



Enterprise

FREE ENTERPRISE
... AND WATCH
JAMAICA GROW

VOL. 12 No. 4 A PUBLICATION OF THE PRIVATE SECTOR ORGANISATION OF JAMAICA December 1996

SOME ISSUES FROM THE RECENT BNS AWARD

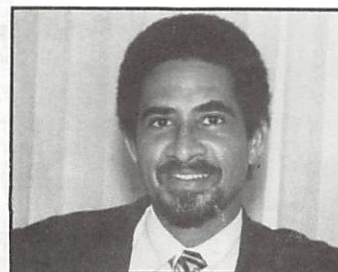
- Charles Ross, Executive Director, PSOJ

The recent award of the IDT in respect of the claim for wage increases which was served on BNS by the labour unions, brings into sharp focus some very strange notions of equity as they relate to the wage contract and the attendant rights and obligations of workers and the owners of capital.

The first strange assumption seems to be that since the company made what in the estimation of the IDT was a large profit, the employees therefore deserve an extra large pay increase. Before we can consider whether the above contention is a reasonable one, we must establish that the company's profit was indeed extraordinary. BNS has assets of

over J\$30 billion and revenues in the billions of dollars. This is a large, well capitalised and very well run company. In fact the profit which was judged to be so high was in fact not at all extraordinary, given the level of inflation in the economy, the existing economic policies and the financial strength of the company.

But even if the company did make extraordinary profits, what right do the employees have to a share of those profits, if such profit-sharing is not a specific part of their remuneration contract? Did they put up any part of the capital of the company to finance the initial and ongoing operations of the business? Does the shareholder who risked his savings to finance the venture not deserve the benefit of a profit when the business returns one? Is the employee offering a rebate of salary when the business loses money or when profits fall? It does not seem that



any of these issues were considered when the IDT was arriving at its decision on this matter.

It would seem to me that in a standard contract of employment where the employer agrees to pay the employee a salary in exchange for his time or labour in the performance of certain duties, the rights and obligations of both parties are fairly clearly defined. The employee is obliged to give of his best while working on the job and the employer is obliged to pay him in the sum and manner agreed. What the employee does with his salary and what the owner does with his profit is, strictly speaking, not the concern of either opposite party.

Enterprise is a quarterly publication of the Private Sector Organisation of Jamaica.

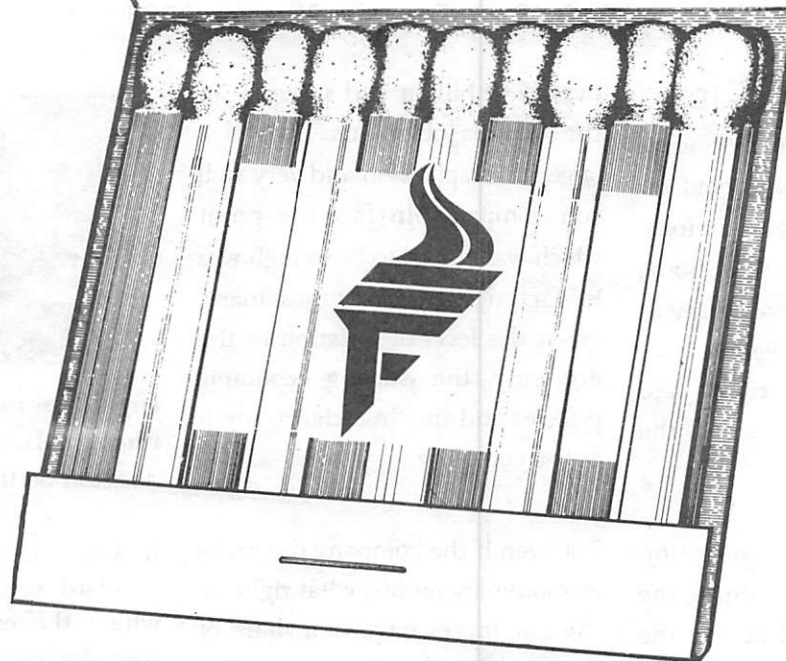
Executive Director: Charles Ross

Editor: Marcia Ormsby

Production: PSOJ

Cont'd on pg. 3

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Of course in a market economy, enlightened employers and employees will take an interest in each other's welfare. The employee will realise that the more profit the employer makes, the faster the business will grow and the more secure his employment will become. A more profitable company will also be able to pay higher wages than a less profitable one. The employer will also realise that allowing employees to participate in the profits of the company (when they are made) will reward and motivate them to higher levels of performance and make his company more profitable in the future. Very few people would argue against profit-sharing schemes and BNS does have in place such a scheme which is also performance related and, in fact, had proposed such a scheme in its offer for the second year of the wage agreement. This offer was completely ignored by the IDT in its award. Incidentally, last year BNS paid profit and performance related bonuses of 24% of salary.

