



COMPETE

FAIR TRADING COMMISSION

'Promoting Competitive Markets'

Vol. XIX, January 2015

Competing in the Hub



What is logistics?

A simple truth, Jamaica best positioned for Global Logistics Hub

Competing in a logistics-centred economy: insights for improved firm performance

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Compete

Compete represents the shift in focus of the FTC: a developmental-centered focus on the promotion of competition. As indicated by Chairman Samuda in his *FTC 20th Anniversary Message*, “our commitment to infuse the spirit and letter of the Fair Competition Act ... is simply not only regulatory, it is developmental and capacity building”.

Compete will therefore highlight not only the work of the FTC but also initiatives by the private sector and the Government considered to promote competition, improve productivity and increase consumer welfare. It will focus specifically on competition-based activities that are geared towards economic growth and national development for the prosperity of all Jamaicans.

Foreword

In this issue of **Compete**, we explore the theme *Competing in the Hub* with a view to highlighting the implications of local Competition Law and Policy on businesses operating within Jamaica’s Logistics Hub.

In recent times the country has embarked on a quest to become a Global Logistics Hub. This initiative will involve the expansion of ports and airport facilities, the development of new infrastructure and the establishment of special economic zones. It is expected that this initiative will result in a transformation of the Jamaican economy.

The articles contained in this issue of **Compete** touch on several topics including antitrust considerations for the Jamaica Logistics Hub Initiative, competing in a logistics-centered economy and establishing special economic zones.

In addition to the articles, the magazine contains some of the matters we have undertaken in 2014 as we work diligently to expose anticompetitive business practices and promote competitive markets.

We know you will enjoy reading this issue of **Compete** as much as we enjoyed putting it together.

Happy reading!

Kristina Barrett & Paul Cooper

Magazine Coordinators

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MARITIME AUTHORITY OF JAMAICA

The safety and security of ships and the protection of our marine environment is our priority

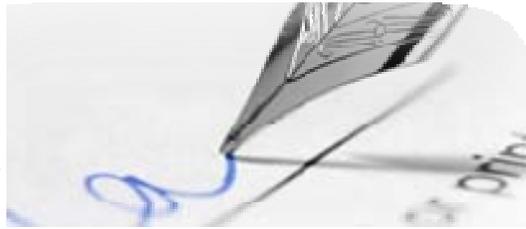
- Registration of ships and mega yachts
- Ship mortgages
- Ship safety and security inspections
- Marine pollution prevention
- Bunkering
- Crew welfare
- Training and certification of crew



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FTC signs consent agreement with Singer Jamaica Limited

IN February 2014, the FTC entered into a Consent Agreement with Singer Jamaica Limited (Singer). This arose from a complaint received in late 2013, whereby a consumer alleged that Singer incorrectly advised her of the warranty period on a Sealy Perfect Comfort Mattress. The Staff investigated the matter and took the position that Singer's conduct was likely to contravene Section 37 of the Fair Competition Act, which prohibits misleading representation. The Staff's investigation revealed that Singer's actions resulted in the original representation, upon which the consumer had relied, being altered in material respects, to the detriment of the consumer. Singer and the FTC agreed to settle the matter in



accordance with the Fair Competition (Notices and Procedures) Regulations 2000.

The FTC enters into Consent Agreements in situations where it believes that the FCA has been breached and the Respondents are amenable to settling the matter out of Court. These agreements usually require that the Respondent commit to not repeating the offensive conduct, issue a public apology, provide redress to the Informant(s) as well as pay the Commission's costs. The FCA allows for a fine of up to \$5 million in the case of an enterprise and up to \$1 million in the case of an individual, where the Court determines that the FCA has been breached.

FTC competition law course



Course Participants in October 2014. Dr. Delroy Beckford, Senior Legal Counsel; and Mr. David Miller, Executive Director of the FTC 6th and 11th from left.

The course which is directed towards attorneys, business persons, competition law practitioners, economists, judges, policymakers and regulators covers principles and concepts such as:

- ♦ Objectives and Economics of Competition Law;
- ♦ Assessment of Anti-competitive effect;
- ♦ Horizontal and Vertical Agreements;
- ♦ Analysis of Network Industries;
- ♦ Abuse of Dominance;
- ♦ Interaction between Competition Law and other laws; and

IN January, July and October 2014, the FTC hosted its Intermediate level Course in Competition Law and Policy. The Course is accredited by the General Legal Council for the purposes of its Continuing Legal Professional Development program. Attorneys-at-Law who participated in the Course were awarded ten (10) credits towards the program.

- ♦ Administration & Enforcement of Competition Law.
- Since the Course was first conducted in October 2013, forty-four persons have been certified as completing the curriculum. This includes attorneys and economists from both the private and public sectors.

The next course is scheduled to be held on January 29-30, 2015.

FTC participates in the Mobile Business Clinic Initiative

THE Fair Trading Commission (FTC) joined the Mobile Business Clinic Initiative (MBCI) as a sponsor to disseminate much needed information to the Micro, Small and Medium-Sized Enterprises (MSMEs) on the manner in which the dynamics of Competition Law and Policy can assist in business growth. The MBCI is a major undertaking by the Ministry of Industry, Investment and Commerce; spearheaded by the Jamaica Business Development Corporation (JBDC) under the theme: “*Strengthening the capacity of Jamaican MSMEs*”. It is formatted as a joint collaboration between both public and private sector entities geared towards providing needed business support services to MSMEs. The Clinic will span over three years, targeting MSMEs in various sectors located in major towns and rural areas across the island.

In addition to the placement of radio, television and printed material; the FTC will be conducting seminars at various locations across the island. The first seminar was delivered at the launch of the MBCI at the Civic Centre, Sam Sharpe Square, Montego Bay on November 4, 2014. Mr. David Miller, Executive Director, made a presentation under the theme: “Competing to Grow”. The presentation was

received by an audience of over thirty small business operators and other individuals. Areas explored included:

- ◆ Purpose of Competition Law
- ◆ Ways to Grow
- ◆ Product Quality
- ◆ Customer Service
- ◆ Packaging
- ◆ Product Innovation
- ◆ Attracting Customers
- ◆ Misleading Advertising
- ◆ Limiting Liability
- ◆ Forbidden Practices
- ◆ Price Fixing
- ◆ Market Division



We look forward to the year 2015, for a fruitful and mutually beneficial participation where awareness is built around the purpose and work of the FTC.

FTC participates in public forum on mergers and acquisitions in the telecoms sector

ON November 27, 2014, the Fair Trading Commission (FTC) participated in a Public Forum on a proposed consolidation within the telecoms industry. The Forum was organized following an announcement earlier in the month that Cable and Wireless Communication had secured an agreement to acquire Columbus International. Both entities had subsidiary entities operating in Jamaica.

The Forum brought together regulators, academia and telecoms entities and was hosted by the Mona School of Business and Management (MSBM) at the Mona Campus of the University of the West Indies, Jamaica. Also participating in the forum were, Spectrum Management Authority (telecoms regulator); Dr. Kamau Chionesu, Lecturer at the MSBM; and Digicel Jamaica and Cable and Wireless Jamaica Limited (telecoms entities).

The theme of the Forum was “Mergers and Acquisitions in the Telecoms Sector: Implications for Competition.” Kevin Harriott, Competition Bureau Chief at the FTC articulated the views of the FTC in his fifteen-minute presentation to the attentive audience assembled in the Faculty of Law Building.



From left to right : Mr. Henry Batson, SMA; Dr. Kamau Chionesu, MSBM, Dr. Kevin Harriott, FTC ; and Mrs. Gail Moss-Solomon, Digicel.

Harriott’s presentation focused on the general scope of assessments conducted regarding any proposed acquisition. Firstly, he reminded the audience that the purpose of reviewing mergers is to identify and block only those mergers/acquisitions which would likely result in a substantial lessening of competition. Secondly, the factors that would be considered includes: the extent of competition, if any, which would result from consolidating the telecoms entities; the extent of barriers to entering and exiting which would exist following the merger; and the efficiencies, if any, which would be generated specifically as a result of the consolidation.

