

LIST OF OBSTACLES RETARDING CURRENT BUSINESSES

**Document submitted to the Honourable Prime Minister by the
Private Sector Organization of Jamaica (PSOJ) in January 1999**

(This document became the basis on which the Government of Jamaica and the PSOJ initiated consultations, and involved the signing of a Memorandum of Understanding on February 10, 2000)

TAXATION

The impact of Stamp Duty on the Competitiveness of the Life Insurance Industry The stamp duty payable on new business reduces the competitiveness of products marketed by local companies. In an environment of liberalization and globalization this puts the industry at a disadvantage in relation to over-seas competitors. In fact, overseas companies are now legally marketing life insurance policies as well as conservation of existing business. A paper outlining the details on this issue attached.

The following is the Institute's perspective on a series of issues which impact directly, as well as tangentially on the Accounting profession; and if addressed in a consultative forum as proposed by the Prime Minister, could stimulate economic growth and greater confidence in the government's processes:

1. The framework for introducing changes to legislation
2. The Income Tax Act (ITA)
3. The Contractor's Levy Act
4. The General Consumption Tax Act (GCT)
5. The National Housing trust Act
6. The Double Taxation Treaty JA/UK
7. The Insurance Act
8. The Jamaica Export Free Zones Act
9. The Action Required to Encourage Domestic Long Term Savings

10. The National Insurance (Validation and Amendment) Act 1997

It should be pointed out that a submission on the foregoing was made to the Minister of Finance, Dr. The Honourable Omar Davies, in January 1998. To date, however, the Institute has not been invited to discuss the issues raised therein. The document is therefore being submitted (Appendix 1) for consideration in the proposed private/public sector working session to be presided over by the Prime Minister.

Another issue which the Institute of Chartered Accountants of Jamaica (ICAJ) wishes to invite the forum to consider, is that of the methodology used by government-owned entities in the procurement of the services of accountants and consultants. It is felt within our membership that the procedures are ill defined and not always carried out with due probity, and as such, the public at large is not receiving maximum benefit at minimum costs.

The overriding concern expressed is that there should be fairness and equitability in the appointment of auditors and consultants, as well as in the assignment of Accounting services.

In order to redress the perceived lack of transparency in the system of allocation, the ICAJ is submitting a list of recommendations (Appendix 11) which if implemented, could serve to streamline the current procedures.

We welcome the Prime Minister's initiative and look forward to further consultation on these matters.

Removal of Double Taxation

For years, the JMA has lobbied for the removal of double taxation of dividends. The Association feels that removal of this double tax would greatly encourage equity financing and thereby assist in the growth and development of manufacturing entities.

Simplification of GCT Removing Exempt and Zero Rated Categories

Manufacturers have always contended that the competitiveness of locally manufactured goods, which fall in the exempt category under the GCT, is significantly reduced when compared to similar imported products. Manufacturers are required to pay tax on the inputs used to produce these goods and there is no mechanism to offset the additional costs, which have to be absorbed by the manufacturer. The JMA therefore, proposes that the GCT be rationalized with a low standardized rate for all products. This will result in a simplified tax and will ensure broad-based collection.

Savings Mobilization

The Association would like the introduction of a medium-term savings instrument, which would qualify for tax exemption on interest, provided that the funds remain in the institution for a minimum period of five (5) years. Any instrument with a maturity period of seven years will not be attractive to savers.

Tax Incentives for Ownership of Ships

Considering the dominant role, which the maritime Industry plays in the life of Jamaica's economy, we are convinced that the granting of tax incentives for locals to own ships would rebound the economic growth. Employment opportunities would be generated, the creation of ancillary

support industries would be enhanced and the process of developing Jamaica into a maritime nation would be propelled.

Tax Concessions on Productivity Incentive Schemes

The Shipping Association of Jamaica is a pioneer in the introduction of a productivity incentive scheme for workers and has been at the forefront in seeking tax concessions for that scheme.

One of the key ingredients which shipping lines look for in placing business with a port is its productivity levels and we are of the view that productivity in the Shipping Industry would increase if tax concessions were to be granted on productivity targets and that would enhance the Industry's capacity to compete with regional rivals.

The Equity/Stock Market

The Equity Market should not be confused with the Stock Market, as not all firms are listed on the Stock Market. Emphasis should be placed on encouraging equity capital and not debt, thus the double taxation on dividends should be removed.

Skills

Management skills need to be improved in order to increase productivity.

Tax Incentives

The renewal of the tax incentives so as to encourages agriculture.

Ministry of Finance

- Export incentives-exempt export earnings from income tax (generally).
- Road blocks when accessing BNS 8.5% financing through IDB.
- Premium tax on insurance
- Excessive duty on key imports
- West Indies Synthetics Limited pay General Consumption Tax (GCT) but some of our competitors who produce plastic bags and T-Shirt bags here in Jamaica do not pay GCT.
- One of the greatest considerations is the high cost of capital inputs.
- When one has to pay suppliers in advance, insurance, freight and clearance and then duty and GCT, it makes new projects uncompetitive with existing operations.
- One is able to obtain a relief on GCT and duty under the Modernization of Industry Programme, but this is not automatic and requires the approval of JAMPRO and the Ministry of Finance, which can take months to obtain.
- This waiver of both taxes should be automatic once the business meets certain criteria such as, uses some local raw material, employs unskilled workers, brings in new technology or the output is a transformation of the inputs. This should include

manufacturing, agriculture, restaurants or any activity that meets one of the above activities.

