

***Refocussing the Jamaican State:
Privatisation and Regulation of Key Utilities***

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Introduction

The privatisation and regulation of (two) key utilities in Jamaica, which is the topic of my speech today, was carried out in the context of a series of sweeping reforms across the social, economic and political landscape of the country over the last two decades, but, particularly, the last one.

I would like to address these briefly before turning specifically to the topic of my speech.

The reforms have been aimed at:

- (a) arriving at a more rational 'division of labour' between the two major players and a burgeoning one, in the production of goods and services in the society - the government, the private sector and civil society;*
- (a) making the country more globally-competitive in respect of the goods and services it produces.*
- (a) achieving more rapid improvements in certain key social and economic indicators such as literacy and numeracy, health, the level of poverty and economic growth.*
- (a) deepening the democratic process which had long been established in the society.*

They have included areas such as:

- **The Constitution** - which was framed in the 1960s, parts of which are inadequate to meet the current times and circumstances.*
- **Parliament** - providing greater roles for its Committees,*

and for the political Opposition and opening up more of its business to the public and the media.

- ***The Electoral System*** - making it more difficult for the system to be corrupted by such things as fraudulent voting.
- ***Local Government*** - strengthening its capacity to govern and more clearly defining its role vis á vis Central Government.
- ***The Public Sector*** - “Right sizing” with all its manifestations, including privatisation as well as introducing several of the principles of the so-called ***New Public Management***.
- ***Trade Liberalisation*** - reducing to all but a few items those requiring import permits and the systematic reduction of tariffs.
- ***The removal of Exchange Controls*** - in 1991 and adopting a market-determined rate of exchange regime in September 1990.

The drivers of these changes are common to many other countries. They include:

- (a) *the consequences of fiscal austerity on Government - proscribed public expenditure borrowing requirements, as well as the ‘Washington consensus’ “conditionalities” required (or implied) to get access to loans; and limited options to continue to use taxation due to public resistance and other factors as a means of addressing the fiscal problems.*
 - (b) *Bi-lateral, Sub-regional, Regional and Global Treaty obligations.*
- (a) *The losses (or threat) of losses of hitherto-protected*

markets.

- (a) Technology and its pervasive influence (including its impact on the telecommunications landscape which we will discuss later).*
- (a) The acceptance (even if grudging) that the State should not, under normal circumstances involve itself in activities that could be more efficiently and effectively carried out by the private sector or the community, or where there is no substantial public interest to take into account.*
- (a) Rising expectations by the society for everything that is good at the minimum possible cost.*

I turn, next, to the matter of privatisation, which has been one of the principal vehicles the Government has been using as the means to achieving at least some the objectives I stated earlier.

Privatisation

As has been pointed out in a report by Sampson¹, privatisation has developed into one of the most widely-used measures in market reform. As his report also pointed out, the objectives of privatisation from the perspective of Government include:

- (a) improving efficiency;*
- (b) reducing the public sector borrowing requirement;*
- (c) reducing governments involvement in enterprise decision-making;*
- (d) easing problems of public sector pay determination;*
- (e) widening and deepening of private share ownership;*
- (f) encouraging employee share ownership.*

To this list should be added in Jamaica's particular case (at

any rate in the recent past):

- (a) privatising as a means of earning foreign exchange.*
- (a) securing technology and the human resource and market 'networks' especially from transnational corporations.*

Usually unsaid, but worth stating, is the fact that entities in State ownership, in Jamaica, have on occasion been put under enormous pressure by trades unions in their wage negotiations with management; and there may be more reluctance to seek rate increases (even if fully justified) because of fears of public reaction.

It should also be stated that the pace and extent of the privatisation actions (as indeed in some other reform measures) have not been always internally- determined but arise as a result of 'conditionalities' of multilateral agencies for their financial support; or, at the very least, their 'good word' without which the Government could have difficulties securing commercial loans in the international markets especially.

*Whatever the reason, the Government of Jamaica proceeded on a privatisation programme, affecting a range of activities - agricultural, industrial, banking, telecommunications, hotels, electricity, airline, international airport. These, I have summarised in **Appendix 1**.*

Although not the subject of my speech, I, should say that some of these privatisation initiatives proved ill-fated, as a consequence of the near-collapse, in the mid 1990s of a number of the financial institutions which were themselves actively involved as lenders or owners of several of these entities. This resulted in them falling right back into the hands of Government which has only now just about completed

privatising them again, but at a huge cost of about 40% of the country's GDP, which has placed a major burden on the country's fiscal accounts.