The final point to be made in this regard is that it is counter-productive and inequitable to make huge across the board increases in salary just because a company has enjoyed significant profitability in any one year.

In such a situation, profit-sharing is the preferable route to take and this should be at the discretion of the employer if it is not provided for in the wage agreement. There is no guarantee that having made a profit one year, the company will do so in subsequent years.

There is no guarantee that having made a profit one year, the company will do so in subsequent years.

The losses in our financial sector this year have demonstrated this fact. It should also be remembered that companies, like individuals and countries, must save in order to grow and the more they save the faster they will be able to grow. The company cannot therefore pay out most of its profits in bonuses or dividends. BNS is a strong and profitable bank precisely because its shareholders over the years have saved and reinvested significant portions of its past profits, thus building up the very strong equity base of the company which is a major factor in its continued profitability.

Another issue which the IDT sought to address in its award was the issue of income distribution within the company, that is, the share of the wage bill that went to management as opposed to that which went to line staff. Their contention was that the existing distribution was somehow inequitable and required adjustment. Now the reality of the situation is that the income distribution within BNS is not really much different from the income distribution in the wider society if the 1994 Survey of Living Conditions is anything to go by. This indicates that the top 10% of income earners account for roughly 30% of total consumption. In

BNS, according to the IDT, the top 6% of the staff account for 23% of the wage bill.

Before we get into a discussion as to whether or not such an income distribution is desirable at the national or local level, let us look at the specific nature of the banking business. How does one compare the responsibilities of a janitor (who in this case will get over \$100,000 per annum in cash allowances alone) with that of a bank manager who is responsible for the prudent handling of billions of dollars in deposits' funds and bank loans. The difference in their educational qualifications and working experience alone makes the comparison a difficult one. When one factors into this equation, the low level of educational achievement in the country in general and therefore the relative scarcity of managerial talent and the relative abundance of unskilled labour, the surprising thing is that the income gap is not wider than it is at present. Here again it appears that the IDT was somewhat off the mark.

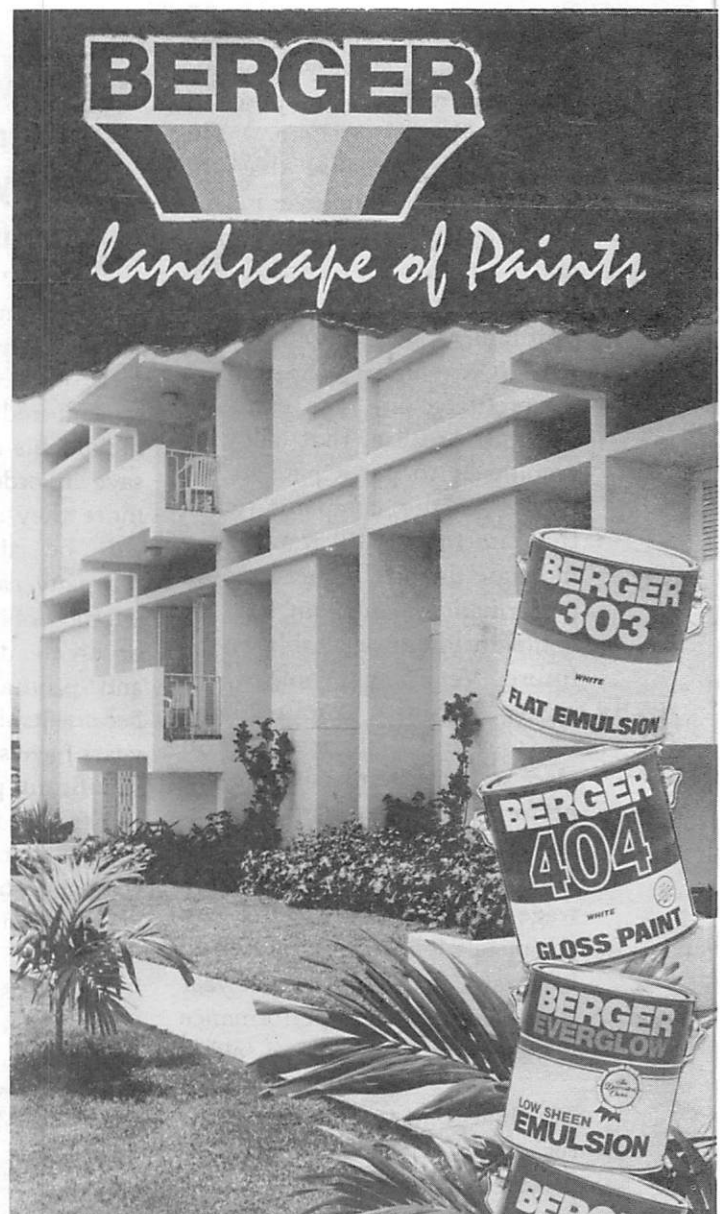
The fundamental mistake here is in the belief that we can legislate equity. At our level of development it is neither an option nor a possibility, and 25 years of economic stagnation should have taught us that. In even a highly distorted market economy such as we have here in

