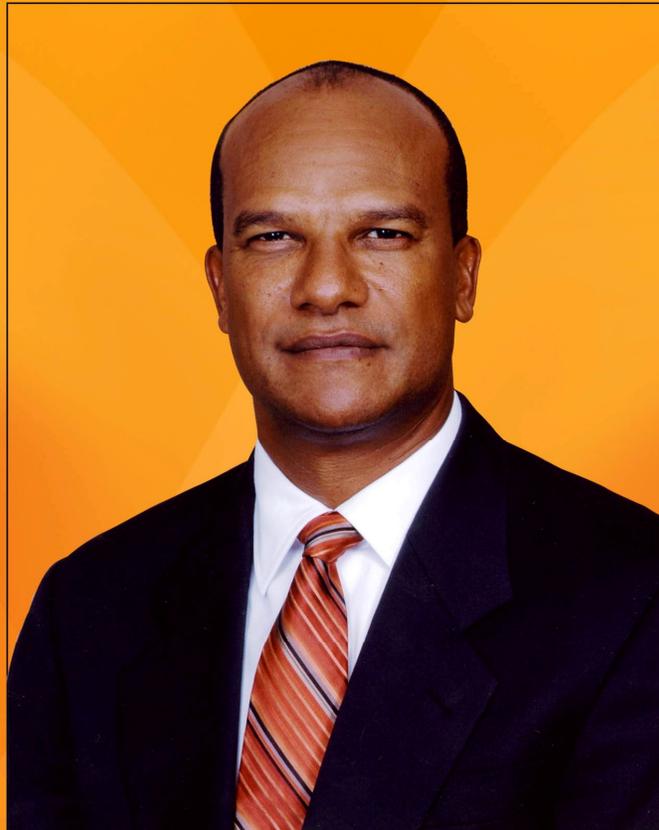




CONTRIBUTION TO THE 2008/2009 BUDGET DEBATE



BY THE OPPOSITION SPOKESMAN ON
INDUSTRY & COMMERCE,
PETER BUNTING, MP

WEDNESDAY, APRIL 16, 2008

**Contribution to the Budget Debate by the Opposition Spokesman on Industry and Commerce,
Peter Bunting MP, at the Houses of Parliament, Gordon House, on April 16, 2008**

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SALUTATIONS

I'd like to acknowledge my family who supported my re-entry to Parliament and in particular my two children, who cheerfully endured neglect during my recent, unusually hectic, political campaign. I'd also like to acknowledge my staff, volunteers, constituency team, and indeed all the constituents of Central Manchester who are such a wonderfully representative cross-section of Jamaican society. They have accepted me with much love and enthusiasm.

INTRODUCTION

It has been a quarter of a century since we last participated in a budget debate as a Parliamentary Opposition. So for guidance, I researched what our founder, the Rt. Excellent Norman Washington Manley, had to say on the role of the Opposition. He said:

"First, there must be a constant presentation of the fact that there is an alternative to the existing Government. It is on this consideration that we find the highest value in the two-party system. It is itself a bulwark against violent revolution, disorder, and chaos, because violence as an instrument of change never happens unless there is a vacuum so far as the people's hopes and expectations are concerned."

"The second great role of the Opposition is, to put it very broadly and simply, to preserve democratic procedures and fundamental human rights; in a word, to protect society from the excesses and corruptions of power that will always be found wherever power finally resides. To this end it is its duty to challenge every abuse of power, every breach of human right, every waste of public funds, every attempt to enlarge bureaucratic procedures and to remove them from public or parliamentary observation, criticism, and control."

In reading N.W. Manley's speeches I couldn't help but understand why he is almost always referred to as a statesman rather than a politician. The record shows that our Founder never allowed political criticism of the other party to reach a point where it injured the country. Today, there is so much cynicism about politics and politicians. I'd like to appeal to my colleagues on both sides, that in seeking to gain partisan advantage, let us never sacrifice basic civility, let us never injure our country, and let us always respect the truth. It is within this framework that I intend to make my presentation today.

CONTEXTUALIZING THE BUDGET

This is our first full budget debate since last year's watershed elections, so it is important as we examine the budget presented by this government, as well as the related policies and programmes set out in its manifesto and its policy statements, that we also close the book on the performance during the last administration's long innings.

Let me start by acknowledging that many mistakes were made and, while that is perhaps inevitable for a four term administration, we must nonetheless recognize our mistakes and learn from them. However, we can be proud of our achievements over the 18-year period – 1989-2007.