- If GCT is paid on productive capital goods, this should be able to be recovered immediately from output tax instead of a 24 month period that presently exists.
- With the high cost of inputs that exist, it is very difficult for businesses to make profits in the early years and some may never make it to the stage of being profitable and paying income tax over the long term. A relief of the taxes on the capital cost would assist in bridging the difficult early years of a project.
- The list of Basic Industries under the Income Tax Act that grants Investment Allowances (the free 20% allowance) needs to be reviewed, for example, production of jam and jellies even if it is a home industry will receive Investment Allowance but breads, biscuits and other flour based products do not.

This has been a deterrent to certain industries investing in Jamaica. This matter has already been brought to the attention of JAMPRO and the Ministry of Investment and Industry and whereas these two entities agree that the list should be reviewed, the Commissioner of Income Tax as advisor to the Minister of Finance has not been at all receptive to the idea of even discussing the matter.

- Indeed Accelerated Capital Allowances of 50% of cost two years was introduced in 1994. But this only applies to new equipment. An investor who comes into Jamaica and purchases existing equipment will not get any incentive for his investment.

- Obtaining decisions out of the Ministry of Investment and Industry are extremely time-consuming. It is recognized that the Ministry has to liaise with Ministry of Agriculture, Customs and other Government entities, but there seems to be no sense of urgency in respect of time for decisions that are out of the ordinary that may arise in the investment process, e.g. in respect of bonded warehouses and establishment of Single Entity Free Zones.
-

INVESTMENT

Incentives for Long Term Savings

Given relatively high short-term interest rates, it is our view that in order to encourage long term savings the Government needs to create the framework and provide appropriate incentives for long term savings. A copy of our submission to the Minister of Finance in 1997 on this matter is attached. Despite our efforts, we have been unable to get a meeting with the Minister since April 1997.

We welcome the opportunity to have these issues brought to the attention of the Prime Minister and we would be grateful for any assistance we can get in having these matters addressed expeditiously as they are crucial to the recovery process and the long-term viability of the industry.

There is the need to have a national investment policy, which promotes and/or focuses on certain specific investments. Incentives need to be given to encourage investments in these areas.

INTEREST RATES

Refinancing

We are all aware that a small pool of funds is available in a few institutions for refinancing. However, the terms and conditions are onerous and only the most successful companies are able to access these funds.

Attempts have been made to provide other funds through the NIBJ but the approval process is extremely long. In view of this, the recommendation is being made for a review of some of the conditions for approval. While it is agreed that due diligence is appropriate and should be applied, there must be a process where turn-around time is dramatically reduced.

In addition, there is the awareness that the government has started the process of “freeing up” the cash reserve requirement for commercial banks with the intention that this reduction would enable the banks to make additional loanable funds available as well as to facilitate the reduction of interest rates in some institutions this has not been across the board and it is not known that the level of loanable funds to the manufacturing sector has increased.

Funds for retooling

The high interest rate regime has been a serious deterrent to the retooling of plants by manufacturers. The feeling is that the current pool of funds for retooling should be disbursed at internationally competitive interest rates and access to these funds made easier.

- The high interest rate regime has to be reduced gradually to an acceptable international level.

LEGISLATION

1. Productivity and other Incentives Schemes

The JMA has been concerned with the declining level of productivity in the sector over the years. The low level of productivity has contributed to the inability of the Jamaican manufacturers to produce competitively for both the domestic and export markets.

There is clear and urgent need for government to introduce legislation to facilitate wide scale use of productivity-based incomes policy and to embed financial incentives in the income tax and allowance structure. This will encourage higher worker output per hour and raise performance and efficiencies.

Industrial Relations Climate

A hostile industrial relations climate has resulted during the past year in a number of industrial actions. The JMA feels that for this climate to improve it is vital that a social partnership agreement, that will bring about a stable labour relations climate in the manufacturing and other sectors to be negotiated.

The JMA also recommends that labour laws be revised to incorporate flexible working hours of no more than 40 hours per week, but with everyday being considered a workday, for example, an individual could work 10 hours per day for any four (4) consecutive days.

1. A. The Insurance Act

b. The Office of the Superintendent of Insurance

Both these issues (a and b) are now being addressed by the Government and hopefully in another year we will see all the necessary improvements implemented.

2. Like the rest of the economy, building societies feel the impact of the fall-off in income generation, the effects of social disorder including the alarming incidence of crime and violence in society. However, there are some specific items, which if addressed, could assist the growth of building societies thus sustaining their role as long-term housing financiers.

1. **Urban Renewal Legislation**

The Association suggests that the provision in place to encourage urban renewal be extended island-wide to promote housing and urban development.

2. **Indemnity Insurance Coverage**

This is an important element in dealing with urban renewal. Financial institutions and other investors neglect certain areas (thus forcing them into further deterioration) in the absence of indemnity insurance facility.

A fast-track employment of these proposals would serve to remove some serious restrictions and deficiencies, which retard building societies' activities.

Formation of Ships' Registry

The Association supports the recent formation of a Maritime Authority and looks forward to the acceleration of the necessary process to establish a ship's registry locally.

Livestock

The escalating livestock damage to cane cultivation caused by ill-advised land divestment policies needs to be reviewed as well as the laws on the impounding and destruction of cattle.

BUREAUCRACY

1. Customs

Although there has been some improvement in the operations of customs, the bureaucratic delays continue and often impact negatively on local manufacturers. The JMA therefore, proposes that there be:

- An institutionalized joint forum between the JMA and Customs to speedily resolve issues whenever they occur.
- Continued improvements and upgrading of the island's Customs Facilities to facilitate speedy and efficient movements of goods.

- Effective policing of ports to control smuggled goods and to protect the integrity of local exports.