I should also divert to say that one lesson that we have learnt is to be wary of privatising what could be termed 'moral-hazard' entities; by which I mean those involved in strategic areas of the economy, the failure of which could lead to large fall-outs in employment, foreign exchange earnings or the GDP. This has been our experience with a major part of the sugar industry which has fallen back in our hands as a result of the failure of private sector owners to run it as a viable operation, and, the national airline, which though still technically in private hands is heavily supported by the State, because its revenues do not enable it to meet its operating expenses and debt servicing.

*I turn next to the privatisation and regulation of one of the key utilities in Jamaica, the **telecommunications system**.*

Privatisation of the Jamaica Telephone Company (JTCO) and the Jamaica International Telephone Company (JAMINTEL)

*The privatisation, between 1987 and 1990, of the Jamaican telecommunications network was arguably, one of the most complex, and, **ex post facto**, controversial, undertaken by the country.*

It followed a history of more than one hundred years (from 1870) of the ownership of the network 'see-sawing' between foreign capital, domestic private capital, and the state; and one in which the overseas network was separately owned from the domestic network².

The State's dominant ownership of the domestic network (90.25%) at the time of privatisation came about because of a combination of a force of circumstances and will. These are detailed by Sampson, and Harris³.

Basically, though privatised at the time, the State was increasingly being required to intervene, whether by direct subsidy, the guarantee of loans, or the waiver of income tax payroll, and yet there was insufficient investments to meet growing demand.

There was also the situation of the State viewing telecommunications as one of the 'commanding heights' of the economy in which it wished to be involved. In addition, there were conflicts between the Rate Regulator. (the Public Utilities Commission) and the domestic provider in the granting of rate increases sought by the operator.

In the event, the State acquired most of the assets of the domestic carrier, the Jamaica Telephone Company and formed a joint venture, JAMINTEL, with Cable and Wireless, taking 51% to the latter's 49% to deal with international telecommunications.

The decision to sell some of its stake to Cable and Wireless in 1987, was driven initially by the State's inability to provide the funding for the capital programme required to meet ever-growing demand for telephone lines due to strict public sector borrowing limits; the need for revenue to assist the fiscal budget; and, in the latter stages of the privatisation, the need for foreign exchange to meet a crucial International

*Monetary Fund test*⁴.

The sale was effected through a merger of JTCO and JAMINTEL to form Telecommunications of Jamaica (TOJ).

*It was done in increments between 1987 and 1990 and detailed in a presentation by Stirton and Lodge at this workshop*⁵.

Share ownership when the then Government of the Jamaica Labour Party left office, in early 1989, stood at : Government of Jamaica (GOJ) 40% ; Cable and Wireless - 39%; public 21%). As we shall see later, the divestment of the

Government's 40% assets to Cable and Wireless between 1989 and 1990 became a source of controversy when issues related to the Company's monopoly and guaranteed rate of return became a very public one.

The privatisation arrangements settled in 1987/88 included an operating and regulatory regime incorporating:

- (a) Five exclusive Licences, four (4) under the **Radio and Telegraph Control Act of 1966** and one under the Telephone Act of 1893 (See **Appendix II**).*
- (a) A **Rate Regulation Clause** which provided a 17.5% - 20% rate of return on Ordinary Shareholders Equity (See **Appendix III**).*
- (a) The Minister responsible for Utilities becoming regulator rather than the Public Utilities Commission which had been created in 1966 pursuant to the Public Utilities Act, but had gone into desuetude for a number of reasons which I list in **Appendix IV** when the*

Government acquired both the telephone and electricity companies.

- (b) the terms of arbitration in the event of a disagreement between the Minister and the Company.*
- (a) the term of the Agreement would be for a period of twenty-five (25), renewable for a further twenty-four (24) subject to certain conditions.*
- (a) the Company would provide the Company's representation at the International Telephone Union.*
- (a) the Company was required, Section 15 of the All-Island Telephone Licence "to furnish" and maintain an efficient and modern telephone integrated network (though not, to the best of my knowledge, committed in any agreement. However, the Company in the heat of the controversy, advertised in the major local newspaper, an investment and telephone line expansion plan).*
- (a) the Government would modernise the laws relating to telecommunications by introducing a new Telecommunications Act, to replace the **1893 Telephone Act** which would be revoked, and to update the Radio and Telegraph Control Act.*
- (a) the merger of JAMINTEL and JTCO into TOJ would be effected as a Bill in Parliament.*

Matters proceeded, initially, without too much controversy although there was, as could be expected, some disquiet.

