across the length and breadth of Jamaica to include free Internet access to public institutions such as schools, libraries and post offices.

Mr. Speaker, we have initiated dialogue with the major telecoms providers, Cable and Wireless, Digicel and Oceanic Digital, to lay out our vision and solicit their support in achieving this goal as part of their Universal Service Obligations (USO) under the Telecommunication Act 2000. This law provides for the imposition of USO fees of up to 5% of the revenues of

service providers. The option we are proposing would be less costly and would create a quantum leap in achieving our information society goals for Jamaica.

Our intention is to encourage the major telecoms providers to buy in to our vision of creating a knowledge-based society under a major e-learning project.

The estimated cost of implementation over three years, is J\$4.5 Billion. Mr. Speaker, the Honourable Minister of Education and myself will speak further on this matter.

## **SINGLE REGULATOR**

Mr. Speaker, as this vibrant industry goes forward on a secure and sustainable foundation, there are two critical issues which we must now address as a Ministry. First is the promulgation of a new telecoms law to ensure a modern legislative and regulatory framework and a single regulator for the industry.

As technologies and services converge, the present regulatory framework is less able to deal with the regulatory and institutional issues, which impact on liberalization, convergence, pricing, international services and spectrum policy.

The sector has to contend with directives from the OUR, the SMA, Broadcasting Commission, and Fair Trading Commission. Although these institutions have generally performed very well, the time has come for Jamaica to implement a single regulator policy, by creating a legislative and institutional apparatus, to handle this growing and changing industry.

Recently, an Inter-American Development Bank (IDB) sponsored expert in Telecommunications Policy and Regulations from Canada spent a week in Jamaica partnering with a local team drawn from the relevant areas in the Ministry. The team met with a broad cross section of industry personnel and other stakeholders and examined many issues related to the local telecom industry.

We expect the report to inform the decision regarding an appropriate regulatory system for telecommunications, broadcasting, cable television,

spectrum and the competition issues which affect all. There are many models such as OFCOM in the U.K., the F.C.C in the U.S. and Industry Canada which can serve as examples to Jamaica.

## **ICT INDUSTRY**

Mr. Speaker, I want to take a quick look at the ICT Industry but first let me pause to congratulate Mr. Patrick Casserly, Chief Executive Officer of e-Services Group International and Sitel Caribbean on his recent Award as the Jamaica Observer Business Leader of the Year, as well as other Job Creation Awards from the Private Sector Organization of Jamaica and this Ministry's Job Creation Award.

Mr. Speaker, e-Services, which was started in Montego Bay some four years ago, now employs 1,400 Jamaicans in Kingston and Montego Bay. It leases a total of 168,000 sq. ft. of office space including 93,000 sq. ft. in the Montego Bay Freezone, making it the largest client.

The user-friendly surroundings include a gym, 4 cafeterias, a physical therapy room, 11 classrooms to train workers and a media room.

Patrick Casserly and the e-Services group have truly been outstanding achievers and are the biggest advertisement for the Jamaican IT Sector. Their clients include major US Corporation such as Blue Cross Blue Shield of Georgia, Colonial Penn Insurance, Phillips Consumer Electronics, United Health Group, the largest health care management company in the United States, Nippon Telephone and Telegraph of Japan and Bankers Life and Health Insurance of the United States.

Mr. Speaker, alongside this phenomenal success, there have been problems too. I would also like to update the House on the efforts of the Ministry in association with the National Investment Bank of Jamaica to rescue the failed projects which were funded under the Intech Project.

Teleservices Jamaica Limited, which borrowed \$226 Million was put into receivership by NIBJ in June last year and the assets sold to West Corporation, one of the largest tele-marketing companies in the United States for J\$270 Million, payable over 5 years. The deposit of J\$84 Million has been paid and the company is now operating the former teleservices call center.