2. Bureaucracy

The positives in the operations of a number of government institutions are often overshadowed by bureaucratic delays and humbugs. While some effort is being made to reduce or eliminate the delays, more needs to be done and the JMA again calls for the streamlining of the operations of those entities for quick response time.

Due to bureaucratic delays, manufacturers have had to carry higher inventories of raw materials and finished goods, which result in increased operational costs. Company Executives also have to spend valuable time dealing with bureaucracy instead of productive efforts.

3. Policy Implementation

The “piece-meal” approach to implementing new policies has not worked in the past and the JMA is now calling for a wholistic approach to the implementation of the policies outlined.

4. Planning Approval

- (a) The process of planning and development, and in particular, approvals or refusals) of subdivisions and planning permission need to be urgently reviewed. The continuing inordinate delays in obtaining approvals (or refusals) from

the several Government Agencies considerably delay the start and completion dates for projects, and contribute to making development costs less predictable and affordable.

(b) These delays are a heavy cost not only to developers, but also to lending institutions and to the general public.

(c) The requirement by Local Planning Authorities that building designs be submitted for building approval even in those cases where approval was previously given for the same unit design.

5. Building Code

We suggest that where professionals are responsible for the design of buildings they should be charged with the full responsibility of ensuring that the buildings are erected within the Building Code (as is the case with development carried out by the Public Sector Agencies).

6. The Survey Department

The time taken for checking and approval of subdivision plans and new titles is far too long in some cases 12 months.

7. The Title Office

There is excessive delay and inefficiency in the process of issuing new titles, which is costly to both purchasers and developers.

8. The Stamp Office

The process of assessment of stamp duties on property transfers causes the unnecessary delays due to the sometimes questionable positions taken by the officers at the Stamp office with regard to the values on which the duties are calculated.

There ought to be a more speedy process to confirm values for this purpose, which would also result in the more timely collection of revenue.

9. The Court System

The delays in Civil matters (and possibly criminal matters also) are in urgent need of effective measures to improve the system.

The process of litigation from commencement of an action to final resolution continues to be lengthy and protracted. It is still not unusual for cases to take 4-5 years before trial.

The obtaining of dates from the Registry for the hearing of interlocutory applications continues to be lengthy. Court files continue to be out of place and generally, the perfecting of Orders through the Registry is time consuming.

10. Remove Rent Boards

In most societies rental housing is promoted as a part of Government housing policy. In Jamaica, Rent Boards are obstacles to urban development and should be dissolved. Regulations that limit what landlords may charge effectively distort housing markets, and both the quantity and quality of housing can be affected, thereby exacerbating the very problem controls were suppose to solve.

11. Customs

The shipping industry's vision of becoming the transshipment centre of the Western Hemisphere would come closer to reality if Jamaica's customs legislation was reformed to reflect the changing international environment. There is also an urgent need for the modernization of the customs service to reduce the bureaucracy and better facilitate the import and export processes.

12. Ports and Customs

Unfair practices at our ports and customs such as incorrect invoicing creates a haven for further costs to develop, which affects the overall performance of businesses. It is recommended that the process of reducing CET must be continued and also the reduction of corruption on the ports must be a priority.

13. **Fair Business Practices**

We need to be mindful of the fact that for firms to be productive the infrastructure from which firms derive services must be efficient and competitive.

No laws must be put in place that favors one over the other. Therefore, in order to operate in a lawful society, there must be clearly defined laws. For the economy and a competitive market, businesses must operate on a level playing field.

14. **Development**

The difficulty and lengthy time to access development funds.

15. **Customs Clearance**

It would be tremendous assistance to customs clearance if we could raise the threshold from US\$1,000 to US\$10,000 for commercial entities.

16. **Customs Department**

- Stripping station's inefficiencies
- Too porous – deterrent to local manufacturing – better to buy imported goods!

- Too many delays when clearing goods

17. Ministry of Health

- Pest Control Authority and
- Pharmaceutical Council
- Both these present tedious hurdles to new product registration.

18. Other Issues

- Jamaica's customs needs to be reformed to operate more on an exception principle as regards to items entering the island for certified manufacturers and exporters. This certification should be done by the respective private sector groupings (e.g. PSOJ, JEA, etc). This will bring us in line with Trinidad and the other Caribbean countries where the role of government is to facilitate the citizens in their productive efforts by reducing unnecessary delays at the ports and elsewhere. We need to be able to export and import items with minimal fuss within a few hours, maximum.
- Need to get NIBJ to respond in a more timely manner, so that local investors can within a reasonable time get out of the stranglehold of the high interest rates being levied by the commercial banks.
- JAMPRO and other investment agencies need to be more helpful and to cut through the red tape with foreign investors. Need to remove the view that investors need

to have a political connection to get an investment policy.

- Urgent need to restructure the financial sector and divest the restructured entities.
- Corruption in Government agencies

e.g. Strata titles office
Customs
Motor Vehicles/licence examiners

- No enforcement of zoning, garbage, animal law etc, to protect commercial properties, work sites places of business.

19. Improve the Effectiveness of the Export Rebate Scheme

Exporters are entitled to a rebate of duties paid on imported inputs to manufacture goods for exports. The process is time-consuming as it takes up to six months for rebates to be processed thus increasing the working capital needs of the exporter. Exporters should be able to benefit from rebates no longer than 30 days after export.

Reduction in the Approval Time for New Product Development.

There are three agencies of Government involved in granting approval of new products in the pharmaceutical

industry. The agencies are Government Chemist; Bureau of Standards and the Ministry of Health.

