

Presentation
By
The Most Hon. Andrew Holness, ON, MP
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Happy New Year everybody!

May I wish for you happiness, peace, greater health, wealth and prosperity.

We've spent quite a bit of time in ceremony and this year is the year of implementation, the year of action. That is the only way we're going to get prosperity.

Gregory, your compliments overwhelmed me and I listened to your description of what the future could hold for Jamaica. But you're really giving what the future could hold for the United States, but it may as well be for Jamaica because whatever happens in our largest trading partner and our good friend and neighbor to the north happens to us. We're literally inextricably tied not just by the long standing bonds of friendship and fraternity but by market forces. So I listened very carefully to what you've said and I also note the disclaimer, because effectively you seemed to be predicting that there may be a kind of a pullback in the markets in the future. I don't want to use the word a

recession but maybe a reset. So it's very important that Jamaica gets its economic house in order and that's what we've been doing as a government when we took office earlier last year- it's a year already can you imagine? Next month will be one year.

I had a visit from a major Chinese investor who pointed out and I thought it was very profound what he said. He said that the window of opportunity for Jamaica is closing and closing rapidly. And that has stayed with me because sometimes when we talk about Jamaica we tend to believe that the opportunities that we have, that the natural advantages will remain with us forever.

The perfect example of it is that we like to say that Jamaica is centrally located in the Caribbean and therefore logistics and shipping are very good for us. We like to say Jamaica is an English speaking country and therefore Business Process Outsourcing opportunities are perfect for us. But these windows are rapidly closing- narrowing, if not some of them probably are shutting on us.

It makes no sense that Jamaica is centrally located - very close to all the shipping routes - and companies who want to locate their businesses here for logistics purposes find that our tax system does not endear or support them in doing so. We're literally just throwing away that advantage. And recently you would have seen that I visited Israel, and that has all kinds of political connotations, but that is one of the things that has kept many opportunities, many windows closed because we tend as a small country to see things too much through a political prism rather than to see the economic opportunities that will make us truly

an independent country politically. And I had occasion - again those who see these things through political prisms forget that one of our major investors here that has been with us for over forty years, forty-five years to be exact because they started in 1972, a very important year, ZIM Shipping.

They're the longest shipping line that has been with us. It's an Israeli company and they've stayed with us through thick and thin and I spent a lot of time with them in Israel discussing how we could get them to expand in Jamaica and they want to expand. They want to put in a major logistics operation but our tax system, our customs system just doesn't engender that kind of investment and so this government has to change that.

I've been coming to this conference now for about four years. I've participated four times and of course you know what I like the best is to open the stock market with the symbolic ringing of the bell. But when I spoke last year we made a commitment that we would return the benefits to the stock market for the Junior Stock Exchange and we have. And I'm pleased to hear that already you're seeing three companies coming on board since and one coming on board this year, already which opened and closed in fifty eight seconds, and I'm certain you'll be having more. That's good news.

When I talk to companies that have invested and started their investments in the Junior Stock Exchange and raised capital on the Junior Stock Exchange and how well they have done it is an example,

not just for Jamaica but for the rest of the Caribbean. It is something that we can be proud of as a good government policy.

Now some will say it is not good economics to give up government revenue. But at the same time if you weren't earning those revenues in the first place, what are you giving up? And so we have decided as a government to take a very practical approach to running the country.

We're not getting into the esoterics, to the complicated, we're trying to keep it simple, try and be practical and cut to the chase; get to the core of the matter.

The key thing that everyone in this room should pay close attention to is that the government is committed to a process of divestment, a process of privatization, a process of transforming the public sector and I want to encapsulate that in a phrase that people who are in the financial sector would understand very well. Government is committed to increasing asset utilization. If you want to invest, look out for the government making more of the assets that are now tied up in government available for your investment.

I'll give you a perfect example; if you take the UDC, that is the Urban Development Corporation and the Factories Corporation, they have almost a hundred billion dollars in assets, but if you look at their revenues, very low. So we have a hundred million dollars of assets not generating much, but when you talk to people who are in those organizations you sometimes get a sense that the objective is to keep the asset base high rather than to utilize the asset. So within the

thinking of many people within the government we like to keep high reserves.

The Factories Corporation for example if you were to look at its balance sheet, has a sizeable reserve and you could go through several public companies, public agencies in Jamaica and you'll see that they do strive to keep fairly high reserves. And so I had to ask the question to what end? What are you going to do with the assets? What are going to do with the reserves? Just having them there on the balance sheet saying that you're investing in government paper does not generate economic growth or create jobs.