15th Annual Shirley Playfair Lecture

THE term “logistics hub” has been bandied about for the past two years and is being touted as the boost needed to improve Jamaica’s economic growth. In fact, developing a logistics-centred economy is a central objective of the Ministry of Industry, Investment and Commerce. Many persons, however, are unaware of the benefits of a logistics-centred economy and therefore are suspicious of the promised economic growth that could flow from the hub. The Fair Trading Commission seized the opportunity to engage the public on this issue at the 15th annual Shirley Playfair Lecture held in September.

In presenting the Lecture, Dr. Fritz Pinnock, Executive Director of the Caribbean Maritime Institute, explained the concept of a logistic hub, its effects on competition locally and globally, and its anticipated benefits to Jamaica. By popular request, we now present to the wider public, an excerpt from his presentation.

Jamaica is currently engaged in logistics activities but some major changes must be made to match world standards required to catapult the economy. Logistics facilitates the movement of goods and services via rail, roadways, air and sea transport. In essence, it is the vehicle for global trade.

There are two main trade routes that support global commerce: (i) Asia – Europe; and (ii) Pacific Ocean – Atlantic Ocean. The Panama Canal is the shortest trade route that links the Pacific and Atlantic Oceans. The Panama Canal, however, has capacity limitations and thus faces strong competition from other routes which can accommodate larger ships.

The Panama Canal was built to accommodate ships of size 4,500 twenty-foot equivalent unit (TEU) but by the time it was completed, ships were as large as 18,000 TEU. To improve its competitive advantage, a third lane is being built which is three times as large as the existing two. Also in the pipeline is the construction of a fourth canal through Nicaragua to accommodate the largest ships afloat. Furthermore, the Panama Canal Railway, and the Canadian, American and Mexican land bridges complement the Canal in its function as a transshipment hub.

The benefits in establishing an efficient logistics hub arises because Jamaica is strategically located to exploit the higher cargo traffic expected to pass through these new canals.



Dr. Fritz Pinnock

Historical development of logistics in Jamaica

In the 1900’s, technology played a less important role in logistics and ships spent protracted periods in ports to unload and load cargo. Furthermore, since containers were not used then, it was unnecessary to make the ports with sturdy platforms. Consequently, Jamaica’s port was built from wood and shaped like fingers so ships would dock between the ‘fingers’ for extended time periods. In 1956 there was a transition in transshipment: containers were used to pack goods and the wooden piers could no longer accommodate ships that were unloading containers. It took 10 years before the docks were refitted to accommodate containerised ships. Containers were attached to trucks forming what is known as a trailer and then pulled away to their respective destination.

In the ongoing drive to reduce both costs and time ships spent at piers, shippers started stacking containers at the piers. This change required piers to be outfitted with cranes to stack and restack containers. To facilitate this shift, another pier had to be built to ensure that Jamaica remained relevant in the transshipment industry; this pier was called the Kingston Container Terminal.

Threats and Opportunities for Sustainable Economic Growth

Another change occurred in 2008; shippers no longer wanted to depart ports with empty ships since they still had to pay for passage through the Panama Canal. This posed a challenge for Jamaica since 9 out of 10 ships departed Jamaica's port empty. This challenge provided another opportunity for Jamaica to improve its growth prospects through the development of a logistics hub and thereby gain a competitive advantage in the transshipment industry.

To exploit this opportunity, Jamaica needs to participate in value added services. The purpose of the logistics hub is to create an area where ships can unload containers, store them, and provide value added services so that ships can depart

local ports with cargo; in that way, Jamaica will attract greater transshipment traffic. Goat Islands and Vernam Fields are identified as possible locations to build such a gateway port.

Unless Jamaica coordinates its effort and utilise its core competencies, however, Jamaica is unlikely to realise its goal of establishing a world class logistics hub. Other regional countries that have already moved in this direction include the Dominican Republic and Cuba. Further afield, there are ongoing projects such as the London Gateway which will transform London into a transshipment hub.

*Verlis Morris
Competition Analyst, FTC*



From left to right: Dr. Kevin Harriott, Competition Bureau Chief; Mr. David Miller, Executive Director; and Mr. Christopher Samuda, Chairman



From left to right: Ms. Kristina Barrett, Mr. Desroy Reid and Ms. Deborah Wilson at Registration Desk.



Section of the audience.

The benefits of recent interventions in Jamaica's telecoms sector

SUSTAINABLE economic growth has eluded Jamaica for the better part of the last fifty years. While I make no claim to be clairvoyant, it seems reasonable to argue that Jamaica's prospect for growth over the next fifty years is inextricably linked to the performance of the telecommunication sector. Currently, there is hardly any area in our commercial and personal space which is untouched by information technology.

Markets generate considerable benefits for consumers as they become organized competitively. These benefits include (i) lower prices; (ii) greater product diversity; and (iii) greater rates of technological development, relative to markets which are not competitively organized. Competition therefore offers the best opportunity for a market to "grow" in the sense of becoming accessible to more consumers and offering greater product diversity.

Accordingly, the promotion and preservation of competition in the telecommunications sector is absolutely critical for Jamaica's growth prospects as growth in the sector is likely to translate to the greatest sustainable expansion of the wider economy. The Government of Jamaica administers oversight responsibilities over the telecommunication sector via two institutions: The Fair Trading Commission (FTC) and the Office of Utilities Regulation (OUR). The purpose of this article is to assess recent interventions of these institutions in the telecommunication sector.

The telecommunication sector has been rocked with two 'shocks' in recent years. The first shock involved the

merging of competing mobile operators. Specifically, in August 2011, Digicel Jamaica Limited ('Digicel') acquired Oceanic Digital ('Claro'). All other things constant, the exit of a significant rival will adversely affect the performance of the market and result in reduced consumer welfare. In December 2011, the FTC sought to intervene by challenging the legitimacy of the transaction in the Courts. This intervention was timely and decisive as it sought to preserve the benefits that competition between Digicel and Claro had been generating for mobile subscribers. The FTC estimated that during the three year period preceding this transaction, competition generated consumer benefits in excess of \$4,182 million annually in the form of increased promotions and value offers and reduced calling rates. The second shock involved changes in the regulations governing mobile termination rate (MTR). MTR refers to the price one operator pays to complete (i.e., terminate) calls on a mobile network belonging to another operator. Termination service is a crucial input for the provision of voice services, especially for operators of smaller networks. The OUR reduced the MTR to \$5.00 per minute in July 2012 and then to \$1.10 per minute in July 2013. All other things constant, lower MTRs will positively affect the market by increasing the opportunities and incentives for operators to lower prices. This is exactly how it played out in Jamaica (See *'The Real Laws of Competition'* **Gleaner**, June 25, 2013).

The public correctly anticipated that lower call rates would improve consumer welfare. What is uncertain to date, however, is the extent of such benefits. One way of measuring the

benefit is to compare consumer welfare when the MTR was lowered with the consumer welfare had the MTR not been lowered.

The FTC assessed the effect of the lower MTR using the quantity of talk time ('mobile call volume') as a measure of consumer welfare. The FTC concluded that up to March 2014, subscribers would have talked for approximately 10,021 million minutes if the MTR was not reduced. The actual talk time recorded during the period when the MTR was reduced, however, amounted to as much as 11,302 million minutes.

This means that the OUR's intervention benefitted consumers by 1,281 million minutes over a 21 month period. To the extent that mobile call rates for standard calling plans ranges between \$1.99 and \$17.70 per minute, the market value of these benefits ranges between \$2,549 million and \$22,674 million.

Conclusion

Subscribers to mobile voice services are enjoying considerable benefits from the changes in the regulation governing mobile termination rates. The OUR's decision to introduce a cost-based reciprocal mobile termination rate stimulated competition between telecoms operators in the form of significantly lower calling rates. This resulted in subscribers accessing benefits valued between \$2,549 million and \$22,674 million and came as sweet relief to subscribers who were adversely affected by Claro's exit in 2011.