Between these agencies it takes 12 to 18 months for approval. We need a single co-coordinating agency and a significant reduction off the approval time.

Revenue Collection Agencies

The several revenue collection agencies increase the administrative cost of doing business and also the Government's own cost of collecting these revenues. Urgent attention should be given to the centralization of the collection agencies.

Access to Timely Information

STATIN – As one of the official data gathering arms of the Government, it is unacceptable for statistical data to be always outdated (e.g. 3-6 months old). It is often difficult and slow to get information through the formal channels, leaving room for the black market to thrive.

Development Planning Approval Process

The approval processes for development particularly with respect to Local Government, Town Planning and to a lesser extent the Environmental Agency (NRCA) are all still too long, and in case of the Local Government unpredictable.

The issues which delay submissions moving through the process are in many situations trivial (although they may properly be

outside of regulations) and matters which could be speedily addressed, with improved facilities for communication.

The Local Government Reform Programme and the Public Sector Modernization Programme plans for the creation of Executive Agencies etc., which ultimately could address these problems, seems to be suffering from the fiscal difficulties facing the GOJ. Immediate implementation of these initiatives for improving critical areas of public sector performance is key to the development process.

Land Administration Programme

The existing systems for Land Administrative, i.e., titling, land ownership and valuation records, urgently need to be modernized. The problems are wide spread and with declining levels of recurrent budget support, minimum acceptable levels of service will never be achieved with the existing systems.

The Land Administration and Management Programme which was introduced some two years now, seems to have been delayed and there is uncertainty as to when it will receive the level of GOJ support to move the project forward and bring about the urgently needed reform and modernization.

The delays normal with the existing systems for Land Administration continue to make development initiatives even more difficult.

INFRASTRUCTURE

Utilities

The sector continues to be affected by the cost of utilities which decreases levels of efficiency and competitiveness when compared to regional and international competitors. The JMA proposes that special electricity rates for all manufacturing entities be implemented thereby reducing production cost.

Transportation

The inadequate transportation system has led to significant loss of man-hours in manufacturing entities as employees arrive for work late or are too tired to produce at optimum levels. Although efforts are being made to improve the system, the delay in implementing an overall effective system is having an adverse effect on manufacturing.

The traffic congestion as well as the condition of the roadways also contributes to loss of production time.

Infrastructure Investment

Mobilization of funds to meet infrastructure cost in housing development presents a major difficulty. The Association urges the floating of an infrastructure investment bond in which building societies and other institutions could invest, provided that the investment is given Qualifying Asset treatment to meet Cash Reserve requirement.

Road Condition and Poor Drainage

Users of the Port continue to lament over the poor state of the roads and the lack of a proper drainage system in the Newport West area. Vehicular traffic is severely hampered because of the road condition and the severe flooding which occurs whenever it rains. We see an urgent need for attention to these areas as they create bottlenecks in the delivery of service in the Port area. Trade facilitation is extremely important to the survival of the Shipping Industry and anything, which impedes the process, must be remedied speedily.

Cruise Shipping

The cruise shipping sector of the shipping industry anxiously awaits a vigorous drive to develop the necessary facilities and infrastructure that will encourage cruise lines to home port in Jamaica, particularly in Ocho Rios and Montego Bay. This initiative would have tremendous positive spin offs for air travel, additional revenue from departure tax and increased demand for varied support services.

Utilities

The high cost of utilities in Jamaica will continue to affect the cost of our products. Perhaps we should look at a special rate for agriculture, as at times it is quite impossible to irrigate fields due to the high cost of electricity.

Environment

The continued destruction of the watersheds by loggers and coal burners will one day completely ruin our watersheds and destroy

our agricultural business in Jamaica. I would perhaps like to suggest that if the Government would subsidise LPG gas in the small 25lbs cylinders, then people may not have to turn to coal to do their cooking.

The poor farm road infrastructure continues to inhibit agricultural development; farmers find it impossible, due to the poor road conditions, to get truckers to move their product from the fields.

Ministry of Transport & Works

- Public transport and road congestion combine to provide a pathetic transport service to members in the productive sector.

Infrastructure

Traffic congestion and inadequate public transportation are obstacles to business, greater attention needs to be paid to this area since on a daily basis countless man-hours are lost on the road in an effort to get to work.

- Traffic congestion
 - (a) no rail transport
 - (b) misuse of mountain roads for trucks (impair commerce)
- Poor roads/telephone/mail
- Anti-personnel remaining in Jamaica
 - violence
 - traffic
 - high cost of cars, power
 - poor mail service
 - poor and limited school/health quality
 - very high cost of living/good

SOCIAL

The contamination of exports by illegal drug traffickers and the attacks on business places by criminal elements have led to the increased requirement for private security at enormous cost to manufacturers.

The JMA feels that if social issues resulting in increased employment and a better way of life for individuals are addressed, there should be a reduction in criminal activities.

Education/Training

Manufacturers have been spending tremendous amount of money on the training of workers due to the inadequacies in training for specialized skills and knowledge in manufacturing.

Manufacturers are again calling for special incentives to support an increased programme of training, which will benefit the sector and the country as a whole.

Crime

Concerns in respect of crime, particularly fraud, contamination of export with drugs, and issues related to, personal safety are affecting businesses which currently operate in Jamaica. They also present a deterrent to new investment in the Jamaican economy.

The delays in the various approval processes for Real Estate Development and construction projects are very costly to the

economy as a whole, and makes Jamaica as an investment location uncompetitive, in comparison with other countries (e.g. Dominican Republic – approvals granted within 7 days).