Netserv was placed in receivership early in 2002 and the assets sold to Touch Point Centers International Jamaica Limited for J\$240 Million with a deposit of J\$27 Million and the balance payable over 7 years at 4.25%. Netserv was loaned \$199.6 Million.

Pathways Technologies which borrowed \$158.8 Million for 6 years, suspended operations in August 2003, as a result of its inability to continue to finance itself. NIBJ appointed a receiver who last week signed an agreement with a Trinidad Company to lease the assets. The effective date of the Lease is February 2004. The loan which was partially secured by a hypothecated deposit J\$60 Million by the Pathways' Principal is being serviced by interest from the deposit.

NIBJ is pursuing various options with regards to the \$64 Million turn key facility which it owns at the Kingston Freezone.

Bay Telemarketing which borrowed \$35 Million is repaying its loan in accordance with its terms.

Mr. Speaker, it is my firm belief that the NIBJ will be able to bring a positive conclusion to all the outstanding issues in relation to the Intech Loan Project.

Mr. Speaker, I now move to the major ICT project in the Ministry being funded jointly by the Inter American Development Bank and the Government of Jamaica.

The total project cost is US\$23 Million, of which the IDB is providing US\$17 Million. The loan agreement was signed on June 25 last year and the project officially launched on March 24, 2004. The Project is now in full implementation with the highest priority being Jamaica's e-readiness.

As a result, the project is focusing on assisting the Trade Board and Fiscal Services Limited to purchase computer equipment and relevant software.

Both institutions are critical to the implementation of the e-Government initiatives. This US\$6.9 million component of the project integrates and web-enables the systems of government agencies to remove duplication and reduce the number of places citizens have to go to transact business.

Mr. Speaker, Jamaica is currently ranked in the top ten countries in the world to do business. When this project is concluded, so long as the criteria remain unchanged, I confidently expect our ranking to be improved, perhaps to number one as that is our objective. We are not satisfied with just being in the top ten.

The Trade Board has been mandated to develop a government Public Key Infrastructure (PKI) to secure electronic service delivery by government ministries and agencies as well as Jamaican businesses. It will also facilitate electronic commerce over the internet as well as inter and intra national trade.

The Trade Board will be custodian of the PKI and will be the certification authority, enabling electronic services delivery and electronic commerce through the use of digital certificate and digital signatures.

The International Telecommunication Union (ITU) is providing technical assistance for establishing the PKI and the Ministry is spearheading the drafting of the e-transactions legislation as well as cyber-crimes legislation to provide the legal foundation for the use of the PKI and digital signatures.

Mr. Speaker, the draft of the e-Transactions Bill was widely circulated for comments and these are now being incorporated into the document. We expect to have this Bill presented to Parliament for debate shortly. Again Mr. Speaker, I would like to invite Jamaicans to avail themselves of the opportunity to comment on the proposed cyber crimes legislation.

Mr. Speaker, the project is also financing technical assistance to strengthen the Ministry including the Central Information Technology Office (CITO). CITO is mandated to periodically update Jamaica's strategic ICT plan, develop a monitoring system and develop action plans for the introduction of ICT in sectors such as education, health and agriculture.

## **POST AND TELECOMMUNICATIONS DEPARTMENT**

Mr. Speaker, there are very encouraging developments in the Post and Telecommunications Department. Despite constraints, the Department continued to pursue its strategic objectives aimed at implementing the necessary modernization and commercialisation of the postal services.

In response to its mandate, the newly appointed Board set to work on developing a “Roadmap to Profitability” determining the status of the postal reform process, reviewing the strategic objectives and setting priorities.

Continuing the focus on Customer Relations, the Customer Service Unit has been strengthened. The Hotline was activated and closer links established between the Unit and front line personnel. Three Hundred and Two persons received Customer Service training.

The most significant achievement for the year in review has been the re-engineering of sorting and delivery operations, which began last July. An end-to-end measurement system was introduced, allowing for tracking of the movement of mail.