*Dr Kevin Harriott
Competition Bureau Chief, FTC.*

Encouraging competition while protecting utility consumers: the OUR's commitment

THE Office of Utilities Regulation (OUR) has a mandate to protect utility consumers' rights and encourage free market competition.

Specifically, The Office of Utilities Regulation Act, 1995 (OUR Act) states in Section 4 (3): "In the performance of its functions under this Act the Office shall undertake such measures as it considers necessary or desirable to -

- (a) Encourage competition in the provision of prescribed utility services;
- (b) Protect the interests of consumers in relation to the supply of a prescribed utility service;"...

The aforementioned provision serves to focus the OUR's efforts on maintaining an equitable balance between consumers' rights and providing a platform that will enable the utility companies an opportunity to make a reasonable return on their investments.

So what about consumer protection you ask? This is covered by various aspects of the OUR Act. Among protection elements are that the OUR must carry out, on its own initiative or at the request of any person, such investigations in relation to the provision of prescribed utility services as will enable it to determine whether the interests of consumers are adequately protected. Vital information here, for readers not already aware of this function.

Also, section 4(2)(a) of the OUR Act states that the OUR may, where necessary, give directions to a utility provider to ensure that the needs of the consumers of the utility service are met. Section 4(2)(b) mandates that the prescribed utility service operates efficiently and in a manner designed to (i) protect the health and well being of users of the service and in (ii), protect and preserve the environment. Part (iii) specifically declares that the utility provider must afford to its consumers an economical and reliable service.

Based on findings from an OUR-commissioned national consumer survey completed earlier in 2014, many persons are still unaware of just what the OUR does, and especially, do not know their rights as utility consumers. Guaranteed Standards - 'provider behaviour' guidelines - were established by the OUR. These outline quality of service standards to which the Jamaica Public Service (JPS) and the National Water Commission (NWC), as well as small water providers must adhere.

Within the realm of the Telecommunications sector, the OUR is in the process of establishing quality of service standards. A competitive, market-driven solution that

embodies self-governance tends to be better appreciated than the imposition of rules by the regulator, but operating principles have become necessary.

The consultative document '*Quality of Service Standards and Consumer Protection Guidelines for the Telecommunications Sector - Notice of Proposed Rule Making*' is the culmination of various on-going efforts by the regulator to streamline safeguards for telecoms consumers.

This proposal provides a mix of consumer benefits. It covers quality standards for fixed telephony, mobile telephony and internet access as well as procedures for handling consumer complaints. A General Consumer Code of Practice, which sets out consumer protection guidelines for the telecommunications sector, is also included.

OUR's approach has been to infuse public consultation with the exercise of its rule making powers. Thus, five weeks were provided for stakeholder groups comprising consumer lobby organisations, utility providers, various government ministries and agencies as well as the general public, to offer feedback on the proposals.

By allowing public input and dialogue with the sector providers, the OUR establishes balance and contributes to its obligation to be objective and impartial in fulfilment of its rule making mandate. Responses will therefore advance the design of the rules being planned.

The need for directing how service quality and protection for consumers of telecommunications services arises from the fact that too many situations exist where competition alone has failed to create the appropriate result - the mutual occurrence of consumer protection and service excellence.

The anticipated 2015 introduction of Number Portability (NP) will provide additional empowerment of telecoms consumers. NP allows consumers to switch telecommunications service providers and retain their phone numbers. This is a powerful competition-based mechanism. With NP, telecoms sector providers are expected to be guided by the principle that offering superior quality services will retain existing customers and attract new ones.

The benefits to telecoms consumers from competition will therefore be enhanced when quality standards are regulated and Licensees' performance on quality of service indicators is established and adhered to.

Gordon Brown, Public Affairs Coordinator, OUR.

Competing in a logistics-centred economy: Insights for improved firm performance



By Densil A. Williams

Introduction

THE Jamaica Logistics hub project will present an important shift in the way the country does business with the rest of the world. The project as it is now conceived, will position Jamaica as the 4th node in the global logistic chain behind Singapore, Rotterdam and Dubai. This is an important development as Jamaica finally has taken the chance to use its location as a competitive tool to drive economic growth and development. Making Jamaica into a logistics-centred economy like Singapore and other small, island economies such as Dubai, is a step in the right direction.

Small economies, given their liability of size cannot compete in the global economy without a strong internationalization of their enterprises and industry sector. Put simply, these economies are too small to generate economies of scale in production and distribution if they remain focused on their domestic market. Therefore, to internationalize their operations, logistics will become a key plank of the strategy. It is important therefore; that the domestic firms and local industry sectors in Jamaica becomes ready to improve their operations in order to play a big part in the logistics centred economy.

The business environment

From all the various objective indicators, it is clear that Jamaica is making significant progress towards improving its business environment, as a pre-condition to prepare for the logistics centred economy. The improvements in the country's fiscal accounts as a result of strong oversight from

the International Monetary Fund under the extended fund facility programme; the return to a positive growth path in the country's GDP; the recent improvements in the country's competitiveness ranking (moving from 94 in 2013 to 86 in 2014); the massive jump in the ease of doing business scores (moving from 85 in 2013 to 58 in 2014); the massive jump in the logistics performance index (moving from 124 in 2013 to 70 in 2014) are all strong indicators that the business environment is headed in the right direction.

The policy frameworks at the macro-level (for example, the ease of getting credit facilitated by the security interest in personal property act; the ease of starting a business facilitated by reforms in the Companies Office of Jamaica super-form etc.) is being laid to ensure that businesses at the micro level, finds it more hassle-free to carry out their day to day activities in order to benefit from the tremendous opportunities that will be derived from a logistics-centred economy.

However, while these macro-level policies are necessary to facilitate greater levels of competitiveness at the firm level, they are not sufficient to generate significant growth in the firm. Significant reforms will have to be done at the firm level as well in order to prepare them for competition in the hub.

Firm level reforms

In a logistics-centred economy, it is clear that domestic industry sectors will be opened up to significant competition from the rest of the world through: trade in imported goods and service or competition from foreign firms that have

relocated to the domestic market for production and distribution of their outputs. Therefore, if domestic firms are to have any chance of survival in the more inhospitable trading environment, they will have to significantly improve their operations to produce at international standards in terms of: their cost of structure, the lay out of their production facilities, the organization of their distribution outlets, their revenue and efficiency ratios; their business processes among other areas. Put differently, local firms will have to become internationally competitive if they are to survive the strong competition in a logistics-centred economy.

This reform will have to start with an acknowledgement by business owners and macro-prudential regulators that business processes and policies will have to become more nimble to provide the firms with the latitude to respond swiftly to developments in the marketplace. As such, the regulatory environment will have to provide for greater flexibility to firms to help them to become more creative in their operations. For example, there has to be greater flexibility in allowing firms to raise capital from non-traditional sources such as angel investors to finance their working capital and capital investments without having to go through extremely onerous scrutiny from a regulator, which may eventually allow business opportunities to be missed. Please note that I am not for once arguing that we should be reckless with regulations and allow monies to be laundered. What I am suggesting is that while taking care to ensure that legitimate activities are carried out, the regulators should not make the regulations be too burdensome to the point where good business opportunities are missed. Regulations must be facilitatory not punitive; especially in a highly competitive marketplace where some firms are more resourced than others. Punitive regulations will only kill smaller and less resourced firms and allow only large and resource rich firms to survive. This will not be healthy for economic growth and job creation since smaller firms by their nature, have a greater reach to provide jobs for a larger mass of the population than larger firms.

Another important reform that will have to take place at the firm level as well has to do with the employment and hiring practices. In a logistics-centred economy, human resource development is key to building a strong competitive advantage. Companies will have to ensure that they attract the right talent that can deliver on the vision and mission of their organizations. This will require continuous training and upgrading of the human resource stock. Critically, partnership with universities and other training institutions will be key in helping firms to get the right talents into their organization. This partnership is useful as it will help training institutions to develop their curriculum to better serve the needs of the business environment as well.