We also wish to advise that the delays in the approval process are matters concerning which our Association has been in dialogue with the Ministry of Local Government over the past 7 years, and attached is a copy of our latest letter dated 9th April, 1998 to the present Minister, to which a response is still awaited.

What is outlined here are not specific “bottlenecks” but refers to conditions we feel are important to foster expansion and start up of firms.

Largely due to the strong Jamaican resistance to anything which even suggest discrimination of any kind, transparency has become an issue related to economic development.

Honesty and Justice

One of the major obstacles, is the issue of Honesty and Justice. The Chamber recommends speeding up of the Judicial System and ensuring that fairness and justice must be done and seen to be done in all cases. We also support the implementation of a Commercial Court.

The following list speaks to the agricultural sector and perhaps more specifically to sugar the unwillingness of the unions to submit early claims so that our bi-annual negotiations can be completed well in advance of the sugar-crop starting. On many occasions that causes strikes to take place at the beginning of crops thus

running the crop to un-economical periods and accordingly, the manufacture of less sugar.

The inability to secure skilled labour due to large part to a lack of proper education in many of our primary and secondary schools.

- I. violence is one our main problems and unless this is attended to early and effectively, the situation will continue to deteriorate and accordingly, it will be more difficult to have entrepreneurs invest in Jamaica and also to obtain people to work overtime and on a shift basis, when they have to travel alone on the streets.

Ministry of National Security

- poor national security requires costly security measures to be put in place.

Crime and Security

Concern for personal safety is having a serious impact on employees and on production since many workers will not work overtime in certain areas where they consider their safety to be threatened. In addition there is great cost to employers who have to employ private security to prevent their export from being contaminated with drugs.

- anti-personal remaining in Jamaica
- poor and limited school/health quality
- very high cost of living/good
- poor mail service

SAVINGS

Government should promote Individual Retirement Savings Schemes. Among the objectives of this plan are:

- (a) to provide a long-term pool of funds to building societies;
- (b) to boost the level of domestic savings;
- (c) to provide retirement income to self-employed persons;
- (d) to facilitate pension provision for dependent relatives to supplement pension payments for persons in a superannuation scheme.

TRADE POLICY

The continued ease with which agricultural products are allowed to be imported into Jamaica and the consequence of having these dumped products drive our farmers from business. Jamaica continues to allow refined sugar to be freely imported from the world market or “dump market for sugar”. Some protecting should be implemented to protect the cane farmers and manufacturers.

The existing price of sugar is not attractive to the cane farmers and accordingly, not sufficiently replacing is taking place which will adversely affect next years production.

Competent assistance is needed in negotiations on regulatory/technical trade issues (e.g. WTO negotiations) where Jamaica is now at enormous disadvantage because our representative do not have the requisite technical background to properly negotiation on Jamaica’s behalf. World trade has moved to become mainly technically driven trade and Jamaica is not even in the same game, let alone on the field.

Caricom Origin Certification

We are manufacturers of wooden safety matches. The wooden sticks are imported. Presently, a plant in Belize is making these sticks but their quality is poor. This information has been shared with our Bureau of Standards. Notwithstanding this, there is an agreement which says that we cannot enjoy Caricom Origin status because we are not using Belizean splints. The consequence of this is that, recently when we sent a small shipment to St. Lucia for market testing, the importers had to pay additional duties because we were not Caricom Origin. Thus, we cannot export within the region and be treated as a regional product.

Our position is that until the Belizean authorities can make a good product at a reasonable price, we should not be penalized in trying to export to our Caricom neighbours. We, therefore, ask that Jamaica withdraws from that particular agreement with Caricom.

Anti Dumping

The Government is to be lauded for enactment of the Customs Duties (Dumping and Subsidies) Act of 1999 and the appointment and the appointment of the Commissioner and Board. We strongly encourage that the requisite resources are provided to the Commission to ensure and effective and efficient operations.

LABOUR

Ministry of Labour

Comments I wish to make on this subject will focus on Jamaica Labour Market within the context of International Competitiveness. The management of the labour market is being viewed as a Human Resource

Management Process. The central areas of focus therefore are on Education and training, Production Improvement and Labour Policy.

In considering these areas against the background of the Jamaica Labour Market it is necessary to consider how the following are affecting economic growth:

- I. labour Market & Training
- II. labour market and Flexibility Production
- III. industrial Relation
- IV. labour Policy

Labour Market & Training

The major consideration of the Labour Market in Jamaica is how we utilize and manage Human Resource & Development for two major purposes:

1. Achieving competitive advantage both at the organizational and national levels.
2. Improving the quality of life of the people in our society.

To achieve these purposes there must be an effective balance between policies dealing with economic issues and those dealing with social issues.

1. Socio economic objectives should therefore seek to improve quality and quality of employment.
2. To raise competitiveness
3. To reduce poverty and

4. To promote export led growth.

To respond effectively to globalization and competitiveness there are three areas which are crying out for attention in order to ensure economic growth, and these are;

1. Education
2. Productivity Improvement and
3. Labour Policy.

The total population of Jamaica is approximately 2.5 million people. The Jamaica Labour Force in 1997 comprised some 1,133,800 persons including 946,900 employed and 186,900 Unemployed. Unemployed rates are especially high amongst women and youth.

There is a pattern of declining employment particularly in the unskilled areas with a lack of growth in the economy which offer no opportunities for employment amongst those that are unskilled.

As a result of this situation there is a great resistance by the Trade Unions to right sizing when this becomes necessary. Such resistance places management under great stress and invariably those businesses which have been right-sized, operate in an air of uncertainty as they are quiet sure of their faith.

Government therefore needs to reduce waste in every area and use resources which are saved to create training opportunity and meaningful employment for the unemployment.