And another thinking that pervades government, I'll never forget. I once made a suggestion that we should seek to privatize, contract out some services that the government provides. Right in this conference a few years ago, I suggested that we should seek to privatize the water company; we should seek to divest some portion of it. The NWC, I see one of my key advisors here Mr. Aubyn Hill, who worked on that proposal and of course not that that was met with total acceptance, neither was some of the other things I proposed including contracting out some of the functions of PICA and other such agencies.

I was going through the airport and someone from the Ministry of Health stopped me and introduced himself and he said "I totally disagree with you about privatizing water". And I understood what he was saying. You privatize water, immediately water rates will go up and critical public utility; how can you have that in the hands of the private

sector? Worst yet it would probably end up in the hands of a foreign investor.

The Jamaican public is not quite there as yet with understanding the imperatives that we face, that we can't have assets that we ourselves can't develop, that are not being utilized fully and yet we hold on to them. That is one of the reasons we are poor. So if you want to move from poverty to prosperity what you need to do is to strengthen the regulatory arm of government so that it can divest itself of assets to the private sector. Government regulates the private sector and private sector produces efficiently.

What we have seen around the world is that when the private sector is properly regulated, properly incentivized in an environment where the rule of law is certain, the competition drives prices down. So if you really want to get a lower water rate, faster passport office, better examinations for your car then some of these functions really ought to be placed in the private sector with a strong regulatory environment. But as I said, we're not quite there, but we're getting there.

And we do have some assets that we hold on to, they're prized assets and some of these assets are not loss making entities, they're making money, like Wigton. And each time we go to divest these assets it's not even so much the electorate, it is more so the political elites, the ministers and technocrats who say we really shouldn't part with this asset because it is making money. But how much more money could it make and what does it matter that it is making money and you are not

doing anything with it. And there is another area in which we have a lot of assets tied up. We have a lot of assets tied up in litigation.

I run a very tight schedule and I try to measure my time and I spend quite a bit of time dealing with legacy issues. Cases that are going back twenty years, fifteen years of something that went wrong and someone took someone to court and a three hundred million dollar debt ends up to be a 1.2 billion dollar charge and the asset that was used to secure the debt is just sitting there; nothing done with the asset for fifteen years. These are just some of the things that really make the window of opportunity close on us and we have to move very rapidly to change those things.

The biggest obstacle for us in making the transformation in how our economy works is the issue of equity. And when we're talking about prosperity, it's not to ignore the claims of those who have been dispossessed, those who have been disenfranchised and those who did not get an equal opportunity to be endowed. The claim of prosperity can never forget the poor and so there must be a conversation in our society about equity.

The reason why governments have held on to assets and held on to all kinds of service provision is for this very reason. The question of will the society, will the elites be equitable and fair to the poor? Will the markets help the poor? If you were to privatize aspects of the NWC what will happen to social water? These are fundamental questions. Should the poor die of thirst?

So our society has to come to a clear understanding where every single Jamaican understands that we respect you, that your rights will not just be preserved, they will be protected and advanced -that the government is working in your favour and that we look out for you. In as much as I'm trying to transform the economy, I'm also trying to build the trust of those people who have heard the promises made over and over again and the promises broken over and over again, because that is the exchange that needs to happen. We need to address this issue of equity in the Jamaican society and that's a whole long debate, but the reason why I raised it is that the market system does provide a means of equity and one of those means is the stock market.

In the stock market it allows the rich man and the poor man to own a part of the factor of production, to own parts of firms and so it's critical that we promote a stock market. Yes, we accept the economic arguments behind why we give an incentive- that it might not be the best economics in giving an incentive to the stock exchange. But in the balance of things it is important that we encourage a stock exchange.

In its current operation you may not have a large participation of low-income persons in it, but as you grow and the stock market becomes part of the pension funds, part of the insurance funds, part of people just saying "Instead of saving in the bank I'm going to save in stocks. I'm going to buy stocks for the future for my children", then you start to see the distribution of wealth in the society changing. The stock market for us- we take that as a strategic investment for the government in terms of the incentives and making the right policy, because we see it as necessary in answering the question of equity.

So if it were to come to pass that some of the functions of the NWC is privatized, who will own it? We would expect that the Jamaican people, instead of investing in Brazilian hair, invest in some shares in the NWC because that is how we are going to create wealth and that is how we're going to move from poverty to prosperity.

I'm very happy to participate in this function. I hope I've given you some key insights as to what the government is doing and I thank you. At this hour you've been a very attentive audience. God bless you.