The human resources in the firms in a logistics-centred economy will become the most important asset in driving the competitiveness of the enterprises which compete in that

space. Importantly, local firms will have to ensure that they acquire human resources that are at the higher levels of the education value chain as this is critical to deal with some of the higher order tasks that will be required in the logistics-centred economy where greater value creation is extracted. Merely acquiring human resources at the lower levels of the value chain (e.g. persons with vocational skills) will not be able to give domestic firms a stronger competitive advantage in the marketplace. Higher order analytical skills will be needed to drive much of the competitive advantage in domestic firms if they are to benefit from operating in the logistics-centred economy.

The role of anti-trust agencies

If the firms that operate in the logistic-centred economy are to become internationally competitive and reap the tremendous benefits from a greater integration into the world economy, then a level playing field has to be set for all competitors in the marketplace. Given the pervasive nature of logistics, it is important that proper oversight be given to industry sectors as traditional modes of competition and operations will become a thing of the past. A logistics-centred economy will change the structure of industries and reduce the barriers to entry thus forcing more rivalry among firms. While rivalry is important for innovation and competitiveness, it is critical that an impartial referee is there to ensure that enterprises play by the rules. Anti-trust agencies, like the Jamaica Fair Trading Commission, will have a critical role to play in a logistics-centred economy. They will have to start studying industry structures and determine the types of structural make-up that are most appropriate for different types of operations, the types of regulatory regimes that are most appropriate to facilitate rather than hinder productivity in the enterprises, among other things. The work produced by these agencies will be critical to inform the policy developments around industry structure in the new economy; especially in the context of small, open economies like Jamaica.

Concluding thoughts

As Jamaica prepares to become a strong player in the global logistics hub and to make logistics an important element in the country's growth pole, it is important that the positive momentum towards improving the business environment continues. Similarly, it is important that reforms be done at the firm level in the areas of business processes, recruitment of human resources among other things. Further, an enabling regulatory regime which facilitates rather than hinder productivity in the enterprises will be key to unlocking the potential in domestic firms in order for them to benefit from competing in a logistics-centred economy.

Densil A. Williams is Professor of International Business and Executive Director of Mona School of Business and Management. He is also a Commissioner of the Fair Trading Commission.



By Ainsley Brown

THE simple truth is that Jamaica is best positioned of all the nations in the region to become a global logistics hub.

Jamaica's Global Logistics Hub Initiative has often been linked to the expansion of the Panama Canal and rightfully so, however, it is important to note that the Initiative is not wholly dependent on the Canal expansion. Both the expansion and the Initiative are driven by the same forces - globalization, the increased importance of intermediate goods, the blurring line between trade in goods and services, the rise of global supply/ value chains, etc. – that are not only driving but reshaping global trade. It is these same forces, and not so much to provide competition to Panama or in readiness for the Canal's expansion, that is driving the much celebrated logistics plans in the region. The planned Nicaragua canal and Costa Rica dry canal are not simply about providing competition to Panama, likewise, neither is the Port of Mariel in Cuba or the Port of Caucedo in the Dominican Republic simply about getting ready for the Panama Canal's expansion.

The Canal expansion project however, does serve as an important catalyst for the region and particularly for Jamaica, to seize the opportunity to grow its economy through greater participation in the global trading system. As critical as an expanded Panama Canal will be in reshaping global trade, by itself, it would be suboptimal without the nations of the region also taking action.

A global logistics hub will optimize an expanded Canal, or for that matter, Nicaragua or Costa Rica by creating opportunities and synergies in transshipment, just in time delivery, tourism, manufacturing, digital content creation, banking, ship and airplane repair and maintenance, etc., that either never existed or were underutilized. To let you in on an open secret, the Panamanians and others know this, but more importantly they know the simple truth: Jamaica stands as the best positioned.

What Jamaica represents is a centralized location in the Americas where logistics and related activities can all be clustered on one island. Jamaica will become a platform for

the use of digital technology to plan the design, production, packaging and distribution of goods; financial services; a strategic depot for the storage of natural resources; ship and airplane repair; legal services; tourism and so on.

Many of these activities will take place in what are called Special Economic Zones (SEZs). SEZs are defined by the World Bank as “geographically delimited areas administered by a single regulatory body, offering certain incentives (generally duty-free importing and streamlined customs procedures) to businesses which physically locate within the zone.” Jamaica's SEZs are a developmental tool used to enhance the efficiency, competitiveness and productivity in trade, manufacturing and service delivery, namely logistics. These SEZs will be critical for us to deepen our participation in global value and supply chains and put our people to work.

Global value and supply chains are not anything new to Jamaica as we all participate in them in one form or another on a daily basis. To name a few, these can range from mail delivery, coffee production, banking, rum production, tourism, parcel courier services, lumber treatment, the cleaning of bulk rum tankers, seafood processing or bread production. What the logistics hub is intended to do is deepen and expand this participation.

Jamaica has many positive elements which make us suitable for a hub:

- ♦ The third largest English speaking country in the Americas, English being the language of international trade;
- ♦ Just the right size to accommodate simultaneously the activities important to maritime, aviation, information communication technology and manufacturing interests;
- ♦ The island sits between two large land masses (North/ South America) which represent an 800 million person market;
- ♦ Blessed with being located close to two strategic waterways in the form of the Panama Canal and the Windward Passage, which sits between Jamaica, Haiti and Cuba and is the preferred route in/ out of the region;
- ♦ A readily trainable workforce, naturally deep water harbours and existing port, airport and digital infrastructure while at the same time having great developmental potential.

Ainsley Brown is a Canadian trained Lawyer and a Policy Analyst in the Logistics Taskforce Secretariat housed in the Ministry of Industry, Investment and Commerce.



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Anti-trust considerations for the Jamaica Logistics Hub Initiative



By Eric Deans

Introduction

TRADE is expanding globally, as is the flow of private capital and investment. As such, the strategy to position Jamaica as a global logistics hub and the concept of the Global Logistics Hub Initiative (GLHI) features as a key national development imperative in government of Jamaica's (GOJ) national development planning process. Global interdependencies are growing in all aspects of our lives. These developments create real possibilities to achieve economic prosperity but also create critical vulnerabilities and externalities that have important implications for the average consumer. The purpose of this paper is not to provide anti-trust solutions but instead to outline some of the issues related to the development of the GLHI and indicate some of the broader competition issues that policy makers will need to take into account arising from increased passage of aircraft and ships, expanded industrial and commercial activity and increased cargo throughput.

The Global Logistics Hub Initiative (GLHI)

Jamaica is being positioned to allow local and multinational companies to move goods through the various ports and/or airports into warehousing facilities in the Logistics / Industrial Parks, and Special Economic Zones. These goods will then be deconsolidated (large shipments are disaggregated and unpacked from shipping containers), warehoused/stored, assembled, kitted, repackaged, and consolidated or a wide range of other valued added processes. Manufacturing is also anticipated within these zones as companies located there provide different services in the value chain. Finished products would then be sent directly to consumers anywhere in the world either by air or sea.

All goods would enter and leave the special economic zones duty free; any taxes or tariffs would only be applied if the goods were sold to the local market. This would allow companies the advantage of using Jamaica's prime location as a platform to efficiently move goods through to the Americas and at internationally competitive costs. In order to achieve the objective for Jamaica to become a global logistics

hub, the Government of Jamaica (GOJ) identified a logistics ecosystem that includes the major infrastructure developments.