However, they came to a head when plans were underway for the new Telecommunications Bill and the Bill for the merger of TOJ. Three issues were at the heart of the controversy.

One, was the matter of what precisely did the Company have exclusive rights over telecommunications;

Two, was the term of the licences; and,

Three, was the guaranteed role of return .

Some of those opposing the arrangements held to the view that a licence under the 1893 Telephone Act could not give TOJ exclusivity over areas in telecommunications that were not included in that Act. TOJ, on the other hand, argued that it proceeded with the arrangements, in good faith, on the basis

that it was understood that the 1893 Act was limited in terms of the modern meaning of telecommunications. The Government would have moved to have a new and modern Telecommunications Act enacted. The Company supported the position by citing a letter from the then Prime Minister which stated, among other things, that:

(a) the Government recognised that the 1893 Telephone Act, had not been updated to take account of the advances in technology, and that consequently, the Telephone Licence issued to TOJ had fallen short of its objectives;

(a) in order to rectify the situation, it would be necessary to amend the Telephone Act but that it was not possible to amend the Act overnight”.

(a) Government intended to take immediate steps to make the necessary amendments to the Act and thereafter to ensure that TOJ enjoyed exclusive rights to provide public telecommunications service in, from, and through Jamaica”.

Significantly, in the letter, was the concern that the Company should “proceed with its capital development programme on the basis of the above assurances”.

The Leader of the Opposition, for his part, who was Prime Minister, when the privatisation was initiated, and the licences and regulatory terms were agreed, stated⁷ that:

- (a) it was never intended that the licences issued would cover all forms of telecommunications;*
- (a) when the licences were issued, the Government was the majority shareholder and it was not the intention of his Government, that majority shareholding would fall into the hands of a foreign corporation as “this would mean leaving the pace of future developments of Jamaica’s telephone and external satellite communications services to be determined by a foreign-owned corporation with its own international agenda.....”.*

Whatever the intentions (and it is well-known that hindsight is 20:20 vision) the combination of circumstances viz:

- (i) the inability by the State to meet growing demand for telecommunications services;*
- (i) the recognition that a guaranteed rate of return would facilitate meeting this growing demand and a point not to be overlooked providing earnings for the Government initially as, a shareholders and taxes on*

corporation profits and dividends.

- (a) the need for cash to fund the budget, and foreign exchange to finance the country's overseas obligations; and,*
- (a) (possibly) the relative negotiating strengths of a strong transitional corporation vis á vis the Jamaican State in the area of telecommunication combined to produce the privatisation and regulatory outcomes I just described.*

The outcomes, in terms of increase in fixed and cellular lines were rather successful. As the data in Table 1 shows, nearly 90,000 additional lines were installed in 1990; by 1995 this had been increased to 250,000 and nearly double that at the end of the decade.

Whilst a combination of certain circumstances led to the privatisation, and regulatory arrangements, I just described, a combination of new circumstances were to influence developments which eventually led to a 'sea change' from the earlier arrangements with, among other things, an agreement for the removal of CWJ's monopoly status much earlier than might have been thought possible at the height of the controversy in the early 1990s.

Lodge and Stirton⁸ summarised these circumstances succinctly :

- changes in the international regulatory environment;*

- *the agreement by Jamaica, (among other Caribbean States) to liberalise its telecommunications sector in accordance with WTO Agreement on Basic Telephone Services. Movement to move complex arrangements and global alliances putting pressure on existing domestic and international arrangements such as the Federal Communications Commission's Benchmark Order of 1997, requiring US operators to unilaterally reduce settlement rates to foreign providers (in Jamaica's case from US\$0.57 to US\$0.19 over three (3) years;*
- *the 'demonstration effect' of breaking up telecommunications monopoly in developed States.*
- *substantial technological change.*

On technology, as Adam⁹ succinctly states:

"Innovations in electronics accelerated the progress in semi-conductor technology rapidly, particularly with respect to the development of integrated circuits and their

large-scale operations. This was having a larger-scale impact not just on capabilities and operational characteristics of telecommunications systems but, on their economic and financial underpinnings and the dynamics and structure of the markets in which they operated. In

both developed and developing countries, less expensive technologies were paving the way for a transformation of the industry's prevailing organisational and financial structure.'