Labour Market Flexibility and Production

We are operating in an Information Age. The Society is demanding that persons leaving the formal education system must at minimum be found literate and numerate. In addition there is the requirement that the education system produces persons who are 'knowledge workers' rather than mere manual workers. Notwithstanding that we find that financial resources for education are shrinking while the demand for more and better education is increasing.

Global competition is diminishing job security, and the need therefore is to prepare the labour force for the new reality of education and training to allow them to find jobs as market evolve. As trade liberalization and Technology and development takes place the demand for unskilled and semi –skilled workers seem to be on the decline while that of highly skilled workers seem to be on the decline while that of highly skilled workers are on the increase.

The need for sufficiently trained skilled workers in the Labour Market to take advantage of new developments is a must if economic growth is to be a reality. Already there is evidence that training needs are increasing in areas such as Information Technology, occupation in the Printing Industry, Including Graphic Art and Desk-top Publishing, mechanics to maintain production equipment and the increasing number of sophisticated motor vehicles. We must act now to start training.

Labour Market Training

The major consideration of the Labour Market in Jamaica is how we utilize and manage Human Resource & development for two major purposes:

1. Achieving competitive advantage both at the organizational and national levels.
2. Improving the quality of life of the people in our city.

To achieve these purposes there must be an effective balance between policies dealing with economic issues, and those dealing with social issues.

1. Socio-economic objectives should therefore seek to improve quality and quality of employment.
2. To raise competitiveness
3. To reduce poverty, and
4. To promote export led growth.

To respond effectively to globalization and competitiveness there are three areas which are crying out for attention in order to ensure economic growth, and these are:

1. Education
2. Productivity Improvement, and
3. Labour Policy

The total population of Jamaica is approximately 2.5 million people. The Jamaica Labour Force in 1997 comprised some 1,133,800 persons including 946,900 employed and 186,900 unemployed. Unemployment rates are especially high amongst women and youth.

There is a pattern of declining employment particularly in the unskilled areas with a lack of growth in the economy which offer no opportunities for employment amongst those that are unskilled. As a result of this situation there is a great resistance by the Trade Unions to right sizing when this becomes necessary. Such resistance places management under great stress and invariably those who remain in the business which have been right sized, operate in an air of uncertainty as they are not quite sure of their faith.

Government therefore needs to reduce waste in every area and use resources which are saved to create training opportunity and meaningful employment for the unemployed.

Labour Market Flexibility and Production

We are operating in an Information Age. The Society is demanding that persons leaving the formal education system must at minimum be found literate and numerate. In addition, there is the requirement that the education system products persons who are 'knowledge workers' rather than mere manual workers. Notwithstanding that we find that financial resources for education are shrinking while the demand for more and better education is increasing.

Global competition is diminishing job security, and the need therefore is to prepare the labour force for the new reality of education and training to allow them to find jobs as market evolve. As Trade Liberalization and Technology and development takes place the demand for unskilled and semi-skilled workers seem to be on the decline while that of skilled workers are on the increase.

The need for sufficiently trained skilled workers in the Labour Market to take advantage of n developments is a must if economic growth is to be a reality. Already there is evidence that training needs are increasing in areas such as Information technology, occupation in the Printing Industry, Including Graphic Art and Desktop Publishing, mechanics to maintain production equipment and the increasing number of sophisticated motor vehicles. We must at now to start training.

Industrial Relations

A stable Industrial Relations climate to facilitate industrial growth and productivity. Trade Unions have a powerful influence and because both our major political parties grew out of labour movement, business perceives Government as being difficult in certain industries and it is the view that this has had a negative impact on the overall investment climate in recent years.

The recent decision by Government to introduce legislation to provide for the right to strike, and to include contract workers in the definition of a worker, is sending the wrong signal to investors. In these time of a changing world of work where employers are being forced to compete in the global market place, such pieces of legislation are just not acceptable and every effort should be made to dissuade the Government from proceeding along these lines. The Ministry of Labour plays a key role in creating a facilitating environment for investors, therefore everything should be don to create a stable and harmonious industrial relations climate and foregoing contemplated changes in our Labour Laws will not create such a climate.

Labour Policy

The Government needs to provide a legislative framework which is critical to the effective functioning of the Labour Market, within the context of globalization.

The challenges therefore for Government to formulate and amend the legislation are:

1. Creating an Industrial Relation climate which is harmonious, stable and attractive to existing and new investment. The amendment of the Labour Relations and Industrial Dispute Act to provide that industrial action by way of strike should not be regarded as abandonment or repudiation of the Contract of **Labour Market Flexibility and Production** is an important strategy for improving production. Flexible Labour practices in relation to how work is organized, scheduled and remunerated are important areas requiring major policy decision.

Some areas of Labour Flexibility are:

1. Temporal Labour Flexibility, including Flexi-time and Overtime.
2. Numerical Labour Flexibility which involves “adjusting head count” and is typically described as right-sizing and down-sizing.
3. Finance Labour Flexibility which deals with a variety of compensation schemes and employment cost, and

4. Functional Labour Flexibility which includes rotation retraining and multi-skilling.

These areas represents trend which are emerging in the Jamaican Labour Market and which are already posing challenges as well as opportunity before things like Productivity Improvement, Productivity Measurement, Productivity Linked, Competition Schemes and Labour Laws. It is necessary that no legal impediment should be put in the way of employers who might wish to explore the areas of flexibility in production to ensure their ability to deal with global competitiveness. Proposed amendments to the Labour Relations and Industrial Disputes act (Right to Strike and Contract Labour) are seen as major obstacles.