Feedback from customers and test mailings of letters indicate that delivery standards of 2-3 days in the Kingston Metropolitan Region and 4-5 days island wide are being met in 65% of mailings. The local express mail 24-hour guaranteed service has shown steady growth, despite inadequate funding for promotion. For the period under review, 11,267 pieces were delivered island wide.

“Track and Trace” software for the express mail service has been installed and the service to Canada, the United Kingdom and the Caribbean will be re-introduced in the new financial year.

Infrastructure development remains an important strategic objective for the post office.

The Liguanea Post Mall, the centrepiece of which is the new Post Office, is to be officially opened next month. This first-of-its-kind modern state-of-the-art facility, will offer a suite of commercial services, including bill payment, money transfer, virtual phone card and fax and photocopy services. There will also be an Internet café and facilities to provide tax payment and loan repayment services, as well as 2,000 private mailboxes.

Last August, the new post office in Santa Cruz was completed. The 3,900 square foot facility is a prime location for commercial services and plans are in place to establish a Post Shop in the reception area.

Notwithstanding limited resources, 40 post offices were refurbished and equipped for commercial services. This is in keeping with the concept of achieving sustainability of the postal services by establishing partnerships with communities and commercial partners, to manage the costs of maintaining the extensive postal network.

Several communities have demonstrated their commitment to the partnership approach. The Jamaica Bauxite Institute through its Community Development Project has also given vital assistance. During the year, new postal agencies were built at:

- March Town
- Clover Hill
- Cross Roads
- Pear Tree Grove
- Exchange

Work is now progressing on buildings for Shooters Hill and McCook's Pen.

Mr. Speaker, there were many other highlights during the period under review:

- The revenue from commercial services increased by 300% and commercial services are now being offered in 80 post offices.
- Paymaster Jamaica Limited expanded its services to 57 post offices
- Moneygram increased transactions by 330%
- Forty-eight post offices started selling virtual phone cards, resulting from an agreement with Aldus Limited signed last September
- The pilot phase of implementing an agreement signed last June with GATS Limited, a subsidiary of Swiss Post, to establish an international mail hub at the International Airport, was completed and plans are now in place for full implementation.
- Jamaica National Small Business Loans has deepened its partnership with the Post Office and now operates at 11 locations
- The Programme for Advancement through Health and Education (PATH) administered by the Ministry of Labour and Social Security was fully mobilized during the year and the post offices, by agreement, now distributes the social benefit cheques to approximately 60,000 households covering 180,000 beneficiaries island wide.

Mr. Speaker, mail volumes increased by 27.7 %, compared with the previous financial year, even though revenue was flat.

As the Post Office seeks to maintain the momentum of the reform process, the strategic objectives for the new financial year are:

- Completion of the final draft of the Postal Services Bill
- Implementation of Private Letter Box Project, installing at least 4,000 new boxes
- Beginning of the Messenger/Courier Service in partnership with Skypostal
- Increasing of the number of post offices offering commercial services to 125.
- Implementing the new postal coding system

## **ENERGY**

Mr. Speaker, over the past year there have been several significant developments in the Energy Sector. World Oil prices have been on the increase since the Iraq/US conflict.

The drive for energy conservation and energy efficiency has become a nation wide effort, in light of the continuous increase in the price of imported petroleum and petroleum products. Increased use of renewable energy sources is becoming more of a viable option which will have to be factored into our national programme. Increasingly, it is also a globally strategic issue in terms of the environment.

### **Oil Consumption**

Mr. Speaker, in 2003 Jamaica imported 27.1 million barrels of fuel oil and the bill raced towards US\$1 billion mark reaching US\$813.1 million. In terms of volume, the increase was 7.5% but in terms of cost the increase was 27%.