1. Successive PNP Governments guided the economy through the most profound economic transformation through deregulation, liberalization, and privatization. Most people today may not recall the licences required to import a wide range of items, the price controls and administrative quotas that stifled competition, the bureaucratic procedures necessary if you wanted to buy foreign exchange to visit your family overseas or buy goods for your business.
2. Foreign exchange system was liberalized and reserves were built up from minus (US)\$900 million to (US)\$2,500 million.
3. The control of inflation.
4. Major improvements in education, in health care, and other social areas.
5. The policies in housing allowed hundreds of thousands of Jamaicans to live in their own homes.
6. The PNP Government modernized the physical infrastructure - roads, ports, airports, and utilities.
7. It achieved record levels of private sector investment in Tourism and Telecommunications.
8. Poverty was cut dramatically from 34% in 1988 to 14% at present.
9. Unemployment was reduced from close to 20% to below 10% for the first time since independence.
10. The burden of debt, while still substantial, has been on a declining trajectory – Interest costs for 07/08 were less than 40% of revenues, coming from almost 60% a few years ago, which has created more fiscal space for the provision of public goods. Similarly, public debt as a percentage of GDP in 07/08 was 126%, declining at a rate of about 6% of GDP per year. At that rate our debt will dip below the psychological 100% of GDP level within 5 years.

In summary, there is much for the PNP to be proud of during its last period in government and again to quote N.W. Manley – “Let no man dare to deny the past of this party. Let no man seek to make cheap popularity for himself by charging the party with failures in every direction.”

These achievements are ‘runs on the board’ and those who are just coming to the crease should be wary of boasting at the beginning of their innings rather than when they are returning to the pavilion.

EFFECTIVE PUBLIC POLICY

The budget is not simply about the next twelve months but is the first year of a strategic plan for the medium and long term. While it has to be responsive to short term challenges, it must weave these responses into the long term framework in such a way that it is consistent with, and at least avoids compromising, long term effectiveness.

A budget is also a statement of priorities, not just an accounting exercise. The stated priority of the Government is putting people at the centre of the policy focus, which sounds similar to the theme of the former Prime Minister Portia Simpson-Miller's administration. Unfortunately, what this budget seems to be really focused on is the people's votes rather than on their long-term welfare and development.

Let us consider three major initiatives which the Government has embarked on and examine whether these achieve the strategic objectives of improving the long term effectiveness of public policy or are simply populist, vote-getting moves.

The Price of Populism

The idea of freeness can always be relied on to provide some popular response. It is rooted in the old clientelistic model of government, useful for garnering votes particularly in developing countries. This is the philosophy which seemed to inform the promises behind the free health care and free education, and the 100% salary increases. I believe this is bad public policy for a number of reasons:

1. The first is that I subscribe to a philosophy of personal responsibility. The first responsibility of the welfare of the family must be with the parents. Successive generations of proud Jamaicans have seen their children do better than they have because of the sacrifices they've made for their education and health. The government should play a supplemental role to improve equity, and may even have to play a principal role where necessary to compensate for market or personal failures, but it should not, from the outset, assert a paternalistic type of responsibility.
2. In a market economy, prices are very important signals to ensure efficiency or, as the economists would say, to avoid distortions. Even if a price is subsidized it stills inform the consumer and affects their behaviour. When a good or service is totally "free" it tends to not be appreciated and used most inefficiently. I can recall a simple example from my tenure as Parliamentary Secretary at the Ministry of Health. I visited the Cornwall Regional Hospital and outside the operating theatre was a sink with a badly leaking tap. I asked one of the nurses how long it had been running and she couldn't recall because it had been so many weeks. Now this valve had wasted thousands of dollars of water and all it needed was a washer which would cost a few dollars to replace. But the water was "free" to the Cornwall Regional Hospital since the utility bills were paid at the Head Office in Kingston, while the expense to purchase and replace the washer would have to be paid for by the hospital, so replacing the washer quickly was not a priority. This example shows how the lack of a price signal can lead to waste and inefficiency.
3. An across-the-board subsidy for social services, just like an across-the-board subsidy for food, is inherently inefficient because it dilutes the benefit of the subsidy over the entire population rather than it being a targeted, more substantial benefit for those who are most vulnerable.