The Government had promised to exempt from Income Tax genuine productivity compensation, but to date this had not been done. Every effort should be made to ensure that Government keeps its promise as there is much benefit to be gained for such exemption.

Employment is not creating a stable, harmonious and attractive climate for existing and new investment.

1. Flexibility to ensure that business an remain competitive in local and international market place. To amend the Labour Relations and Industrial Dispute Act to provide for an individual in a Contract for Service to b defined as a worker is obstructing the employer from operating his business in a flexible way.
2. Ensuring that there is an effective balance preserving the rights of employees as well as the rights of employers. The Right to Strike and Contract Worker clauses in the amendment of Labour

Relations and Industrial Dispute Acts is titling the scale of justice in favour of the worker and against the employers.

3. Developing mechanism for harmonizing our labour laws with those of the countries from which our international investors come.
4. Unrealistic unions

BUREAU OF STANDARDS

The Proposed Functions of the Jamaica Bureau of Standards

1. Focus on ensuring that all items offered for sale in Jamaica, whether locally produced or imported are safe for use and/or consumption will not be injurious to health and will not mislead or defraud the consumer. ***In other words, they should focus ONLY on health, safety and consumer protection, not market related issues*** such as product quality which should be determined only by the customers of the distribution/manufacturing companies.
2. Focus on the certification of a larger number of food processing facilities to allow them to process and sell their products in a more timely manner while meeting the applicable regulations. This will also reduce the cost to these companies of financing inventory which has to be held pending clearance for sale by the JBS.

3. Collaborate with other existing public and private sector companies/organizations to ensure that the services required in this global trading environment (.g. pesticide residue testing) are available locally and provide in a competitive manner.
4. Discontinue acting in way which is prejudicial to the interests of the productive sector; the JBS is judge, jury and executioner. It purports to enforce regulations which are being interpreted to secure its own existence and dominance over an increasingly stifled sector.
5. Regulations need to b urgently revamped to focus only on health and safety (e.g. HACCP) as is now being demanded by our trading partners. The JBS should immediately discontinue developing or enforcing standards that are based on any criteria other than these.
6. Being enforcing fair and just regulations which accord with current international practice, perhaps after a publicized grace period to allow possible offenders to comply. This is the normal practice elsewhere. Known offenders must be punished and publicly so, otherwise the integrity of the food sector, our ability to comply with international trade agreements and to access or retain existing markets will be comprised, as evidenced in the case of seafood and cheese into Europe.
7. Being acting in a transparent, non-confrontational manner towards those over whom it has been given control, as is now the case in Barbados and Trinidad.

8. Focus on certification of products and processes against national standards and leave testing (except for standards development, accreditation and research purposes) to the private sector. It should privatizes existing laboratories and/or operate these completely independently and in free and fair competition with private laboratories in keeping with the recommendations of the Canexport/Jampro study completed in 1994 and the recently complete SIDA study. The existing serious conflict of interest in the current operations of the organization will destroy any private initiative which must be the cornerstone of developing an internationally competitive food industry.
9. Processors should be allowed to freely select and send samples for analyses to the approved laboratories of their choice. Their honesty can be monitored as part of the ongoing audits which the JBS now undertakes. Batch can be checked randomly from retained samples or during inspection.
10. The JBS/Jamaica needs to be strengthened to be able to craft regulatory responses in Jamaica's best interest to the emerging regulatory issues as the new millennium approaches. These include appropriate technical standards that will comply with the WTO rules. There also needs to be the capacity to advise companies and the government on issues relating to any or all of the issues under the WTO. Assistance is available from UNIDO, UNCTAD and WTO.
11. The changes in the focus, operation and laws governing the Jamaica Bureau of Standards (JBS) which have been promised for some time by the Ministers responsible for the

JBS must be quickly enacted. In the interim, accommodations need to be made to reduce the current barrier that some of the JBS's activities continue to place in the way of production.

Background Information

The Jamaica Bureau of Standards (JBS) currently has legal responsibility for regulating the production and sale of processed foods in Jamaica. Under the Processed Food Act (1959), the JBS was also given authority to ensure that foods for which there were mandatory standards (i.e. Prescribed Foods) met these standards before they could be exported. To support this, the Bureau carries out testing in its own laboratories to verify compliance.

In the early stages of its existence, the JBS served as an all-purpose institution that helped processors develop processes, improve their quality and, as well, regulated their activities. Times have changed and this role is no longer required nor relevant. There is now need for a highly sophisticated government institution that serves to assist in anti-dumping efforts, in providing sound technical advice during the highly technical trade negotiations which Jamaica now has to continually undertake and, in general, act in the way other standards/trade support organizations do in the current liberalized global trading environment. In addition, the organization must continue to act, to protect the Jamaican consumer through the enactment and enforcement of appropriate legislation regarding the *health, safety and appropriate labeling* of items offered for sale in Jamaica.

Laboratory Accreditation

The above describes how the JBS should be operating in the current environment. Unfortunately, however, the JBS continues to operate as it

did when the manufacturing industry, particularly in the area of food processing, was in its infancy. Further, being a monopoly, the services offered by the JBS to the industry are not responsive to their needs and, in fact, serves to increase their cost of doing business. Because of this, the decision was taken to develop alternatives to the JBS for some of its services, hence the Laboratory Accreditation Programme.

Between 1983 and 1987, the JBS promulgated a series of regulations under the Standards At which allowed them to accredit laboratories for the testing of food and other material, the results of which tests the JBS would accept s equivalent to its own. Two laboratories have been accredited under this scheme. However, the JBS, being in competition with accredited laboratories, continues to make it difficult for processors to exercise free choice in using the services of these laboratories by restricting the range of tests which they can do and seeking to retain control over sampling.