A not-to-be underestimated factor, (also cited by the writers p. 673) was the leadership of a Minister who was not only well-informed on the legal and technical developments in the area of telecommunications, but was determined 'to open' up the industry, and the solid support of the Prime Minister himself.

*As cited by Lodge and Stirton¹⁰ the developments led to renegotiations of the licences between CWJ and the Government of Jamaica in 1999 which culminated to among other things, agreement on the drafting of instructions for a Telecommunications Act and a three- phase transition from a monopolistic to a liberalised market (**Appendix V**).*

During its exclusivity period, it was not, however, a completely free run for the CWJ for the Government had, in the interim between the completion of the privatisation with its attendant agreements in 1990, and the renegotiations in 1999, enacted a Fair Trading Act (in 1993) which established a Fair Trading Commission (FTC) to foster competition and protect consumers. The FTC was able to arrive at an agreement with CWJ (then TOJ)¹¹ to, among other things, permit the use and/or connection to its network of telephone hand sets, cordless phones, modems and credit authorisation machines, subject to certain conditions, including technical compatibility. Prior to this agreement, at least one telephone instrument on the service premises had to be a CWJ-owned instrument which incorporated an inherent network termination testing apparatus (NTTA) which enabled CWJ to undertake remote line-testing to the point of interface.

Also, in the interim, an Office of Utilities Regulation Act was enacted (in 1995) but there was a deficiency in the Act, which limited the activities of the Office of Utilities Regulation, which was created in 1997 until the defect was corrected in

the law in 2000.

It was clear that the old Rate Board as a regulator had served its time and given the experience with the Public Utilities Commission the Government opted for a multi-sector agency regulating telecommunications, electricity, water and sewerage and transportation rather than the specific industry model adopted in the United Kingdom, for instance.

It is fair to say that the 'model' has worked rather well. It has, thus far, avoided the pitfalls which plagued the Public Utilities Commission, in its less-than-happy tenure; it has 'stood up' to consumer resistance to increases, and, despite this, by-and-large have their confidence; and, the same applies to the operators who seem satisfied with its work, (although there is a current issue between itself and a cellular operator which is before the Courts). Inevitably, differences have arisen from time to time between the Office, and the sector Minister; and the Cabinet Office has had, to play an arbitration role to ensure, (to the extent it could), that there were fair and reasonable solutions to problems between them.

The Office was located within the ambit of the sector Ministry; although appointments of the Director General and the Deputy Directors-General, are made respectively, by the Governor General, acting on the advice of the Prime Minister, and by the Prime Minister, acting on the recommendation of the Minister.

However, to further 'insulate' the Office, the Prime

Minister took the decision following the General Elections of October 2002, to place it in the Cabinet Office.

With the retirement of its experienced first Director General, it faces the challenge to maintain its technological capacity and the respect of both the public and the private sectors.

Recently, it faced a major challenge of putting an inter-connection regime in place so that new entrants could have a fair chance of competing. This has been put in place and is regarded as among the most successful in the Caribbean.

The current Director-General has cited the challenges ahead as:

- *Monitoring CWJ, which was put on a **performance-based rate-making regime** or **Price Cap** thereby forcing it to increase efficiency; the benefits from which it will be allowed to retain for a period, after which these benefits would be transferred to customers.*
- *Managing the transition following the elimination of subsidies from international traffic which will result in further domestic rate shocks (unless, of course, new entrants are able to provide rates at much lower costs than CWJ).*
- *Laying down ground rules to ensure a 'level playing field' for all operators. These ground rules include such competitive safeguard issues, as direct access; separation of accounts by the dominant provider; the provision of universal service; and the management of toll-free (800)*

number resources.

- *Arbitrating disputes between CWJ and new entrants to ensure that unnecessary barriers are not created for entry to the market.*

Whilst there may have been many errors in the way Jamaica proceeded with its privatisation and regulation regimes, we have, in the circumstance, done quite well..

This, despite the changes which were negotiated in respect of CWJ's monopoly. As the data in Tables 1 and 2 show, the number of cellular lines, in particular, have grown rather significantly (one may say at the expense of fixed lines) and total investments have also increased significantly.