Mr. Speaker, let us look at the pattern of importation costs for petroleum fuels from 1999 to 2003

1999:	23.2 M barrels.	Cost: US\$431.1 M
2000:	24.5 M barrels.	Cost: US\$688.1 M

2001:	24.8 M barrels	Cost: US\$596.0 M
2002:	25.2 M barrels	Cost: US\$640.7 M
2003:	27.1 M barrels	Cost: US\$813.1 M

Over the last five years, Jamaica spent US\$3.2 Billion on oil imports. The oil bill now accounts for 22% of imports.

### **Oil crisis**

Mr. Speaker, given our dependence on imported oil for such a high percentage of our energy needs, the continuous increase in consumption must be addressed as a matter of urgency. Even though we might not be able to reduce consumption immediately, we can certainly improve energy efficiency and reduce energy intensity.

In light of the direct impact on oil prices of the war in Iraq, the implications of conflicts in Venezuela and pressures and demand exerted by China, we have to brace ourselves for sustained increases in oil prices.

Last week, world market oil prices reached US\$40 per barrel. We can now safely say that the days of US\$20 a barrel for crude is now history.

It is totally unsatisfactory that only 9 per cent of the economy's total energy requirement and 5% of the electricity are provided by renewable sources.

Given the urgency of the situation now confronting us, the energy policy and strategy, which was approved by Parliament in November 1995, is now under review.

In the meantime, we are doing a number of other things. These include:

- The establishment of an Energy Efficiency Unit, headed by a Director (the "Energy Czar") and mandated to lead the national effort in energy efficiency at both the demand and supply side and to establish a central point for the coordination of public and private sector initiatives.
- The appointment of an Energy Coordinators Committee to promote conservation and efficiency in the public sector. Last year the public sector energy bill was also J\$3 Billion and we must achieve a savings of at least 10%.

- Implementation of a 20 MW Wind farm in Manchester, at a cost of US\$26 Million. This plant will be fully commissioned by the end of May.
- Continued research on commercial fuel wood production, through the demonstration project at Font Hill.
- Sales and distribution of solar water heaters to promote wider use of solar systems. I want to thank the Minister of Finance for the removal of GCT on solar heaters.
- Distribution of over 220,000 compact fluorescent lamps (CFL's) as of March 2004
- Providing training on energy efficiency and conservation to several Corporate Area schools.
- An energy conservation and efficiency competition for Preparatory and High Schools

Emphasis in this current financial year will be on energy diversification and the development of policy mechanisms to increase indigenous renewable energy supply, such as wind, biomass and solar photovoltaic. Our efforts will focus on:

- Updating the Energy Sector Policy to the account of current market and energy trading realities
- Stimulating the development of an ethanol industry for both domestic consumption and the export market.
- Developing a strategy to facilitate competition in the electricity generation and the wider use of co-generation.

New initiatives will include

- Establishing a revolving Energy Trust Fund to wholesale loans for energy investments to residential and private sector users through certified financial institutions at development financing rates of interest.
- Establishing a \$70 Million Energy Efficiency Fund. This is to kick start the programme for hospitals to implement energy efficiency measures. The preliminary institutions will be the Cornwall Regional Hospital, St. Anns Bay Hospital the Princess Margaret Hospital and the Bustamante Hospital for Children where work will begin later this month.
- Promoting public awareness of the need for behavioural change to bring about more efficient use of energy and conservation, through demonstration projects, training in energy audits, public education, advertising.

- Introduction of new legislation to make energy efficiency mandatory in the building code.
- Developing a 1.2 MW hydropower project at Laughlands Great River, St. Ann.
- Promoting wider use of solar water heaters with a target of 25,000 installation over the next five years.
- Promoting increase use of fluorescent lamps in residential houses.
- Finalising the development programme for the upgrading of Petrojam.

## **PETROJAM**

Mr. Speaker, of central importance to addressing the meeting of Jamaica's energy needs is an efficient oil refinery. Upgrading Petrojam and increasing its throughput to 50,000 barrels per day will be a central policy objective of Government.