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Jamaica, scarcity brings value, and as long as highly educated and experienced personnel remain in short supply, there will be a premium on their services. Conversely, as long as there is an abundance of low skilled workers their incomes will remain relatively depressed.

The bottom line is that if we really want to do something to improve equity in the society, then we need to implement appropriate macro-economic policies and allocate public resources to the provision of social services which will improve the opportunity for upward social mobility. In a nutshell, we need policies which foster low inflation and economic growth, and a commitment on the part of government to make its first priority, the provision of a high quality basic education for every child in the country. At present there are hundreds of thousands of children attending primary and all age schools but half of them will leave these institutions functionally illiterate. What prospect is there of building a more just or equitable society if we continue to treat our children like this? It seems to me that this question is far more central to the issue of social justice and equity than whether one group of workers get a 60% increase and another gets a 30% increase.

There is more that needs to be said about the BNS wage award but that is for another time, suffice to say that my comments are not directed at the IDT per se, for indeed the sentiments expressed in their award are widely held in our society and are in urgent need of re-examination. ■



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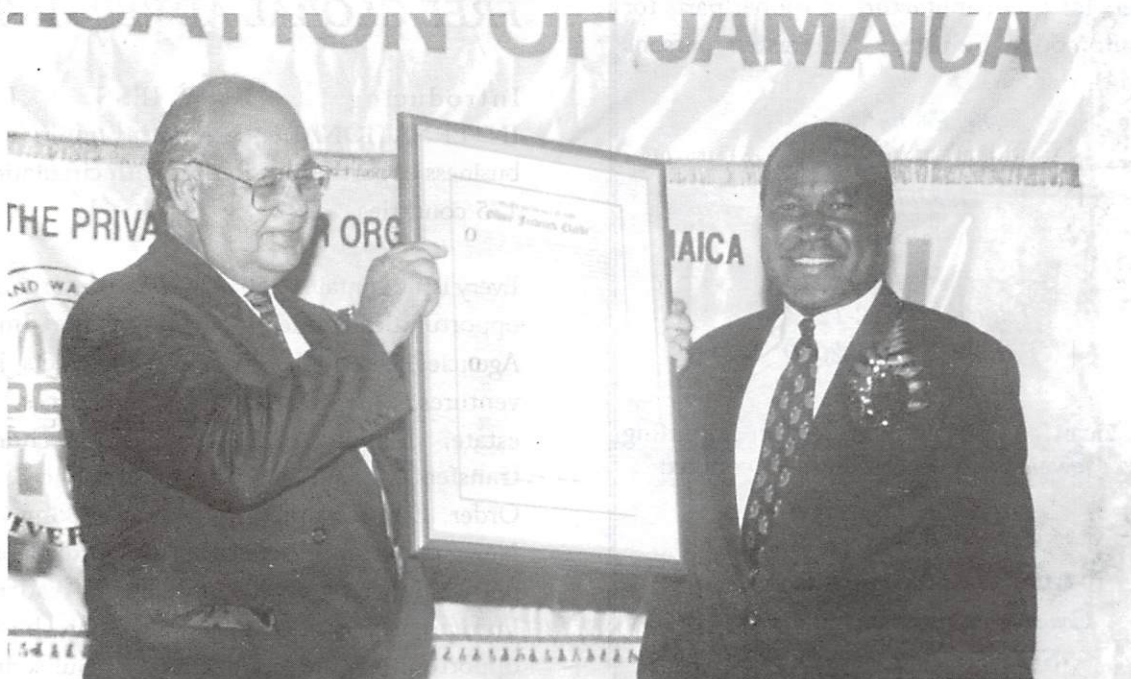
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CONGRATULATIONS

PRIVATE SECTOR HALL OF FAME INDUCTEE

Congratulations to Mr. Oliver Clarke, Chairman and Managing Director of the Gleaner Company Limited on being the latest inductee into the PSOJ's Private Sector Hall of Fame. The induction took place at a Dinner held in early December at the Wyndham Kingston Hotel.