Also, importantly, it can be said that Jamaica has a good telecommunications infrastructure, which will enhance its position in attracting investments in other areas.

I turn, next, finally and briefly to the other major utility - electricity, particularly , the Jamaica Public Service Company Limited (JPSCo).

Privatisation and Regulation of the Electricity Sector

Whilst the issues surrounding the privatisation and regulation of the electricity sector are not as complex nor as international in scope as the telecommunications sector, they are

nevertheless important from the perspective of:

- (a) ensuring that Jamaica has a reliable source of electricity - a matter that has been a 'plague' in many developing countries;*
- (a) ensuring , that greater efficiency is obtained in its generation, transmission and distribution given the country's almost complete dependence on imported oil, (which has seen a more than doubling of costs between 1998 and 2002) and the relatively high costs of electricity compared to many states with which it has to compete.*

The Jamaica Public Service Company (JPSCo) has been the main provider of electricity in the country for many years. It was established in 1923 as an amalgamation of two electricity firms which went back to the 1890s. There were also a number of small private operating firms which JPSCo acquired in the 1960s.

As in the case of the telecommunications operator, conflicts arose between the Government and the Company on what was seen by the former as an unwillingness by the latter to expand electricity service to certain areas of the country ; and the Company, for its part, feeling that it was not permitted to secure reasonable returns on its investment.

In consequence, the Government took the decision in 1967 to issue the Company a new 25-year licence with several conditions included¹².

- (a) *an obligation to carry out a development programme;*
- (a) *the phasing-out of the Canadian Company's (Stone & Wester) ownership to local ownership;*
- (a) *the provision for a take-over by Government in certain circumstances;*
- (b) *the regulation of rates by the Public Utilities Commission (replacing the Rate Boards which went back to 1945).*

As pointed out by Sampson ¹³:

“The period of private ownership and public regulation was one of intense conflict and difficulties with the JPSCo”.

Inevitably, matters came to a head and the Government of the Jamaica Labour Party began the privatisation of the Company in 1971 by purchasing 6.22 million shares at a value of £1.7 million and took a greater stake subsequently.

Despite difficulties, public ownership was maintained, but shortly, after returning to office in 1989, the Government of the Peoples National Party found meeting the operating and capital costs of the Company burdensome.

It took the decision in 1991, to liberalise the generation market and to invite independent power producers to generate electricity for sale to the JPSCo.

This was implemented commencing in 1994, marking the first step in privatising the sector. There are currently three such producers responsible for about 22% of total generation

capacity (Table 3).

The management firm, Coopers and Lybrand was commissioned by The World Bank, in 1992, to examine the options for restructuring and regulating the industry in preparation for privatisation. They recommended separating the ownership and operation of generation from transmission and distribution. The Government did not favour this recommendation and decided to privatise the operation as an integrated one.

The first attempt, in 1996, was aborted because the Government thought that neither the price offered for the integrated operations nor the projected electricity cost were acceptable and so continued public ownership on an internal five-year management performance contract, including efficiency targets.

It was clear from early in the arrangement that the efficiency targets were, in the main, unrealistic as they assumed, among other things, that the Company would be able to raise funds to provide investment capital for system modernisation and expansion. Further, the tariff structure was based on 1992 data which was designed such that the Company made a 'windfall' at low fuel prices but if a sustained period of high fuel prices were sustained as happened after 1998, the Company would experience severe financial difficulties.

These difficulties; the Government's inability to continue guaranteeing borrowings; and, last but not least, the urgent need for money to close its fiscal gap led to the privatisation in 2001, of 80% of the asset to the Mirant Corporation of Georgia, USA for about US\$200 million.

A new licence was issued to the company providing:

- (a) *the exclusive right to add capacity during the three years 2001-2004 after which capacity would be added through a competitive process supervised by the Office of Utilities regulation;*
- (a) *an exclusive right to transmit, distribute and supply For twenty years.*

The licence also describes the regulating regime, the pricing mechanisms (a price cap methodology is to be introduced in 2004) provisions for the quality-of-service measurements; and other consumer protection criteria.

*As **Table 3** also shows, there had been severe pressure on capacity (reflected in the margin between peak usage and capacity) which had to be addressed so a total of 140mw capacity is being added, reflected in the increased investment in 2001 and 2002 (**Table 4**).*

A decision has to be made shortly on the least cost expansion plan to ensure that the next tranche of generation capacity is added on a timely basis.