However, Mr. Speaker, there are fundamental issues to be resolved, concerning the future of Petrojam.

In this respect, an international energy consulting firm was engaged to consider the future of Petrojam.

Three main options were identified and analysed:

1. Retain the status quo of 100% public ownership with the likelihood of minimum capital investment capital from the public purse in the immediate future.
2. Upgrade the refinery to more efficient and sustainable levels.
3. Cease refining and convert the facility to a terminal for finished products.

The report of the consultant supports the view that the most attractive option for Jamaica is to upgrade Petrojam.

Mr. Speaker, the current refinery design is a simple hydro-skimming configuration with a small catalytic reformer for producing high-octane gasoline blending components. Approximately 45% of the refinery's production is heavy fuel oil with the remaining 55% being clean products (LPG, Turbo, Gasoline, Diesel). Consequently, there is a deficit of high value products such as LPG and gasoline, which now have to be imported.

Another important consideration is that the refinery in its present state will not be able to meet upcoming changes in global product specification, which calls for the production of low sulphur gasoline and diesel. Further more, the refinery uses MTBE as an octane enhancer for gasoline and there is now an international thrust to phase-out MTBE by 2007 because of environmental considerations.

Upgrading of the refinery, enabling it to supply the full range of finished petroleum products to the local market and to be in a position to take up anticipated export opportunities must be the preferred option for Jamaica.

Based on the technical recommendations, the preliminary view is that the refinery upgrade should be pursued through a lead investor/private financing type arrangement most likely under a Build, Own and Operate (BOO) Scheme. The upgrade is expected to cost US\$160 Million and there will be no provision of government guarantees.

## **ETHANOL**

Mr. Speaker, as I said before, the world is moving towards the use of ethanol as an octane enhancer to replace MTBE. Ethanol is a renewable fuel produced from organic source material/biomass feedstock, including sugar cane, corn and even municipal solid waste. The fuel mix is very efficient and reduces emission levels and the technology is such that it will require virtually no modification to engines.

Local ethanol production facility consists of two private sector plants and a third owned by the Government. The Government plant has not being operating since the early nineties and the private sector plants are currently importing low priced European wine alcohol as feedstock. That source is coming to an end soon.

Mr. Speaker, discussions to upgrade the capacity of the ethanol plant at Marcus Garvey Drive to forty million gallons per year is well advanced. It is expected that the PCJ will undertake this development under a joint venture agreement with a Brazilian company. This investment will cost about US\$7.2M.

The Board of the Jamaica Ethanol Processing Limited and Caribbean Pacific Alcohol Limited, also yesterday informed me of its decision to substantially increase the processing capacity of its Rockfort Plant by 30% to fifty million

gallons per annum. They will be making an investment of US\$10 M (J\$600 M).

## **PETCOM**

Mr. Speaker, in 1985 the Petroleum Company of Jamaica (Petcom) became the public sector petroleum product marketing company with the mandate of countering the market power of the foreign companies and assisting GOJ with stabilizing local petroleum prices.

In recent years profitability has been low, even though there has been growth in both cooking gas distribution and in the retailing of automotive fuels.

Mr. Speaker, Petcom has fulfilled its designated market role of price stabilizer and “encourager” now that the market has matured with the continuing increase of the number of players.

It is also felt that the nature of the market, together with existing institutional arrangements, including the presence of the Fair Trading Commission, minimizes the leeway for cartelisation, abuse of market power and price gouging.

All things considered, while Petcom continues to be a viable concern, it no longer has the marketing influence to be a stabilizing force, which in any event is no longer a critical component of the market.

Against this background, Petcom is to be privatized. An enterprise team is to be established shortly to determine the precise divestment strategy.

A new retailer is about to enter the Jamaican market. TOTAL, a French Company, has bought one of the smaller marketing companies and is about to enter the trade as a serious player. This should augur well for increased competition which would benefit consumers.

