

# CLOSURE OF BUDGET DEBATE

## A: INTRODUCTION

1. Importance of debate
  - (a) New government
  - (b) Deviation from targets –December 8.4% versus 4.4%
  - (c) Instability/volatility – FE market, local money market, interest rates, assessment of foreign creditors, increase in debt stock.
2. Focus
  - (a) Deficit
  - (b) Debt
3. Bare bones Budget
  - (a) Every ministry smaller allocation than desired
  - (b) Symbolic action useful but will do little to bottom line
4. Contributions
  - (a) Commendations – PM, Leader of the Opposition, Shaw, Bartlett, Roger and Samuda
  - (b) Quality as good as anywhere else
5. Structure of Response
  - (a) Bartlett
  - (b) Shaw
  - (c) Tax package – Seaga, Shaw, Samuda

## **B: BARTLETT**

1. Tourism
2. Air Jamaica

## **C: SHAW**

1. Ask questions directly
2. Micro Fin
3. BOJ
4. CPI/GDP deflator
5. Price Movements in Christiana

## **D: TAXES**

1. Critical Issue – how are services to be provided
  - (a) Education
  - (b) Health
  - (c) Security
2. New review needed – last comprehensive review mid 80s led to simplification and decision to implement GCT.
3. Intention to appoint new committee to execute comprehensive review within specified timeframe. Joe M Matalon has agreed to chair. Will complete

membership committee within the next two weeks. Will seek nominations from Opposition and special interest groups.

4. Housekeeping – Hot 102
5. Mr Seaga – moral authority to protest

## **E: TAX PACKAGE – GCT**

1. Back to basics – deficit reduction needs for “big ticket” item.
2. Whilst increased efficiency must be always priority, provides no consolation to creditors at home or abroad.
3. Reactions/Comments/Letters – sincere and well meaning both special interest groups, individual business persons and citizens.
4. Several suggest special lower rates for sensitive areas e.g. health/books/agricultural inputs. We have decided against such an approach. Makes administration and auditing overly complex. Opens up increased possibilities for corruption.
5. Environmental Levy – cooperation with private sector.
6. Sporting Goods – certification through Ministry of Sports for associations/registered sports teams. Blanket removal has been exploited.
7. Agriculture – significant lobbying understandable
  - (a) Feeds
  - (b) Fertilizers
  - (c) Herbicides

(d) Critical that persons in trade play their part. Whilst we have come under pressure for 15%, few focus on the base to which the 15% is added. We are not satisfied that farmers and country are reaping full benefits of competition. We will be watching.

8. Health

(a) Small sensitive items

(b) Non-generic prescription

**F: BACK TO BASICS**

1. Original package \$13.5 billion
2. Significant adjustments just about \$1 billion

**G: THE CESS**

1. Samuda – partial analysis. What of stimulus to domestic production?
2. Meeting with PSOJ. Need for further meetings as some issues still need further clarification e.g.
  - i. Level of value-added for various sub-sectors
  - ii. Level of mark up for importers
  - iii. Average profit levels
3. Cash Flow - cost of money, possible resolution, quarterly statements.
4. Proposal credit against GCT – Considered. Serious difficulty including impacting on credible cash flow for Government.

5. Area of concern – new manufacturers. Proposed JMA/PSOJ/JAMPRO Annual Certification – maximum three years. Must submit all returns and be compliant with all regulations.

## **H: CLOSING THE GAP**

1. Already noted – we have lost \$1 billion
2. Need to replace it – Gaming industry. Sales of \$17 billion.
3. Application of GCT should provide over \$2 billion which will replace that which we have removed.

## **I: CONCLUSION**

1. Back to basics – deficit/credibility
2. We have listened but we simply cannot please everyone. Taking populist position useful only in the short-term as credibility of Government's ability to pay its way will be undermined.
3. "Everything is everything" – systematic reduction of interest rates non-negotiable but can only be achieved if Government's need to borrow is reduced.
4. We are not neglecting cost savings – in meeting with PSOJ requested involvement. PSOJ team will submit specific recommendations to two-man team.

5. We have not attempted to hide the facts. The deficit and the debt will not disappear through posturing. Promises to be more efficient will not suffice. The need for additional resources is real.
6. We have sought to protect those at the bottom of the economic ladder.
7. Committee on Taxation: Will have first meeting on Tuesday, the 6<sup>th</sup> and seek to conclude deliberations as quickly as possible prior to giving permanent status to measures covered by provisional collection of tax orders.

We needed a credible financing plan. We believe we have such and it is time to close this chapter of the debate and move on.