The GOJ is adopting a multi-pronged approach in implementing the Global Logistics Hub Initiative (GLHI). The scope of the logistics hub will include but not be limited to rehabilitation of existing infrastructure, development of new infrastructure, warehousing, bulk storage facilities, primary processing and packaging zones, including connecting road, rail, air and digital communications infrastructure and associated commercial facilities in Kingston, Montego Bay and elsewhere in the island of Jamaica. The GLHI will result in the development of urban areas and expansion of existing port and airport hinterlands to incorporate logistics zones; new ports and airport development and the integration of new projects and the other components into a logistics hub including infrastructure development, special economic zones, telecommunications infrastructure, utilities and labour force transport and housing issues.

It is anticipated that expansion of the respective ports and airports will be associated with special economic zones in their immediate hinterlands to become industrial clusters for global and local firms. This in turn will create demand for housing, commercial and recreational facilities. Particularly in the case of Kingston, Montego Bay and other towns, integration of objectives of urban planning into logistics development policies will be necessary to create harmony between city functions and port/airport logistics functions.

The implementation strategy involves, firstly, several billion dollars of private investment in logistics infrastructure and other development to capitalize on Jamaica's geostrategic location as it relates to maritime and aviation freight and passenger movements; leading global firms have already bid on some of the planned projects and other projects are in the pipeline. Secondly, the GOJ is implementing business climate reforms and establishing a new Special Economic Zone (SEZ) regime to attract large globally integrated enterprises to locate their operations in SEZs to benefit from Jamaica's



more competitive position in the global logistics chain. And thirdly, facilitating the participation of smaller firms in export supply chains through collaborations with globally integrated enterprises in industry specific clusters. The ultimate goal of the MIIC and the GLHI is to increase the number, capacity and capabilities of enterprises engaged in global commerce, irrespective of whether the business is indigenous or foreign owned; whether it is large, medium sized, small or micro.

It is against this background that the GOJ is fashioning the Jamaican economy around a central theme related to Logistics to increase its appeal to external sources of capital, technology and other resources. A logistics centered economy is defined as an economy that efficiently and seamlessly integrates the country's economic sectors into global supply chains. Sustained growth will be achieved through the deliberate creation of forward and backward linkages between transnational corporations and the local business sector. The overall objective of the Logistics Hub Initiative (LHI) is to transform the Jamaican economy to achieve sustained growth with social inclusion through involvement of Micro, Small and Medium sized Enterprises (MSMEs).

The core principles of the logistics centered economy are: competitiveness; productivity; facilitation; efficiency; connectivity; adoption of global standards; creation, utilization and protection of intellectual property; and innovation and continuous improvement.

The main aims of the logistics centered economy are:

- ♦ To influence regional demand and supply patterns;
- ♦ To stimulate a new phase of industrialization with a shift towards knowledge based industries;
- ♦ To integrate Jamaica deeper into global value and supply chains;
- ♦ Speed, flexibility and adaptability in facilitating business processes;
- ♦ Modern infrastructure as business and trade enablers;
- ♦ Digital connectivity as both a means and mode of production and distribution;
- ♦ To increase the number, distribution, capacity and capabilities of Jamaican enterprises engaged in global commerce, irrespective of whether the business is local or foreign owned; whether it is a large firm, medium sized, small or micro.

Information and communications technology (ICT)

The Logistics Hub Initiative will take advantage of the fact that increasingly, the world's products and services are

bought and sold online, requiring seamless cross border interfaces between the placement of an order, through the phases of production and distribution, and to delivery at the customer's door anywhere and anytime around the globe. Our telecommunications provide ICT platforms, wireless and fibre optic networks to supports e-commerce.

Global firms are facing increased competition arising from the expectations by their customers who want quality products and services in a timely fashion. Firms must therefore move goods, components and services faster, over longer distances, across borders and time zones with greater cost efficiencies to meet the demands of their consumers. The interfaces that goods must traverse play a significant role in influencing the price of goods and intangibles such as after sale customer service. Jamaica and competing locations are seeking to attract the same firms.

The Jamaican interface needs to distinguish itself by being both competitive and efficient. It is by accommodating and assimilating global best practices for production, distribution processes and consumer protection that will increasingly take place at the Jamaican interface with global trade that will result in the transformation of the Jamaican trade facilitation process. The GOJ is creating a single electronic window environment in which information associated with trade and transportation will be facilitated at one single point of entry to be distributed to all the pertinent public entities for subsequent processing (customs, regulatory agencies concerned with foreign trade operations, law enforcement and port authorities etc.). The Trade Board Information System (TBIS) is already integrated with Customs with further upgrading on the way to incorporate other state agencies.

The GLHI will lead to increased numbers of aircraft and ships passing through our airports and seaports, and increased passengers throughput and cargo volumes. As global markets and trade volumes through the hub grow, so will the potential for unfair trade practices by producers or suppliers of goods and services to the detriment of the local consumer e.g. transshipment rates subsidized by domestic traffic. The economic position of local consumers in most cases is weak in comparison with that of producers and suppliers and indeed, the consumers in external target markets, giving rise to market failure.

Reducing anti-competitive practices

Many different consequences of the Logistics Hub will combine to increase the exposure to a variety of market

failures. To reduce the country's vulnerabilities, policy makers, in particular the Fair Trading Commission, would need to focus on minimizing the occurrence of price fixing, restrictions of competition and misleading trade practices due in part to the asymmetrical and unilateral structure of communication, namely the knowledge and information advantage held by the producer disadvantaging consumers. Furthermore, any lack of safety provisions, barriers to access to justice and representation may call for some kind of government intervention to help consumers. Any measures which aim to correct and remedy these market failures form an important part of the active consumer protection rules interventionist measures was to re-establish consumers' market power and safeguarding their sovereignty. The responsibility of the state imparts certain duties of economic development in order to create greater economic security and guarantee certain rights for every citizen. The GOJ would be required to adjust the effects of externalities, provide the market with information and contest monopolies. The state is seen as being able to distribute welfare in a just way and to guarantee allocative efficiency. State intervention may be justified by its obligation to correct and remedy market failures.

*Dr. Eric Deans
Chairman, Logistics Hub Task Force*



Ministry of Industry, Investment & Commerce




What do I know about the Logistics Hub?

I KNOW WE HAVE TO MAKE IT JAMAICA'S BUSINESS!

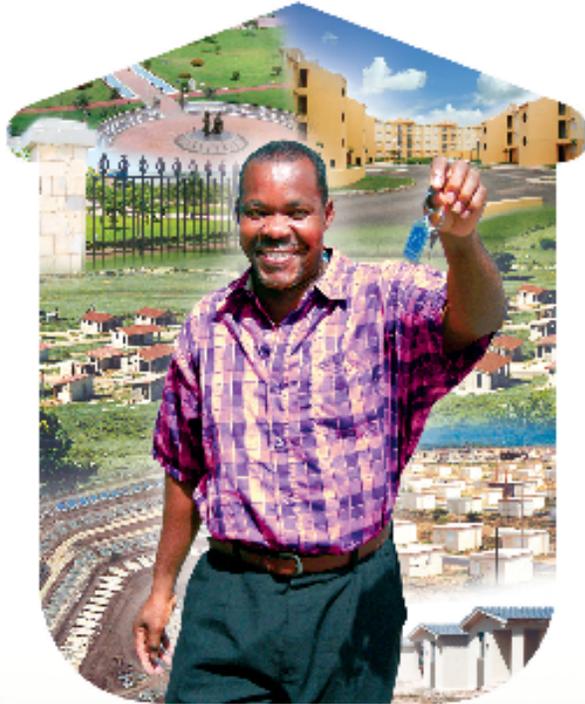
It's all about Jamaica's place in the world. We have the name, the fame and the 'flava' We have a great location. Now the Jamaica Logistics Hub will bring new opportunities. We have to make them our business.

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Jamaica Logistics Hub and Economic Growth

By Dennis Chung

AS Jamaica seeks to embrace an improved economic future, one of the primary levers to move that economic vision forward is that of the Logistics Hub. We have in the past seen significant foreign investments and projects, which were supposed to have positively impacted our economic landscape, but at best could only have eked out a few years of growth.