## **MOU FOR RETAIL TRADE**

Mr. Speaker, it is well known that the relationship between the Jamaica Gasoline Retailers Association (JGRA) and the Petroleum Marketing Companies has not always been harmonious.

Over the past few months, I have sought to establish a framework agreement aimed at minimizing disruptions in the retail market and promoting the concept of self-regulation.

The discussions have been going well and I would like to thank the players who, having recognized the need for stability in the sector, have been very cooperative and made significant contributions to the development of the framework. A detailed Code of Conduct is now being finalized by the Fair Trading Commission and will be made public as soon as it is available.

### **Electricity Supply**

Mr. Speaker, Government, you may recall, privatized JPSCo in 2001. Privatization, however, did not mean that government abandoned its responsibility for the electricity supply to the public.

Under the All-Island Licence JPSCo was given exclusive rights in March 2001 for transmission, distribution and retail electricity supply to all end users in Jamaica.

Over this three-year period JPSCo brought on stream an additional 120 MW of new Capacity located at Bogue, St James.

With this installation, the capacity of the grid system is now 784 MW. When this government assumed office in 1989, the installed capacity was 517 MW. The investment in the power sector it is clear for anyone to see. Peak electricity demand is currently 600 MW. For the first time in a long while the reserve margin, or safety margin in the electricity supply system is over 30%.

Mr. Speaker, the reserve margin prior to the new capacity had declined to the low level of 4 %. In the face of increasing demand, we now have a more comfortable level of capacity to meet existing demand. This does not mean

that we can predict a future without power cuts. But we can say that the system is more reliable.

For the future, JPSCo is obligated under the licence to supply the OUR with an electricity demand forecast and a least cost expansion plan. OUR is required to review this plan and deliver to me for approval.

Although the final report is not yet in, all indications are that an additional 250 to 300 MW of additional capacity will be needed over the next five years. A critical independent evaluation of this forecast will be carried out before any new plant is approved.

With the introduction of the 20 MW Wind Farm, 5% of generated electricity will now come from renewable energy, hydro and wind. Apart from the savings in environmental cost, renewable energy provides for reduction in the amount and cost, of imported fossil fuel.

As a matter of policy my Ministry intends to set a supply target for renewable sources in respect of the additional capacity, which is to come on stream over the next five years.

### **Rate Increase**

Mr. Speaker, JPSCo has submitted a request for increased prices to the OUR, which is currently carrying out the necessary price review. Government's policy calls for the private investor to be justly rewarded. However we have gone past the days of passing all cost increases to the consumer. Government expects JPSCo to invest in transmission and distribution so as to reduce both commercial and technical losses, which are now running at over 17% of generated power. We intend to engage JPSCo in dialogue with respect to its investment programme in transmission and distribution, designed to address both technical and commercial losses.

### **Legal Framework**

The existing All-Island licence is now inconsistent with the two laws, which set out the legislative and regulatory framework for the electricity sector. The acts are also inconsistent with today's technology and industry market structure.

The Electricity Lighting Act, which is the primary Act, was introduced as far back as 1890. Mr. Speaker please note the use of the word “lighting”. In those days, the primary purpose for electricity was lighting.

The other Act is the Electricity Development Act of 1958, which was introduced to give Government the power to develop and operate electricity supply undertakings.

Consultants have been engaged to develop new electricity industry sector legislation as well as to advise on the market trading arrangement for the liberalized power generation sector. A new policy framework will be published for public comment before the final legislation is presented to Parliament.

It is expected that the new Act will set out the proposed new industry structure, the detailed regulatory requirements, the overall trading arrangements for the competitive generation sector, the mandate of the OUR to regulate the electricity supply industry, the role of renewable energy to meet a part of our electricity supply needs and the role on the Ministry in policy formulation, data collection and planning.