Let us look specifically at the example of free health care, now qualified as “no user fees at the point of delivery” -

Was this initiative developed in response to a public health crisis in the country? When we look at a key health indicator such as Infant Mortality, we see it relatively low (at 16.7 per thousand live births) and on a declining trend. Life expectancy at birth of between 72 and 73 years is analogous to that of a developed country. Public opinion polls don't show health care as a pressing issue of national concern relative to unemployment, crime, or galloping food prices. The National Health Fund and JADEP, incarnations of the last PNP government, are already making a tremendous impact on expanding access to drugs and medications. Therefore why was this freeness initiative necessary? Was it purely about fulfilling an election promise?

The Ministry of Health has captured, on the face of it, one of the largest percentage increases in the budget at 26%, moving from \$21.7bn in 07/08 to \$27.4bn in 08/09. However, if we subtract from this year's budget an amount of \$2.7bn, which is an estimate of what would have been collected in fees for 08/09 if User Fees had not been waived and therefore that sum only substitutes for the loss of revenues from that source, what we are left with is a 14% increase which doesn't cover inflation. Therefore, even if something from the contingency is added for wage settlements, don't expect any substantial real increase in the health services delivered. So, not only was this initiative not necessary, it's not going to make much difference.

The Minister used the example of dialysis and told the very emotive story of 600 persons who die every year from end stage renal disease and who are now promised treatment under the new programme. But let's examine the reality - In the private sector it costs about US\$1,000 per patient per month to provide dialysis treatment. Let us use this figure as a proxy for the full cost per patient. If we commence free dialysis in public hospitals to these 600 patients per year, then in ten years we would have 6000 additional persons on dialysis in the public sector (because kidney transplants are the only way for someone to come off dialysis and very few of these take place in Jamaica). The math shows that this would now be costing US\$72M per year or J\$5.1B dollars – almost one fifth of the budget of the entire MOH for just one patient service!

The dialysis example may take months or even years to be confirmed. What we as MPs are already seeing, after only a couple weeks of this initiative, is a steady stream of constituents, patients from the public health system, with prescriptions that cannot be filled at the hospital because they are out of stock. So what we have is a service that is theoretically free but in reality may be unavailable!

I fear that what the government is promising these patients and their families will turn out to be a cruel disappointment for most patients in the long term. To appreciate the possible outcome of this policy we need only recall what the public hospital system was like at the end of the 1980s, the facilities were run down and supplies and medications were in such short supply that every doctor and nurse had to hoard their own little stash.

A more effective use of scarce resources would have been to increase the training budget for nurses in order to dramatically increase the nursing cadre. Increasing a service like dialysis

doesn't only require machines and electrolytes; it requires trained nurses and other medical personnel to ensure proper treatment.

A better health policy would involve defining a package of essential clinical services that the country can both finance and deliver. The composition of this package would take into account epidemiological conditions and income. At our stage of development, such a package may not be able to guarantee free health care for every condition such as end stage renal failure, since not even in the wealthy USA is that achieved. What we should be able to afford however, is to ensure proper management of diabetes and hypertension and thus reduce the number of patients ultimately needing dialysis. This package of essential clinical services would be guaranteed to all but subject to an improved financial assessment mechanism.

Here is the wider fiscal impact of the populist agenda items of free health care, free education, etc. on the budget. Quoting from the Memorandum on the budget (Ch. 2, pg. 1) Non-debt recurrent expenditure has moved from \$151.2Bn in FY 07/08 to \$180.9Bn in FY 08/09, a 19.7% increase. However, when the new provision for salaries is removed, the overall increase is only 10%. With inflation for the fiscal year at 20%, we are talking about a real decrease of 10% in provisions for electricity and other utilities, as well as all the other recurrent items. Similarly, when we exclude debt amortization, capital programmes have increased by only 3%, from \$43.3Bn to \$44.6Bn or about a 17% decrease in inflation-adjusted terms. These are not my calculations, these are taken directly from a publication of the MOF.

This budget is hostage to the political need to be seen as fulfilling election promises. The result is that in real terms, this budget i) reduces capital spending on our productive infrastructure, and ii) reduces the non-wage recurrent expenditure which compromises the capacity of the public sector to deliver even the existing levels of service to the public.