We can think of the sugar, bauxite, and banana investment booms up to the 1970s, the offshore garment industry of the mid to late 1980s, the tourism investments of the 1980s to 1990s, and the highway construction in the 2000s.

With all of this though, Jamaica still was not able to escape higher fiscal and balance of payments deficits, depreciating dollar, increasing poverty levels, high inflation and interest rates, etc., which all culminated in 2009 after the effects of the 2008 global financial crisis shut out all of our external funding and placed us in a very precarious fiscal and economic reality.

In 2014 we are expectant that the Logistics Hub, which we have been discussing for more than a year, will provide significant economic benefits and activity. In examining what the economic potential is for Jamaica, we need to understand the concept of the Hub, as one complaint has been that there is not a clear understanding of what the Hub is. This is somewhat attributable to the fact that much of the earlier conversation has centred around the use of the Goat Islands, as a Hub for Chinese investments in the Logistics Hub concept. Since then, much of the argument has subsided (although the undercurrents are still alive) and the MIIC, and its various bodies, have been educating persons on what the Logistics Hub concept will be, and its intended benefits to Jamaica.

The understanding is much clearer now that the Hub will not just be one location at Goat islands, but will involve multiple facilities and the activity will include interactions with the entire island, from other local businesses to government departments and various other agencies. Therefore, while the Hub will have to see physical development of ports to meet the required standard, there will also have to be new legislation, increased business for local players, upgraded airports, and the need for much more efficient government bureaucracy to facilitate this sort of activity. This facilitation is important as the Logistics Hub can only be successful if

the environment supporting the Hub is competitive, as there will no doubt be competition from other countries, to capture the business opportunity arising from this increased trading activity. Therefore the longer it takes for us to be up and running is the less likely that we will see any economic benefits from the increased logistics activity expected in this region.

What though are the possible economic benefits, and what must be done to maximize these potential benefits? It is necessary to answer these questions so that (1) we are fully aware of what the potential is, and (2) we are prepared for any opportunities anticipated. It is also very important that we carefully assess how we can sustain the benefits to the country, and it not be just a shot in the arm, with no long term effect, like previous foreign investments in our history. What we therefore need to do is prepare our labour market and environment so that we can retain much of the benefit in the country.

There is no doubt that given the expected increase in logistics activity, and Jamaica's natural geographic and physical comparative advantage, that there is much potential for us to gain from establishing ourselves as a first rate logistics hub.

What is important to realize, however, is that we can only reap this gain if we do it properly and if our local inputs (labour and resources) are ready to take advantage of it. This means that we must develop internationally competitive physical facilities and environmental practices; ultimately a competitive doing business environment. Therefore, competing effectively with the Logistics Hub will inevitably mean creating a competitive and business friendly environment. This is no different from what the local private sector has been asking for, which includes an efficient and accountable public sector bureaucracy, establishment of proper law and order, control of criminal activities, and competitive energy costs.

The fact is that there is not going to be any sustainable way of bringing economic benefits to the local economy without also enhancing the environment for local businesses and individuals. We can recall that coming out of the 1980s we had established economic free zones, which sought to insulate operators from the local economy, but this did not result in the country's economy improving, and neither will any special economic zone unless there is a benefit to the

local economy and businesses.

Therefore, in order to also ensure that economic growth filters into the economy from the Logistics Hub, it is going to be important to open up the opportunities to players in the local economy. We should not shut out the local players by creating special economic zones where those in the zone access incentives not available to the businesses in the local economy. In other words, to ensure sustainable growth for the country, it can only happen through a level playing field between those in the economic zones and those outside of it. The recently released Global Competitiveness Report 2014-15, shows that Jamaica has improved slightly from a ranking of 94 of 148 countries to 86 of 144 countries. However, we still face significant challenges in the areas of crime and theft, inefficient government bureaucracy, corruption and tax rates.

These are all factors that affect productivity and competitiveness, which are essential for an effective Logistics Hub environment. So while we work on the physical capacity of the Hub, we must also continue to focus on, and speed up, the work on the business climate. If we are also to truly

take our place in global competitiveness, and particularly with the Hub, then cost competitiveness is a big consideration and this means that we must improve areas such as starting a business, irregular payments and bribes, efficiency of legal framework, etc.

In summary, there is no doubt that the Logistics Hub initiative has the potential for significant economic growth, as given Jamaica's small size, it does not take much to see economic impact from increased transshipment transactions, whether by air or sea. However, for us to take advantage of the opportunities we must ensure we are quick to establish ourselves as serious players, with first class products and services. In addition, to ensure that the benefit is felt throughout the economy, and that there is significant retention, we must ensure that the general business environment improves and that all businesses have equal access.

Dennis Chung
Chief Executive Officer



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Company feature: **GraceKennedy in the Hub**



What is Logistics?

THE process of planning, implementing, and controlling the efficient, cost effective flow and storage of raw materials, in-process inventory, finished goods and related information from point of origin to point of consumption for the purpose of meeting customer requirements. -- (Reference: *Canadian Association of Logistics Management*, <http://www.calm.org/calm/AboutCALM/AboutCALM.html>, 12 Feb, 1998)

...the process of planning, implementing, and controlling the efficient, effective flow and storage of goods, services, and related information from point of origin to point of consumption for the purpose of conforming to customer requirements." Note that this definition includes inbound, outbound, internal, and external movements, and return of materials for environmental purposes. -- (Reference: *Council of Logistics Management*, <http://www.clm1.org/mission.html>, 12 Feb 98)

"Logistics means having the right thing, at the right place, at the right time."

shipping lines, air cargo companies, third and fourth party logistics providers (e.g. express cargo service providers), and logistics support services. Raw material and unfinished goods are stored, processed, finalized and managed in the logistics hub, closer to final consumers. The Hub also provides a clearing house for data, facilitating digital processing and quality management systems to track and trace shipments.



Benefits to Jamaica

- ♦ Integration of Jamaica into the Global value and supply chain
- ♦ Job Creation opportunities
- ♦ Opportunities for training and development of new careers
- ♦ Project developments in accordance with the highest environmental standards

What has been accomplished to date by the Government of Jamaica:

- ♦ Pre-feasibility Study
- ♦ Cabinet established inter-governmental Logistics Taskforce
- ♦ Creation of inter-governmental working groups

What is a Logistics Hub?

A centralized geographical location that brings together the key business operators in logistics, e.g. manufacturers,

- ◆ Meetings with investors from China, Singapore, Rotterdam, Kuwait, Dubai, Germany, Canada, USA, Europe
- ◆ World Class investors and operators actively engaged in securing assets being privatized
- ◆ Proposed \$1.5 billion investments for Port Esquivel Economic Zone
- ◆ Expression of interest from world class Dry-dock operator to establish facility to repair ships and oil rigs
- ◆ Expression of interest to establish maintenance, repair and overhaul facility
- ◆ Expression of interest from Chinese Company, ZPMC to establish crane assembly plant
- ◆ Expression of interest from Chinese company to develop Special Economic Zone and transshipment port
- ◆ Proposals for the establishment of several industrial parks
- ◆ Proposals to build and operate Vernamfield airport from Canadian and Middle East investors
- ◆ Formation of the policy steering committee that will guide the development of the policy framework for the SEZ regime
- ◆ Cabinet approval of the Public Private Partnership (PPP) structuring for the operation of the Kingston Container Terminal (KCT)
- ◆ Cabinet has approved the upgrade of some air navigation systems to meet international aviation requirements to facilitate projected long term growth in air traffic and improve air safety
- ◆ Upgrading of customs management systems to ensure a more streamlined and efficient customs experience
- ◆ Logistics 101 awareness sessions delivered to thousands of Jamaicans
- ◆ Institutions' development of courses and TVET training in Logistics
- ◆ The Superform, Security Interest in Personal Property (SIPP) Bill and collateral registry, which form part of the Government's business reform agenda, designed to enhance the investment environment and ultimately spur entrepreneurship and economic growth

GraceKennedy Foundation held its 2014 lecture titled "From Piracy to Transshipment: Jamaica's Journey to Becoming a Global Logistics Hub", Dr. Fitz Pinnock shared his knowledge to assist in clarifying some of the debated issues over the development of the global logistics hub in Jamaica. (http://www.gracekennedy.com/images/lecture/grace_lecture_2014final_ebook.pdf)



The Kingston Container Terminal



GraceKennedy Distribution Centre

Kingston Wharves Limited has taken the lead and invested in upgrading their facilities: the company has invested US\$20 million (J\$2.2b) in the first phase of the Total Logistics Facility, which it plans to commission into services in January 2016.

