



Remarks for the

BPO Industry Breakfast Forum

Hon. Fayval Williams, MP

Minister of State

Ministry of Finance and the Public Service

8:00am Thursday, March 9, 2017

Grandiosa Hotel, 3 Ramparts Close, Montego Bay

‘The Application and Regulation of the BPO sector under the Special Economic Zone Regime’

SALUTATIONS...

Jamaica continues to make economic progress and has been firmly placed on a positive trajectory. In fact, last year was the first time that Jamaica received three positive ratings and each Rating Agency gave Jamaica’s economy a ‘thumbs up’ and all outlooks are stable.

According to the International Monetary Fund (IMF), 2016 which is supported by country data, “inflation is at historical lows, the current account deficit has more than halved, net international reserves have doubled, and access to domestic and international financial markets has been restored, supported by upgrades in credit ratings and historically high business confidence indicators”.

These developments, alongside GOJ’s unequivocal commitment to fiscal responsibility and prudence while mitigating fiscal risks have firmly placed Jamaica’s macroeconomic outlook as favourable, with anticipated expansion in the economy over the medium term

The Business Process Outsourcing (BPO) organisations by definition are responsible for performing a process or a part of a process of another business organisation; outsourcing is done to save on costs or gain in productivity. Equally

it is important that as we set the stage that we also define what is meant by a Special Economic Zones (SEZs). SEZs generally refer to a geographically demarcated area within a country that offers special economic regulations and procedures to entities which operate within the zone.

With the passing of the Special Economic Zones Act (the Act), in 2016 which falls under the remit of the Ministry of Industry, Commerce, Agriculture and Fisheries (Fisheries Division the legislation was hailed as a milestone achievement, particularly as it is expected to stimulate investments. The Act also represents a major initiative by the Government of Jamaica to improve the manner in which SEZs were designated, promoted, developed, operated and managed within the country.

The intention was that the introduction of a modern SEZ regime would result in greater investments (both domestic and foreign), which would in turn increase employment and create a platform which would propel economic growth for the country.

What then is the role of the BPO in all of this?

So let me put it in context, BPOs are not excluded from SEZs, however let us be clear that BPO is not synonymous with telecommunication. It must be underscored that Section 41(c) of the SEZ Act (Excluded Activities) precludes telecommunications services (including Call Centres) from becoming SEZ. And let me hasten to add as a reminder, that under Section 17 of the SEZ Act it restricts the establishment of single entity free zone (including BPO's), unless the Minister (MICAF) in the public interest direct otherwise.

So we are talking about BPOs and SEZs which is not the same discussion one would have, as a discussion on telecommunication. So we need to separate the issues.

The Business Process Outsourcing (BPO) sector is critical in the plan for inclusive economic growth and job creation, and this has been stated emphatically by the Prime Minister. It is the intent of the government that within this year, at least seven additional companies are expected to come on stream.

The data shows that over the last five years the industry has experienced tremendous growth, with some 45 companies operating in the ICT/BPO sector. Employment and therefore we are talking about job creation has moved from about 12,000 persons in 2011 to 22,000 as we speak and growing.

We are perhaps you might say, ambitiously projecting employment to reach 30,000 within the next five years. We are committed to growing our economy, committed to job creation and determined to develop policies that will allow for the development of lucrative public private partnership that will stimulate the growth that is so needed within our economy.

I can see the head nodding and the furrowed brows etched on your faces, as you are asking how do we plan to do this, what is in it for BPOs; what steps are to be taken to ensuring that Jamaica remains the outsourcing hub in the Caribbean.

My response is this.

Operators within Special Economic Zones already enjoy incentives. For instance, the cap on domestic sales has been removed under the Act, which therefore will result in sustainable linkages between SEZs and the rest of the Jamaican economy. BPOs, manufacturers and other designated operators with the Act are

now able to sell goods on the local market and export goods to businesses outside of the SEZs.

This move was intentional, and it is expected that there will be an increase in domestic employment, increase exports, and which in turn will facilitate the participation and growth of Micro, Small and Medium Enterprises (MSMEs). The government has regrouped and doubled its effort to ensure that there is equity and perhaps one of the most significant reforms introduced by the Act, was the establishment of the Special Economic Zones Authority (the Authority).

This, we believe will remove some of the 'red tape' involved in the application to participate in an SEZ, as with the establishment of this autonomous authority, they are able to make decisions without a lengthy and complex bureaucratic process and in so doing there will be an increase in efficiency and competitiveness of the Special Economic Zones.

The Special Economic Zone Authority scope of authority also includes the management and operation of a business acceleration centre, which is expected to assist with the communication and co-ordination of regulatory activities with Government entities on behalf of the developers and occupants of the SEZs; it is also expected to provide promotion and marketing of the SEZs; and the raising of capital to execute its functions under the Act.

The establishment of the Authority is undoubtedly another milestone achievement.

Now let us take a look at the tax benefits and incentives that have been provided for SEZ under the Act. And let me again point out here those BPOs within Special Economic Zones benefit from these incentives and benefits.

Let us highlight a few of the 'big ticket' items, BPOs or any organisations which operate within SEZs benefit from a 12.5 per cent reduction in income tax.

To that I should hear a rousing round of applause.

In addition, ***and I know I am going to get another rousing round of applause;*** there is no General Consumption Tax on electricity or telephone services provided to entities within the SEZs. The government has created an economic environment for organisations within the SEZ sector that will enable them to become a significant partner in the generation of jobs and a meaningful contributor to the economic growth agenda.

There is one other significant feature under the Act that actively demonstrates, in addition to those already mentioned, that the government is serious about growing the SEZ sector and importantly BPOs, and that is, the Act provides for the introduction of a special Customs regime for SEZ, such that the Commissioner of Customs can make arrangements for the availability of Customs services within the SEZs on a continuous basis. This development will expedite the movement of goods, particularly with the implementation of ASYCUDA; which allows for electronic transactions and payments and pre-arrival clearance of and thus remove the possibility for any unnecessary and lengthy delays.

So I appreciate the anxiety and I note the concern, however I hope that I have in this deliberation, reassured the BPO sector of the government's commitment, and that government values the sector's contribution. In fact we expect that BPOs will expand over the next four years and be a major partner in the economic growth plan, which will result in **us, and I deliberately use the word us**, for it is an economic partnership that we the GOJ and the private sector have embarked

upon, being a significant contributor to job creation and it aiding the government in its achievement of the 5 in 4 growth agenda.

So I invite you to continue to journey with us, as together we explore chartered, and in sometimes we may even break ground and traverse along uncharted waters which will redound to the good of the citizens of Jamaica and importantly facilitate the sustainability of economic growth.

I am an email away and certainly a telephone call away and I have always made myself available and accessible for further dialogue and forums. So today I extend that as an option, where we can dialogue further on matters for which there may still be some disquiet, let us talk it through.

However, I must reiterate that we are on a journey, government has to be fiscally prudent and responsible as we are committed to being governors of our own fate and as such we will commit to programmes that advance the growth agenda and will stimulate the private sector as a driver of economic growth and together we partner for improved quality of life for all Jamaicans.