*The market for the addition of generation capacity will be opened for competition after March 2000. The Office of Utilities Regulation is embarking on a **Generation Market Study** in order to determine a market structure for the new regime and the institutional and regulatory changes that would be necessary to implement the structure.*

Conclusion

_____ Changing times and circumstances have informed the approaches Jamaica has taken in the privatisation and regulation of the two key utilities of telecommunications and electricity.

In the earlier period the circumstances dictated public

ownership.

In the telecommunications sector a combination of factors resulted in a reversal of the process in a step-wise manner, with long-term exclusive rights being given to the provider; changing circumstances again enabled the country to modify this position and open up the market to competition on a phased basis.

The electrical sector went through some of these changes and is currently in private hands.

Both are being regulated by the Office of Utilities Regulation, whose performance in the first six years of its existence has given us confidence that it can deal with the challenges ahead, especially, in the telecommunications sector.

18th June, 2003

Table 1**Growth of Fixed and Cellular Lines in Jamaica
1990 - 2002**

<u>Year</u>	<u>Fixed Lines</u>	<u>Cellular Lines</u>
1990	89,753	
1991	109,947	10,055
1992	132,433	13,820
1993	168,118	18,984
1994	208,480	26,106
1995	250,531	40,331
1996	305,631	55,431
1997	368,131	71,307
1998	415,986	91,728
1999	470,299	118,000
2000	489,067	250,000
2001	506,544	640,000
2002	496,521	1,200,000

- *Fixed Lines - December of each year.*
- *Cellular - March of each year.*

Source - Office of Utilities Regulation, Kingston, Jamaica

Table 2

Investments in the Telecommunications Sector
(J\$bn) 1995-2002

<u>Year</u>	<u>Investments</u>
1995	J\$4.25bn
1996	J\$5.19bn
1997	J\$5.31bn
1998	J\$4.74bn
1999	J\$4.58bn
2000	J\$9.36bn
2001	J\$12.08bn
2002	J\$12.82bn

Source - Office of Utilities Regulation, Kingston, Jamaica

Table 3

Electricity Generation Capacity
from JPSCo and IPPs and Peak Capacity 1990 -2002*

<i>Year</i>	<i>JPSCo</i>	<i>IPPs</i>	<i>Total</i>	<i>Peak</i>	<i>Peak (a) % Total</i>
1990	508.5	-	508.5	327.8	64.5
1991	506.4	-	506.4	343.7	67.9
1992	556.4	-	556.4	35.4	63.6
1993	568.4	-	568.4	380.3	66.9
1994	499.9	62.3	562.2	391.8	69.7
1995*	433.6	122.8	556.4	424.2	76.2
1996	499.6	178.8	678.4	431.3	63.6
1997	510.1	176.8	686.9	467.9	68.1
1998	503.6	152.6	656.2	489.2	74.6
1999	510.1	152.6	662.7	520.9	78.6
2000	510.1	152.6	668.7	546.7	81.8
2001	529.6	158.7	688.3	554.8	80.6
2002	585.0	158.7	733.7	581.3	79.2

* December of each year

Source: Jamaica Public Service Company Limited (JPSCo)

Table 4

Capital Expenditure
by
The Jamaica Public Service Company Limited (JPSCo)
(J\$000) 1998 -2002

<u>YEAR</u>	<u>EXPENDITURE</u>
1998	2,954,679
1999	1,275,062
2000	1,164,052
2001	3,153,055
2002	5,078,944

Source: Jamaica Public Service Company Limited

Appendix I

Summary of Types of Entities
Privatised in 'whole' or in 'part'
1981 to April 2003

<u>Period</u>	<u>No</u>	<u>Types of Entities Privatised</u>
1981-1985	2	Food services; food processing;
1986-1990	27	Small manufacturing; small agricultural;
		51% of National Commercial Bank (formerly Barclays Bank nationalised in the 1970s);
		89.6% of sole cement company;
		72.1% (in tranches of 19% , 13.1%, 20% and 20% of Telecommunications of Jamaica (TOJ) to Cable and Wireless of Jamaica (CWJ);
		Nine (9) hotels.