Ground was broken on October 22, 2014, making it the first major infrastructure under the National Logistics Hub Initiative.

GraceKennedy has an opportunity to follow suit by investing in a Special Economic Zone (SEZ), growing our manufacturing businesses within our Foods Division by seeking more co-packing arrangements with investors locally, regionally and ex-regionally, for distribution globally.

Opportunities to be derived from this are:

- ◆ Increase in output productivity at our manufacturing plants
- ◆ Strategic storage, handling and processing points for bulk commodities
- ◆ SEZ facilitating assembly, warehousing distribution and other value added services
- ◆ Digital network which supports the global value chain tracking and tracing cargo/shipments and developing e-commerce operations.

Deighton Christian
Senior Logistics Officer
Supply Chain Unit – GK Foods and Services Limited

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Protecting your Rights; Securing our Future

Bandwagon or Bust: Jamaica's SEZ dilemma

By Desroy Reid

Background

JAMAICA has started its trek towards establishing special economic zones (SEZs) as part of its efforts to grow the economy and reduce unemployment. Is this unique? No. The country had tried a similar approach when it established the Export Free Zones across the island in the 1980s. Primary emphasis in these zones was placed on light or value-added manufacturing that utilized Jamaica's comparative advantage of cheap labor through production-sharing with American or Asian companies.ⁱⁱ Failure of these zones to realize the anticipated benefits has been blamed on the country's lack of competitiveness as well as the fickleness of the economy.ⁱⁱⁱ In addition to the failure of the zones the island also has problems associated with productivity. According to Bloom et al., (2001),^{iv} the country has not been producing new products or services and therefore will continue to suffer from anemic growth. Furthermore, the island's competitive framework is questionable and this is a major problem as competition is considered an integral factor for economic growth to be achieved (p. 12). As a solution to these problems the country has renewed its interest in the free zones albeit the modern adaptation, SEZs.

Noticeably, the country is not alone in this regard as numerous other countries,^v including its Caribbean counterparts, are seeking or have sought to capitalize on the benefits SEZs promise. The island must therefore realize that it must act expeditiously or be left behind by the SEZ bandwagon.

The "Specialness" of Special Economic Zones

As a policy tool SEZs can assist the overall economic growth strategy of the country by enhancing the competitiveness of its industries and attracting FDIs. Other potential benefits include increased foreign exchange earnings and reduced unemployment. What makes SEZs so special? Pozo et al., (2010)^{vi} best describes SEZs' "specialness" as its ability to provide economic growth in a more controlled environment without the impediments posed by the wider host country such as undue bureaucratic red tapes to conduct business (p. 2). That is, SEZs are quasi-sovereign states within a state with its own set of rules and regulations. It is however very important that the host country does not prioritize SEZs' interest at the expense of the overall economy well-being.



From Mauritius to Jamaica: SEZ Experience

One country who has reaped success from the establishment of SEZs as part of its strategic growth agenda is Mauritius, Africa. The country was selected as a yardstick for study because of the similarities shared with Jamaica. Mauritius' background, as described by Ancharaz and Nowbutsing (2010),^{vii} highlights some of these similarities: "Mauritius is a small island economy with an estimated multi-ethnic population of 1.2 million in 2007... At the time of independence in 1969, Mauritius inherited an economic structure fashioned by its colonial past... The island was primarily a sugar plantation..." (p. 5). Additionally, Mauritius, like Jamaica has seen significant investments in the country by the Chinese, especially in its SEZ program.^{viii} So can Jamaica replicate the success of the Mauritius?

Before we seek to answer this question let us first look at how this success was achieved: Mauritius' success stems from the synchronization of the country's SEZ model with its broader development strategy. The country employs a free enterprise SEZ model. That is, the model allows companies to choose their location on the island and does not limit them to SEZ enterprises. Farole (2011)^{ix} underlines the country's decision to interlink its SEZs with the wider economy reform strategy; using zones as simply tools to permit the development and diversification of exports as a primary contributor to its SEZ success story (p. 4). Ancharaz (2013)^x also believes this SEZ model gives countries a real opportunity to achieve success. He further states that the integration of zones into the country's development strategy must be viewed as a platform for learning and technology transfer to the wider economy and not just a source of providing short-term jobs.

Similarly, Bassaic (2010)^{xi} states that a critical factor in Mauritius' success is its decision to transform its development led strategy from import-substitution to export-led growth in 1982, resulting from the country's emergency assistance request from the IMF in 1978. The triple-focused strategy on SEZs, sugar, and tourism paid off significantly (p. 229). [These are all areas in which Jamaica has had some level of success, but this success has not been sustained. Additionally, Jamaica has also had multiple engagements with the IMF. To answer the question on Jamaica's ability to succeed using SEZs, **yes, we can!!**] So what did Mauritius do differently from Jamaica?

Mauritius paid special attention to the SEZ sector, which was the leading growth sector of the three outlined. SEZs quickly overtook sugar as primary export earner and employer in 1985. Employment in SEZ reached nearly 90,000 in 1989, helping to reduce unemployment to less than 3 percent, down from more than 14 percent in 1984 (Ibid: 229).

The Significance of a Competitive Economy

Competitiveness of the economy of the host country has been documented as another key ingredient for attracting and keeping investors in special economic zones. Specifically, Farole and Akinci (2011)^{xii} states that “[SEZs] success is almost fully entwined with the competitiveness of the national economy and the national investment environment”(p. 11). Additionally, they also note that investors are more attracted to the competitiveness of the economic framework within which the zones operate than the ability of countries to offer fiscal incentives. Success or failure of the zones often hinge on the degree to which they

are integrated in the wider economy (Ibid: 16).

In the case of Jamaica few would argue that increased competitiveness has not been beneficial to the economy. The country has seen the benefits of this as realized by the liberalization of the telecoms sector. It is this said competitive framework that is recommended for SEZs to thrive and produce economic growth for a country's economy. In an integrated economy, competition preserves a SEZs competitive advantage. That is, due to the existence of competition in the market for inputs, for example, the SEZs will benefit from the lowest priced inputs, which mean that they can produce low priced output to remain competitive globally.

Conclusion

In summary, Jamaica's quest to achieve sustainable growth using the SEZs as a model to drive the economy is practical. The country has demonstrated that it is fully committed to this cause as seen by its strides in the Doing Business and the Logistic Index rankings. Will this be sufficient? Only time will be able to answer that question. What we do know is that the economy needs to integrate the SEZs into the wider economic growth strategy of the country and also improve the competitiveness of said economy for there to be any hope of lasting success should the zones be established. To do this, the country must seek partnership with FDIs that will best assist them with these objectives in the shortest possible order. A repeat of the free zone narrative of old must be avoided at all cost.

Desroy Reid is a Competition Analyst at the FTC.

Endnotes

ⁱFarole (2011) describes the phenomena as “demarcated geographic areas contained within a country's national boundaries where the rules of business are different from those that prevail in the national territory” (p. 23).