Inflation/Food Prices

I will now turn to the issue of food prices and inflation. But first as an aside, let me say that I am happy to see that when it comes to trade and investment promotion, and business development, the government has not changed course but is continuing with the personnel and policies the current Minister inherited at Jamaica Trade and Invest (JTI) and Jamaica Business Development Centre (JBDC), with only some tinkering at the margins which I'm not going to quarrel with at this time. In fact, the Incubator which was opened at Garmex over the weekend is a good idea and I commend you on it.

The Minister will recall that I raised concerns about the scrap metal export regulations being too bureaucratic and recent press reports seem to confirm that the bureaucracy has completely strangled that sector.

I'd like to turn now to an issue that is occupying the mind of every Jamaican, or at least every poor or middle class Jamaican, and that is the rising cost of living generally and food price inflation in particular. Inflation for the fiscal year ending March 31, 2007 was 19.9%. The Food and non-alcoholic beverages category was even higher at 29.1% and the Housing, water, electricity, gas and other fuels category increased by 27.9%. **The two categories of items on**

which the poor and middle class spend the majority of their income increased by almost 30% over the last 12 months, savaging their standard of living! This must be the burning issue on the mind of every Jamaican, every politician and public servant, yet the Minister of Finance was absolutely silent on it in his presentation.

But the JLP was not so silent in 2005, when inflation was running at somewhere about 13-14% p.a. substantially below the 20% at present, yet quoting from the Gleaner of Aug. 27, 2005:

According to Mr. Samuda, enough is enough. "We can't sit by and allow consumers to be bombarded by price increases and runaway inflation," he said yesterday.

Or let us go the Observer, a week later on September 5th 2005 when the JLP was calling out its supporters for street protests against high prices:

He drew a comparison between Jamaica and Barbados, the latter of which has for years run inflation in the low single digit, while price instability has been a feature of Jamaica.

"They buy oil like us," Golding said. "Somebody must explain why price increases are so volatile in Jamaica."

I agree that somebody should explain why in 2007 inflation in Barbados was approximately 5% and why even in Haiti, where price increases have set off food riots; inflation for 2007 was 10%. Perhaps as the Minister with portfolio responsibility for STATIN and PIOJ, the Prime Minister will now explain why this is so.

The Government has sought generally to take a hands-off approach to this matter of inflation, blaming it on imported costs of food and energy. However, when we compare our rate of inflation with other CARICOM countries, it is revealing. Our rate of inflation is more than twice the CARICOM average even though they are subject to the same imported food and energy factors. Therefore, the difference must be due to local factors. The first of these local factors is domestic food prices, and again I expect the government will hide behind Hurricane Dean and the impact of bad weather on crops.

If the efforts and all the resources of the now-aborted attempt to subsidize food prices at the beginning of the distribution chain, had instead been focused since last October on providing inputs such as fertilizer, seeds, chemicals, and tools to small farmers undertaking domestic agricultural production, we would have had a quicker recovery in domestic food production and a consequent reduction in domestic food prices.

The other area where I believe that the government must take responsibility for contributing to inflation is in the critical area of inflation expectations. During the election campaign and since forming the government, the market has been receiving signals of fiscal profligacy rather than fiscal consolidation. Promises have consistently been about giving up revenues and not raising taxes, yet expanding social services and increasing public sector wages up to 100%.

When you consider that people build their expectation of inflation into their wage claims, you can see that inflation expectations are themselves a cause of inflation. If a worker expects inflation to be 25%, he or she may reasonably expect a wage rise in excess of this. If the worker manages to get that wage increase, then that may cause further cost-push inflation as firms are then facing higher costs. The resulting higher inflation may then raise people's expectations further - a vicious circle. Expectations can be a bit like a self-fulfilling prophecy! Higher expectations can actually **cause** higher inflation.

All those irresponsible campaign pronouncements spawned the ugly fruit of inflationary expectations, and contributed to price increases at levels way above our CARICOM neighbours.

Structure of Government and Governance

The Prime Minister has for a long time, certainly since his days in the NDM, been an advocate for reducing the concentration of power in the hands of a Prime Minister and indeed reducing the size of government generally. Since becoming Prime Minister, however, I have not heard any speeches on this topic but from his actions it now appears that he is changing course on the issue.

The size of this cabinet and the entire executive must be one of the largest in our history. When the JLP manifesto promised jobs, jobs, jobs we didn't realize that it was meant for the MPs on that side of the aisle. In fact, the jobs are not limited to MPs - many of the losing candidates also seem to have secured posts as heads of agencies or functionaries therein (e.g. NSWMA, RADA, etc.).