<i>1991-1995</i>	<i>36</i>	<i>Small agricultural, small industrial; 39% of NCB; 9.95% of sole cement company; sale of 50% and 70% of two major agricultural operations; 70% of National Airline, Air Jamaica; Sale of four sugar factories.</i>
<i>1996-2000</i>	<i>11</i>	<i>Sale of relatively minor assets in a miscellany of operations.</i>
<i>2001- 2002 (April)</i>	<i>5</i>	<i>Sale of the Jamaica Public Service Co Ltd (80%) the major generation of light and power. Long term lease of the Sangster International Airport.</i>

Appendix II**Licences Issued to
Telecommunications of Jamaica in 1988**

- *The All-Island Telephone Licence (under Section 5 of the 1893 Telephone Act) in succession to a 1966 Licence.*
- *The Wireless Telephoning Special Licence (under Section 6 (1), of the Radio and Telegraph Control Act of 1973) in succession to a 1966 Licence.*
- *The Telex and Teleprinter Licence (also under Section 6 (1) of the Radio and Telegraph Control Act) in succession to a previous 1966 licence.*
- *The Telegraph Services Special Licence (granted under section 6 (1) of the Radio and Telegraph Control Act.*
- *The External Telecommunications Service Special Licence granted under Section 6 (1) of the Radio and Telegraph Control Act in succession to one granted in 1968.*

Appendix III

Rate Regulation

27. (1) *Subject to sub-paragraph (6) the Company shall be subject to regulation by the Minister as to rates charged for telephone services PROVIDED THAT it shall be permitted to charge such rates as will when consolidated with other group revenues, provide to the Group such consolidated net profit after taxes and after dividends on preference shares as will when multiplied by one hundred and divided by the Ordinary Shareholders' Equity at the end of the last financial year for which there are audited consolidated accounts of the Group result in a figure of not less than 17½ nor more than 20 (hereinafter called "permitted rate of return") in each financial year; AND PROVIDED FURTHER THAT rates charged for telephone services shall be adjustable annually as necessary to provide the permitted rate of return.*

Appendix IV

Perceived Failures
of the
Public Utilities Commission System of Regulating Rates

1966 - 1976

- *Problems with the accounting records of companies.*
- *Lack of well-trained staff to ensure that the system worked well.*
- *The quasi-judicial nature of the hearings resulted in the diversion of managements time and the lengthy periods before decisions were handed down.*
- *In an environment of rapid changes of exchange rates, system could lead to acute financial problems for the utilities.*
- *Internal Paper by Cezley Sampson, Mona Institute of Business-1993.*

Appendix V

Jamaica's Telecommunications

Phases in Liberalisation Process

Phase I March 1, 2000 to August 30, 2001

- *Opened the Local Market to Competition in wireless cellular service.*
- *Opened the market for the provision of customer equipment.*
- *Allowed Companies with single Entity Freezone status to provide their own telecommunications service.*
- *Opened the market to the resale of data international voice and Internet access.*

Phase II September 1, 2001 to February 28, 2003

- *Completion in domestic facilities and service.*
- *Cable TV providers (STVOs) allowed becoming Internet Service Providers (ISPs).*

Phase III Since March 1, 2003

- *All telecommunications services and facilities, including international voice and data transmission, facilities, open to competition.*

References

1. *Cezley Sampson - Privatisation Experiences in Developing Commonwealth Countries - The Inside Story 21 Years- The Case of Jamaica Prepared for the Commonwealth Secretariat, August 2002 pp. 1-4.*
2. *Cezley Sampson and Audley Harris - Rate Regulation in the Telecommunications Sector in Jamaica. Mona Institute of Business, University of the West Indies, June 1992 p. 1.*
3. *Ibid p. 55*
4. *Cezley Sampson - August 2002 op cit p. 66*
5. *Lindsay Stirton and Martin Lodge - Rethinking Institutional Endowment in Jamaica: Misguided Theory, Prophecy of Doom or Explanation for Regulatory Change?*

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6. *Letter - Prime Minister Michael Manley to Mayer Matalon, Chairman, Telecommunications of Jamaica, November 2, 1990.*

7. *Letter - Leader of the Opposition, Edward Seaga to Prime Minister of Jamaica, P J Patterson, November 18,1993.*

8. *M Lodge and L Stirton, Embedding Regulatory Autonomy in Caribbean Telecommunications.*

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10. *M Lodge and L Stirton - 2002 op cit p. 673*
11. *Press Release by the Fair Trading Commission of Jamaica 1994.*
12. *Ministry Paper (Jamaica) No. 41, 1967*
13. *Cezley Sampson - August 2002 op cit p. 77*

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