Mr. Oliver Clarke (left) proudly displaying the Citation just presented to him by the PSOJ President Delroy Lindsay



Guest Speaker Sir Alister McIntyre, Vice Chancellor of the University of the West Indies (left), shares a moment with Mr. & Mrs. Oliver Clarke.

B U S I N E S S

A Mexican company is seeking joint venture partners for the manufacture of rubber parts for the automotive industry. Interested persons should contact:

*Mr. Emilio Vega
Euzkola, S. A. de C. V.
Guadalajara
Jalisco
Mexico*

Tel: (52-3) 812-1203

Fax: (52-3) 811-2080

- Jamaican companies interested in importing silver jewelry and other items can contact:

*Ms. Ma del Carmen Cabrera
Comercio Internacional Mexicano,
S. A. de C.V. Mexico D. F.
Tel/Fax: (52-5) 666-5352*

- One of the following exporters of technology and equipment in India is offering its services to Jamaican companies. Areas of expertise include identifying joint venture partners, acquisitions and transfers, investments and distribution of products. Interested individuals/companies should contact:

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Gurjan Specialities
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Bangalore - 506078 INDIA
Fax: 91-80-6639134*



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Email: thquah@pc.jaring.my

CONFERENCES, EXHIBITIONS & TRADE SHOWS

LATIN AMERICAN POWER MARKETS CONFERENCE

The Fourth Annual Latin American Power Markets Conference, sponsored by the McGraw-Hill Companies *Independent Power Report*, will be held February 6 - 7, 1997 at the Intercontinental Hotel in Miami, Florida.

This event will bring together the region's top power planners and suppliers eager to participate in Latin America's growing market for new and privatized generating capacity. Speakers will address future opportunities, lessons already learned on the ground from operating greenfield and privatized plants, power and investment needs, market forecasts, planned gas pipelines as well as financial and management issues.

Registration Fee is US\$995 which includes conference papers, two continental breakfasts, two luncheons and a cocktail reception. Details of the programme as well as registration form are available from the PSOJ Secretariat.

EXPOCOMER '97

Panama's XV International Commercial Exhibition, *Expocomer '97* will take place

March 5 - 10, 1997 at the Atlapa Convention Centre in Panama City, Panama.

This event is seen as one of the region's leading trade shows and includes a variety of product categories from the commercial, industrial and services sectors. In addition, there will be seminars, trade missions, conferences, and other events.

Expocomer '96 was very successful as it attracted 43,720 visitors and 21,663 buyers.

Additional details are available from the PSOJ Secretariat and from :

**Departamento
EXPOCOMER
Camara de Comercio,
Industrias y Agricultura
de Panama
Apdo. 74, Zona 1
Panama
Rep. de Panama
Tel: (507) 227-0033/4
Fax: (507) 227-0115**

EXPORTERS/IMPORTERS CONFERENCE

The 1997 International Exporters/Importers Conference is scheduled for April 22-24, 1997 at the



Miami Beach Convention Centre, in Miami, Florida.

This event, which is endorsed by the World Trade Centres Association and the US Chamber of Commerce, has attract over 80 speakers and will also have a seminar/workshop series, more than 650 exhibitors and approximately 6,000 - 8,000 visitors.

In addition to participating as exhibitors and buyers, the organizers are inviting companies and organisations to co-sponsor the Conference at a cost of US\$15,000. Co-sponsors will get a number of benefits including company's name in over 500,000 direct mail pieces, logo in all print advertising, two prime booths at the Conference and admission passes to all conference functions.

Interested persons/companies should contact the PSOJ Secretariat for additional details.

PSOJ ACTIVITIES

PSOJ'S 20TH ANNIVERSARY UPDATE

In commemoration of its twenty years of service to the private sector and to the wider society, the Private Sector Organisation of Jamaica has embarked on a series of activities. The following is an update of the programme of activities:

- **Souvenir Journal/Membership Directory**

This document looks at the history and achievements of the PSOJ and also lists the members of the Organisation. The publication will be distributed early 1997.

- **National Essay Competition**

Students 16-19 years old were invited to write a 1000-word essay on "The Role of the Private Sector in National Development. The competition closed November 15 and the essays are now being read by the panel of judges. The winners will be announced at the end of January 1997.

- **Radio Interviews**

PSOJ Past Presidents were interviewed on various talk shows islandwide during November. The discussions focussed on each President's accomplishments as well as how each saw the future of the private sector.