More specifically, what we have seen is that notwithstanding Jamaica now having one of the largest cabinet's ever amongst whom to share the portfolio subjects, we are also witnessing probably the highest concentration of portfolio subjects and agencies in the Office of the Prime Minister in our history. The Prime Minister has a large appetite for portfolio subjects – he has bitten off Planning from the former Ministry of Finance and Planning, Lands from the former Ministry of Agriculture and Lands, Environment from the former Ministry of Health and the Environment, and with one large bite swallowed the entire Ministry of Local Government! We can add mega agencies such as the UDC and the NHT to this list. This is a worrying trend, as every Jamaican knows, “craven choke puppy.” The bottleneck created by such concentrated power is likely to frustrate effective administration.

Emasculation of the Parish Councils - In a move reminiscent of the 1980's when the Parish Councils had responsibility only for cemeteries, the Prime Minister has indicated that the building approval process will be taken away from the Parish Councils and placed in a "One Stop Shop" that is being created to deal with all planning approvals island-wide. We will have to await the details to see if the building fees, projected to be over \$1Bn by fiscal 09/10 will remain with the Councils.

If the Councils are no longer responsible for planning approvals in their respective parishes, there will be loss of jobs in the planning area, and the Parish Development Committees, which were supposed to work hand in hand with the Councils to plan development for the Parish, will have nothing to do because all parish planning will now be done by this CENTRAL PLANNING AUTHORITY within the Office of the Prime Minister. This is going to have a profoundly negative impact on the Parish Councils.

Is this move consistent with the Government's stated objective of putting people at the centre of the policy focus? At the risk of sounding too theoretical, let introduce a conceptual framework. Subsidiariness is the principle that a central authority should have a subsidiary function, performing only those tasks which cannot be performed effectively at a more immediate or local level. Its roots come from Catholic social teaching, and it emphasizes the importance of intermediate-sized institutions, like the Parish Councils, as mediating structures which empower individual action and link the individual to society as a whole.

So the effect of this move, rather than being people centred, will be to increase the distance between the individual and communities from decision-making by weakening local councils.

CHALLENGES AHEAD

There are some issues/areas of significant importance where there is an imperative for action and I wish to suggest that we should cooperate to move the country forward. However, if we are going to do so then it is important that we start by setting the record straight.

Air Jamaica

Here I proceed in the full knowledge that we are in an environment where the least breath of criticism is often met with savage rebuke.

This is an issue that we've struggled with for many years and I really have no interest in digging up the past and trying to ascribe blame. I think we can all agree that we cannot continue on the present path and that if there are tough decisions to be made it would be easier to do so in a spirit of bi-partisanship rather than confrontation. This is especially important since Air Jamaica is a commercial operation competing internationally and that public controversy will only serve to hurt its chances of survival.

I would therefore ask that we cease this one-upmanship on the closure of the London route. For the record:

The London Decision

- The decision to close London was communicated to the Joint Parliamentary Committee, as were the other elements of the Revitalization Plan, and received the support of the then Opposition spokesman for Finance. The discontinuation of the London Route was implemented in order to achieve an annual savings estimated to be US\$30M at that time. It is important to note that such annual savings were based on oil prices in the \$60.00 per barrel

range. **With oil currently at around \$105.00 per barrel, the annual cost of keeping the route would now approximate US\$50M.**

- The Opposition spokesman for Transport was not in favour of this, and on gaining office tried to reverse the decision. This led to the failure to capitalize on negotiations undertaken with the Turkish National Airways and Air India, plus a delay in the implementation of the code share agreement with Virgin.
- An integral part of the decision to vacate the UK route was the disposition of the two A340's – expensive aircraft that were not only less than ideal for the UK route, but also had little practical use on the rest of AJ's route system. At the time the deal with Virgin was reached, there existed several opportunities to dispose of the A340's at no loss to AJ, or alternatively, to redeploy the aircraft on a wet lease basis to Air India at what promised to be a substantial profit to AJ. Due to the futile and ill-advised effort to undo the Virgin transaction, such opportunities have been lost, and a good deal of the savings from vacating the route – min. US\$10M - has been wasted.

At the time of the decision it should be noted that:

- The highest trade value for a slot was 10M GBP for a critical departure/arrival time to Australia,
- Other slot sales had been made in the range of 4 – 5M GBP,
- BWIA had just received 5M GBP for their slot,
- AJ competitively negotiated 5.1M GBP for a slot that was out of prime time and did not have the benefit of the same time daily.