Effectiveness of the Jamaica Bureau of Standards

The Bureau of Standards needs to be more responsive to the needs of local businesses and to be more of a facilitator rather than an inhibitor to business growth and development.

SECURITY

Security and Transportation

We are located at 2 Bell Road in industrial complex. Whenever we find it necessary to produce outside of regular hours, special travel

arrangements have to be made for our staff and production workers. The effect of this is to add to our cost of manufacture which affects our ability to compete in external markets.

Another aspect of the security concern is the level of staff which can be attracted to this area. Presently, we see tremendous resistance to working here at nights.

We have suggestions also as to how we can be assisted. Our American partners get assistance from their consulates overseas in identifying partners for business. Our embassies and consulates should do the same for us.

We are particularly interested in identifying distributors in the following markets:-

1. Haiti
2. Colombia
3. Mexico
4. Chile

We are also concerned at the ease with which competing products can enter our market.

Despite the talk of openness of trade, there are no tariff barriers protecting manufacturers in other countries. We accept the challenge to export, but we need to secure foundation in local market. We would welcome an opportunity to discuss these further.

- Crime is a real deterrent to investment and this has to be brought under control or else the tourism sector and investments will continue to decline.

SECURITY/CUSTOMS

Underworld extortion at construction sites and business places.

We are forced to close Gator Shoe Company Limited due to smuggling of footwear from Abroad.

WISYNCO Trading Limited is a legal distributor in Jamaica for the Campbell Soup Company. This company manufactures V8 Splash, a fruit juice which is very popular in Jamaica. As we pay duty and GCT we must compete against Importers who import by the pallet load and having and pallets estimated for duty and we cannot compete in this scenario.

We are forced to close Gator Shoe Company Limited due to smuggling of footwear from abroad.

West Indies Synthetics Limited pay General Consumption Tax (GCT), but some of our Competitors who produce Plastic bags and T-Shirt bags here in Jamaica do not pay GCT.

Wisynco Trading Limited is the legal distributor in Jamaica for the Campbell Soup Company. This company manufactures V8 Splash. V8 Splash is a fruit juice which is very popular in Jamaica. As we pay duty and GCT we must compete against Importers who import by the pallet load and having and pallets estimated for duty and we cannot compete in this scenario.

The Jamaica Drink Company Limited is being bombarded with expired soft drinks from the United States of America, at prices which are below the cost of production; again, we cannot compete.

Every company within our Group is being savaged by unfair competition and I am now tired of complaining, and even when I complain it makes no difference. If a unified attempt by the Private Sector and the Government could stop smuggling, the defrauding of the revenue by evasion of GCT payments, if we could have the Bureau of Standards strengthened to

ensure that expired goods do not enter Jamaica, the PSOJ and the Government would come a long way towards reducing unfair competition against legal companies.

Effectiveness of Customs Department

There is an urgent need to fully computerize the operations of the Customs Department to reduce the turnaround time on clearance of goods and to improve the monitoring of import transactions.

Increased monitoring to reduce the incidence of illicit imports.

Proper enforcement of the duty collection based on the proper rates of duty.

.....

DIVESTMENT

Government needs to proceed with the divestment of all of their public utility companies as a matter of urgency.

EXCHANGE RATE

The Government has done very well with holding the exchange rate but at the expenses of high interest rates. There will have to be some radical steps taken to maintain the exchange rate e.g. by dollarising?

Dispel fear of reinstatement of FX controls.

.....

BUSINESS POLICY

Address anti-business attitude of politicians and public sector generally.

LEGAL SYSTEM

Need to ensure that a Court of equivalent status is in place before the Privy Council is dispensed with.

Need to ensure that our Courts give consistent legal decisions in commercial cases – need to put the Commercial Court in place.

Need to ensure that cases of a commercial nature come to trial in under three (3) years, in fact within one (1) year.

A total review of our Court rules as it relates to discovery in large commercial matters and compulsory pre-trial settlement discussions with the assistance of a Judge.

Implement a meaningful Arbitration/Mediation Act which will allow for serious commercial issues to be resolved by way of Arbitration/Mediation.

Underworld extortion at construction sites and business places.

No enforcement of zoning, garbage, animal law etc. to protect commercial properties, work sites, places of business.

Unrealistic unions.

Justice System

The delays in the Justice Systems with civil action taking up to five years for trial adds to both the direct and indirect cost of doing business. The establishment of a Commercial Court should assist in alleviating this problem.

.....

TOURISM

Hotel Expansion Incentives

The trend in the regional tourism industry is towards larger and larger hotels. Properties with 1000 to 2000 plus rooms are springing up in the Bahamas and Mexico, two of our major competitors. If our industry is to remain competitive with these destinations, then our existing properties must be expanded rapidly to a similar size.

It is therefore critical for the tourism sector to be given some incentives to encourage the expansion of the existing plant to sizes that will be internationally competitive.

Food Cost Reductions

The cost of food is a major component of a hotel's costs and the cost of meat makes up about half of the food bill in the hotel industry. It is therefore critical that the sector be allowed to access meat at the most internationally competitive prices.

In this regard, we need to review some of our phyto-sanitary regulations which prohibit imports of meat from some of the most competitive producers in the world. We understand the need to protect the local livestock industry but we are suggesting a review of the conditions in the major producers' countries that may have improved since the present import restrictions were imposed.

In light of the substantial economic benefits which could accrue to the tourism industry and the country, we would suggest that a review of these restrictions be carried out as a matter of urgency.