## **REP**

It is the PNP Government of the 1970s Mr. Speaker, which had the foresight to introduce a rural electricity programme through the establishment of REP Ltd. At that time less than 50 % of our population was served with electricity.

Today over 90% of Jamaican homes are connected to the grid. There are just about over 16,000 homes, most of which are in deep rural Jamaica without electricity. It is this government policy to pursue a policy of 100% supply of electricity coverage. This was one of the most far reaching social programme introduced in the last three decades to improve rural life.

In order to complete the mandate, the REP will construct some 700 km of lines to 16,000 houses over the next 3 years. In this financial year, over 200 km of distribution line will be done and some 7,300 houses wired. The financing is provided for in the Capital B allocation in this year’s budget, but we are in the process of negotiating additional amounts from the JPS by way of sale of additional assets to the company.

The Government is also in negotiation with Venezuela for possible funding under the San Jose Accord arrangements.

Of the additional houses to be completed in deep rural Jamaica, it is uneconomic to bring electricity to about 7,000 of them. This need will have to be met by photovoltaic means. There are two demonstration projects at Middle Bonet in St. Catherine and Ballymony in St. Ann.

Since its inception, the Rural Electrification Programme has wired over 55,000 houses. In addition, over 3,236 miles of electrical distribution lines have been constructed. Over 300,000 Jamaicans have benefited directly.

The Programme to regularize connection in urban areas, which began in the last financial year, will continue and I expect to announce shortly, the communities in which work will be done during this financial year.

## **MINISTRY PAPERS**

Mr. Speaker, what I have said this afternoon represents the highlights of the performance of my Ministry over the past year and an overview of the plans for the new financial year. I would like to announce for the benefit of members of this Honourable House and the general public that I have tabled Ministry Papers on the work of all the Agencies under the Ministry. Those Ministry Papers as well as this presentation are available on the Ministry's website at [www.mct.gov.jm](http://www.mct.gov.jm).

## **CONCLUSION**

Mr. Speaker, for any country of the modern world determined to guarantee for its people even the most basic of human needs - food, clothing, shelter, education and medical care - there are some very important issues that must also be addressed.

The term "basic needs" is actually being redefined by the rapid advancement of technology and globalisation. There is very little chance of any country moving forward without the availability and sustainability of energy supply; capacity for instant communications; computer usage; and the critical role of science and technology.

These are the issues that are the primary concerns of the Ministry of Commerce, Science and Technology and the commitment to deliver these needs will continue to define our work.

Mr. Speaker, we can report great progress towards achieving these needs. We are making strides in ensuring the availability and sustainability of energy supply, which fuels productive activities in the home, at the workplace and the nation at large.

We are progressing at a rapid pace in ensuring that people are able to communicate with each other and with the rest of the world, regardless of geographical location. Wireless technology will ensure that no one is left out.

We are also keeping abreast of the new technologies available worldwide that will make a positive difference to efficiency, effectiveness and quality of life; and paying more attention to studying our indigenous resources and applying the scientific knowledge gleaned to the creation of technological solutions for our challenges in meeting human needs.

We continue to make excellent progress in establishing modern, effective, regulatory mechanisms, to facilitate enterprise, stimulate production and trade, and protect both producers and consumers.

Mr. Speaker, these initiatives are the essential foundations for development, for as the technological revolution gathers momentum and continues to transform every aspect of human life, increasingly, we will have to look to the fields of commerce, science and technology to provide us with many of the key indicators of modernization.

And we can say that Jamaica is demonstrating positive forward movement. In a few short years, there have been highly visible achievements in every area - the management of energy; advances in the use and spread of information and communication technology; increased awareness of the potential of science and technology as problem solver and catalyst for enterprise; and the development and continuous strengthening of essential regulatory bodies.

Our pledge is to continue to work with determination and with passion. Because every single advance brings us closer to realizing the vision of

Jamaica as a modern state that is fully equipped for healthy, happy, productive, profitable and prosperous living.