To give an idea as to the inferior nature of our slot times, we were losing Jamaican customers to BA as they did not want to arrive in Jamaica at night and then have to travel to homes in the country or, equally, have to negotiate Mountain View Road late at night!

While the alternate Minister of Finance, Sen. Wehby, is putting a great deal of reliance on a privatization of Air Jamaica by the end of the fiscal year, experience suggests that we should develop some alternatives. The Opposition is willing to constructively engage the Government on this issue.

Alternative Investment Schemes

On the same day that the Minister of Finance was making his budget presentation last week, the principal, or entrepreneur behind, one of the largest of the so called alternative investment schemes was being taken into police custody, and the Minister's silence on the matter was deafening. Last January in this House, as Opposition Spokesman on Finance, he had a lot to say in defense of these schemes – advocating that "...entrepreneurs of all types can co-exist and flourish, where they are welcomed and not constantly alienated, where they are allowed to take their risks and yield high profits or suffer the consequences of their high risk-taking

propensities.” This was in stark contrast to the statements of all the responsible players in the Financial Sector – the then Minister of Finance, the Governor of the BOJ, the Executive Director of the FSC, the heads of the licensed commercial banks and securities dealers – all of whom were warning the public about the risks and dangers of these schemes.

Media reports suggest that since that statement by the Member for N.E. Manchester, the then Opposition Spokesman on Finance, which considerably confused the situation, membership in one collapsed entity grew from 4,000 to over 40,000. The problem I have with the statement by the Minister is that it’s not the entrepreneurs who suffer the consequences of their high risk-taking propensities, but those 40,000 Jamaicans who may have their life savings wiped out. Does the Minister feel a sense of responsibility towards these persons, many of whom have their life savings at risk? The money in the schemes is reported to be in the tens of billions of dollars.

The Government was recently calling for a Commission of Enquiry into the operation of FINSAC, an event which occurred ten years ago. I believe that it would also be appropriate to enquire into the operations of the alternative investment schemes. Let us learn how much of the public’s money these schemes gave to political parties, let us hear how many persons speaking or writing in their defence were actually benefitting financially from so doing. Let the chips fall where they may.

I support the call of the Opposition Spokesman on Finance to review the regulatory regimes to ensure that earlier intervention is possible. The fact is that while there has been a great deal of misinformation and misunderstanding about these schemes, **the passage of time is proving what some of us have been saying (and not without paying a price) for over two years now - that these schemes are at best casinos, and at worst, fraudulent ponzi or pyramid schemes operated by con artists. Responsible persons must have the courage to speak the truth and not be part of any conspiracy of silence or any public relations spin.**

Tourism

Without sounding alarmist I want to issue a warning about our most important forex earning sector. The budget is predicated on very optimistic scenarios particularly for tourism even though the budget has shrunk in real terms.

It is an accepted feature of the two-party system that one party constantly accepts or borrows the ideas, the plans, and the accomplishments of the other. This present government certainly subscribes to that approach when it comes to the Tourism sector, for example:

1. **The Min. of Tourism has attributed growth in stop-over arrivals since September 2007 to a new marketing and advertising strategy [See *The Daily Gleaner*, March 10, 2008]**

2. The truth is that no new marketing and advertising strategy has been employed since September 2007. The strategy being used has been in operation since 2003 and involves planned TV and print advertising programmes rather than ad hoc reactions to market conditions. TV advertising in the USA for example is undertaken 3 times per year – winter, spring, fall – and booked well in advance, thus achieving the best rates. The actual ads were produced and started running long before the present Minister’s appointment.

(a) The worldwide advertising agency selected by open tender during the previous administration, Draft FCB, remains Jamaica’s advertising agency and has been an effective agency. Public Relations agencies for North America and the UK/Europe which are top ranked, were also selected by open tender. The programme which Draft FCB was implementing in September was actually approved in April 2007, before the member for E.C. St. James became Minister of Tourism.