ⁱⁱSee Sandra W. Meditz and Dennis M. Hanratty, editors. *Caribbean Islands: A Country Study*. Washington: GPO for the Library of Congress, 1987

ⁱⁱⁱThe countries growth rate has been around the 0.1 percent level of GDP for the past two decades

^{iv}For a more detail look at the study of Jamaica's economy see Bloom D.E. et al. (2001) “Jamaica: Globalisation, Liberalisation and Sustainable Human Development: Progress and Challenges in Jamaica”, UNCTAD/UNDP Global Programme, 2001; 2004 at <http://unctad.org/en/docs/poedmm176.en.pdf>

^vFIAS (2008) posits that there are 2301 SEZs, operating in 119 developing countries in Foreign Investment Advisory Service (FIAS). 2008. *Special Economic Zones: Performance, lessons learned, and implications for zone development*. Washington, DC: World Bank

^{vi}Pozo, S., Sanchez-Fung, J., & Santos-Paulino, A. U., (2013). *Economic Development Strategies in the Dominican Republic*, In *Achieving Development Success: Strategies and Lessons from the Developing World*, ed. Fosu, A., Oxford University Press.

^{vii}Ancharaz VD & BM Nowbutsing (2010), *Impact of China–Africa investment relations: An in-depth case study of Mauritius*, report submitted to AERC, May 2010, pp. 15–16.

^{viii}See the *IMPACT OF CHINA – AFRICA INVESTMENT RELATIONS: AN IN-DEPTH CASE STUDY OF MAURITIUS* by Ancharaz and Nowbutsing (2009) for a detailed study of the relations between the countries.

^{ix}Farole, T. 2011. *Special Economic Zones in Africa: Comparing Performance and Learning from Global Experience*. Washington, DC: World Bank

^xAncharaz, V. 2013. *Can Chinese SEZs spur industrial development in Africa?* Bridges Africa Vol 2 No. 6 Available at <http://www.ictsd.org/bridges-news/bridges-africa/news/can-chinese-sezs-spur-industrial-development-in-africa>

^{xi}See Baissac, C. 2010. *SEZs for South Africa*. Working paper, February.

^{xii}Farole, T. and G. Akinci. 2011. *Special Economic Zones: Progress, Emerging Challenges, and future Directions*. Washington, DC: World Bank

PUZZLES

Z	S	D	J	B	U	S	I	N	E	S	S	E	T	Z
K	S	M	A	R	K	E	T	D	F	Y	D	I	B	L
E	O	I	T	W	L	I	A	T	E	R	N	K	C	D
L	L	F	N	J	O	N	G	A	K	A	O	N	O	U
A	I	T	E	R	T	A	N	D	R	N	I	O	L	R
S	N	N	M	S	A	P	I	V	E	O	T	I	L	O
E	N	E	E	R	N	M	D	A	G	I	I	T	U	T
L	O	M	S	E	T	O	A	N	U	S	T	P	S	U
O	V	E	I	I	I	C	E	T	L	U	E	M	I	B
H	A	E	T	L	T	S	L	A	A	L	P	U	O	I
W	T	R	R	P	R	H	S	G	T	C	M	S	N	R
V	I	G	E	P	U	A	I	E	I	X	O	N	E	T
C	O	A	V	U	S	R	M	S	O	E	C	O	E	S
C	N	X	D	S	T	E	D	V	N	U	X	C	R	I
W	B	G	A	M	C	O	N	T	R	A	C	T	F	D

WORD SEARCH

Circle the letters of the words listed below. Words appear vertically and horizontally (up, down, backward, forward). The left-over letters spell a phrase.

advantages	exclusionary
advertisement	free
agreement	innovation
antitrust	loss
bid	market
business	misleading
collusion	regulation
companies	retail
competition	share
Consumption	suppliers
contract	wholesale
distributor	

LOGIC GRID

MUDDLED FILES

On one of those special days when the Fair Trading Commission is flooded with complaints, the Complaints Officer received five complaints near the end of the workday. He decided to wait until the following day to create a file on each complaint. However, the next day he fell ill and the secretary had to create the files from the officer's notes. Each file must contain the name of the Respondent, the name of the Informant, a summary of the conduct, the product being complained about and the relevant section of the Fair Competition Act that may be breached by the conduct. Can you help the secretary in creating each file from the clues given?

Respondents:	Graken Group of Companies (et al), Zara Electronics, SuperFoods Ltd, Store India Inc, Orange Distributors
Informants:	Paul, David, Carol, Ann, Latoya
Products:	television, bread, asphalt, soda, smart phone
Conduct:	exclusive dealing, bid rigging, misleading advertising, double ticketing, collusion
Relevant Section:	17, 33, 36, 37, 39

1. The five Respondents are: Store India, the one that sells asphalt & may breach section 36, the one that Ann complaint against, the one that allegedly engaged in double ticketing, and the one that sells soda.
2. The five Informants are: Latoya, the one that complains about the conduct that may breach section 39, the one that believes there is collusion in the television market, the one that was misled by an advertisement, and the one that complained about the Graken Group.

3. Orange Distributors (whose conduct may breach section 33) is allegedly involved in exclusive dealing but does not distribute bread. On the other hand, David complains about bread which is not the product involved in the bid rigging.
4. Zara Electronics was not brought up in David's complaint and its alleged conduct does not fall under section 37. SuperFoods, who allegedly told one of its customer that the pricing gun was loaded with the incorrect price, is likely to breach the last relevant section listed & thinks bid rigging is beneath it – that's for small fries!
5. Carol caused a scene at the Respondent's place of business when all of the products that were advertised to be on sale were unavailable; misleading advertisement at its best! This conduct does not fall under the last section mentioned (it doesn't fall under the first one either).
6. Even though Paul suspected the asphalt deal from Graken was shady, he mistakenly thought Graken was in breach of section 17.

	Paul	David	Carol	Ann	Latoya	television	bread	asphalt	soda	smart phone	exclusive dealing	bid rigging	misleading advert.	double ticketing	collusion	17	33	36	37	39	
Graken Group																					
Zara Electronics																					
SuperFoods																					
Store India																					
Orange Distributor																					

17																					
33																					
36																					
37																					
39																					

exclusive dealing																					
bid rigging																					
misleading advert.																					
double ticketing																					
collusion																					

television																					
bread																					
asphalt																					
soda																					
smart phone																					

FTC Statistics

Number of complaints received by the FTC
during the period April 1, 2012 - September 30, 2014

PRODUCTS AND SERVICES	Financial Year 2012/2013	Financial Year 2013/2014	April-September 2014
Automobile	60	77	14
Business Practices	1	2	-
Clothing/Accessories & Textiles	1	6	1
Computer	11	7	1
Construction/Home Repair Supplies	4	3	-
Education	11	7	6
Energy	4	3	2
Financial Services	9	12	4
Food/Supplements & Beverages	6	8	4
Funeral Supplies	-	-	1
Gaming & Contest	6	2	1
Gardening Supplies/Equipment & Horticultural Products	-	-	-
Government Services	1	1	-
Household Appliances & Accessories	11	15	1
Household Furnishings	3	4	1
Insurance ¹	2	-	4
Leisure & Recreation	6	1	-
Medical Supplies, Services & Devices	3	1	2
Office Furnishings/Equipment & Supplies	-	1	-
Personal Care	-	1	-
Petroleum Products & Accessories	5	4	-
Professional & Specialist Services	11	12	4
Real Estate	11	2	-
Telecommunications	48	66	19
Tourism	-	-	-
Transportation Systems	2	5	-
Utilities	4	3	-
Other ²	10	9	3
TOTAL	230	252	68

¹Insurance - Motor Vehicle, Health, Life and Peril

²Other - Baking, Payment Services, Legal Services, Agricultural Products & Agro-Processing, Hardware & Electrical Tools, Media, Packaging, Publications and Industrial Machinery & Products

Puzzles Solution

WORD SEARCH

Level the field to promote competition

LOGIC GRID

Graken, Paul, asphalt, bid rigging, 36

Zara Electronics, Ann, television, collusion, 17

SuperFoods, David, bread, double ticketing, 39

Store India, Carol, smart phone, misleading advertisement, 37

Orange Distributor, Latoya, soda, exclusive dealing, 33



The **OUR** embraces

a competitive business environment

that promotes

quality service and

consumer protection.



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promoting competitive markets