3. Minister’s claim of ownership of growth in visitor arrivals

Three key factors affected performance in 2007 and continued to be felt in the early months of 2008:

[a] The **US Passport Requirement took effect on January 23, 2007**. US citizens travelling by air to Canada, Mexico and the Caribbean who previously could do so with driver’s licences or birth certificates were required to have passports. This rule is a direct result of 9/11 and not something that the Minister could have changed, as he has claimed. The US bureaucracy was clearly not prepared to handle the exponential increase in passport applications leading to a backlog of over 5 million by April 2007. Indeed, whereas the USA issued 12.1 million passports in 2006, up from 8 million in 2004, by July of 2007 over 12 million applications were received. The result of the backlog was immediately reflected in stop-over arrivals from the USA: January [-9.6%],

February [-14.0%], March [-12.5%], April [-15.0%], May [-7.3%], and June [-6%]. As a consequence, total stop-over arrivals declined in each of these months. The decline was even larger in the Bahamas and Canada. By July as the backlog was cleared and a temporary waiver of the requirement was granted [late June-September] visitor arrivals from the USA went up by 3.1% which contributed to a **8.6%** in total arrivals making July 2007 the biggest July on record and the biggest month ever: July 2006 – 180,000; July 2007 – 195,409. Hurricane Dean intervened in late August after the first two weeks of that month showed continuing strong growth. The performance from September 2007 reflected the resumption of business after the hurricane. With further improvements in the US passport situation, visitor arrivals from that market showed continued recovery: September [3.7%], October [14.7%], November [1.8%], December [4.3%]. The recovery in US business contributed to the growth in total arrivals in these months: September [11.6%], October [14.7%], November [2.1%], December [6.9%]. The effect of the passport requirement can be seen from these figures: Total visitor arrivals declined by 3.7% for January – April 2007, but increased by 4.1% for May – December 2007.

[b] While arrivals from the USA declined by 4.9% in 2007, growth in visitors from Canada and Europe achieved double-digit levels by 24.1% and 12.8% respectively. Indeed, arrivals from Canada have been running in double digits from 2004 [11%] and reached a spectacular rate of 31.4% in 2006. Europe achieved double digits in 2003, 2004 and 2007, and was 9.5% in 2006. In other words, the marketing strategy in place and the attraction of new investments by integrated European travel operators have been decisive in boosting Jamaica's rapid growth in tourism arrivals from these two markets. These operators bring airlift, marketing, capital to build new resorts and are exposing Jamaica to new markets. None of this has anything to do with the claimed new marketing and advertising strategy. They are the results of the diversification strategy of the previous administration. In a year when arrivals declined by 4.9% from the USA, which accounts for over 60% of visitors, we were still able to record growth because of the rapid expansion in Canada and the strong increase in Europe.

[c] Investments by European hotel chains led by Spanish operators are adding 10,000 new rooms, the bulk of which are under construction. New resorts by RIU, Bahia Principe and Iberostar have spurred the diversification of our markets. In the past 2 years these chains have added 2,000 new rooms, while other operators such as Sunset and Rose Hall have refurbished over 1,500 rooms. By year-end, RIU, Iberostar, Fiesta and Palmyra Resorts will add a further 3,500 new rooms, which will be the largest number ever opened in a single year. These rooms will boost growth this year and moreso next year and beyond – jobs, economic activity and forex earnings. All a result of the efforts of the previous administration.

Nonetheless, economic problems in the USA and the slowdown in activity in Europe are bound to exert pressure on arrivals to Jamaica in the coming months. **The reported target of 13.5 – 15.0% increase in stop-over arrivals should therefore be reviewed in light of the changing economic conditions. In fact, industry sources suggest that arrivals were down significantly for the first two weeks in April.**

CONCLUSION

The government inherited a strong economic platform on which to build even while facing serious challenges. National interest demands that the government pursue a path of fiscal consolidation to continue to reduce the national debt burden while targeting the productive sectors for growth and job creation. Instead the government has chosen to pursue what appears to be an election budget – to use a favourite word of the Minister of Finance – it is peppered with populism. The government is preparing for a general election and the real budget will be postponed until that time.

I don't believe that it is too late for us to choose this point in history as an opportunity to create a new paradigm of engagement where we demonstrate to the country and the world that we are both - Government and Opposition – committed to addressing issues in a way that always places the interest of Jamaica at the fore, rather than have it subordinated to narrow partisan political considerations.

However, for this opportunity to be seized, both sides in this honourable House will need to follow the principled guidance of Rt. Excellent Norman Washington Manley by adopting basic civility in our mutual dealings, by putting the interests of the country before political partisanship at all times, and by respecting the truth in all matters of public importance.