- **Outside Broadcast**

Power 106's Independent Talk was broadcast live from the Offices of the PSOJ on November 28. The aim of the programme was to educate and inform

the general public about the private sector. Members of the PSOJ's past and current Executive Committees participated in the programme.

- **Awards Banquet**

This is tentatively scheduled for the end of February. Those to be honoured and recognized will include the founding members of the Organisation.

- **Exhibition**

A pictorial exhibition highlighting the PSOJ's contribution to national development over its 20 years of existence is tentatively scheduled to be mounted at a public library early in 1997.

The PSOJ Secretariat appreciates the support received to date, and looks forward to the continued support of the Organisation's members and well-wishers.

1996 ANNUAL GENERAL MEETING

The PSOJ's Annual General Meeting was held on November 28, 1996 at the Terra Nova Hotel. The 1995-96 Annual Report of the Executive Committee, the Audited Financial Statements and the President's Report were presented. Elections were held to fill the vacancies on the Council. The following is the list of Council members for 1996-97:

Cont'd overleaf

Associations

Building Societies Association of Jamaica
Hardware Merchants Association
Institute of Chartered Accountants of Jamaica
Jamaica Bankers Association
Jamaica Chamber of Commerce
Jamaica Conservation and Development Trust
Jamaica Developers Association
Jamaica Employers Federation
Jamaica Exporters Association
Jamaica Association of General Insurance Companies
Jamaica Hotel and Tourist Association
Jamaica Livestock Association
Shipping Association of Jamaica
Sugar Manufacturing Corporation of Jamaica
Life Insurance Companies Association of Jamaica
Small Businesses Association of Jamaica
Spirits Pool Association
The Association of Licenced Financial Institutions
National Transport Cooperative Society

Companies

Alcan Jamaica Company
Bank of Nova Scotia Jamaica Limited
Courts Jamaica Limited

Grace, Kennedy & Company Limited
Jamaica Producers Group
KPMG Peat Marwick
ICD Group Limited
National Commercial Bank Jamaica Limited
Swift Group of Companies
J. Wray & Nephew Limited
Corporate Group Limited
Desnoes & Geddes
Dyoll Group Ltd.
The Gleaner Co. Ltd.
ICWI Group Ltd.
Caribbean Cement Co. Ltd.
Musson Jamaica Ltd.
Pan Jamaican Investment Trust Ltd
Jamaica Flour Mills Ltd.
Carreras Group Ltd.

Individuals

Mr. Elon Beckford
Mr. Roy Banarsee
Miss Megan Deane
Mr. Neville James
Mr. Peter Moss-Solomon



Mrs. Jeanne Robinson, Executive Director of the ICWI Group Foundation (centre) explains her company's support for the PSOJ's National Essay Competition which was launched in November at the offices of the PSOJ. Listening to Mrs. Robinson are (from left) Al Barclay from Calabar High School, PSOJ's Executive Director Charles Ross and Ine Jones and Paula Lewars, both from Holy Childhood High School. The Competition is part of the programme of events planned to commemorate the 20th Anniversary of the PSOJ.

A T T E N T I O N !!!

1997 PSOJ DIARY AND FILLER

A limited supply of the PSOJ's 1997 Diaries and Fillers are still available. If you already have one of our covers, you only need to purchase a Filler.

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ENVIRONMENT NEWS

Environment Committee

The PSOJ's Environment Committee, which was established in the early 1990s, has a "new look and a new focus". The members of this "new" Committee are:

Dr. Barry Wade
Chairman/Environmental Solutions Limited

Dr. David Smith
Jamaica Conservation Development Trust

Dr. Arthur Reid
Alcan Jamaica Company

Mr. Franklin McDonald
Natural Resources Conservation Authority

Mr. Earl Barrett
Caribbean Cement Company

Mrs. Rita Hilton
Marketing Development Limited

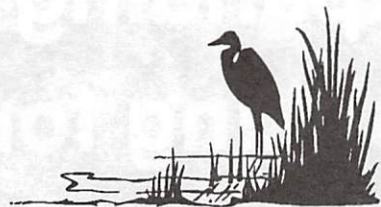
Mr. Roy Holness
Sherwin Williams (W.I.) Limited

Mrs. Eleanor Jones
Environmental Solutions Limited

Mr. Albert Francis
ALFRAMEC Limited

Mr. Charles Ross
Private Sector Organisation of Jamaica

By accepting the PSOJ's invitation to serve, these persons have committed themselves to work in one of the following focus areas:



- Policy Information & Education
- Trade - National & International Standards
- Technical Support & Training
- Projects.

In addition to the members of the Committee, each focus area will have its own task group.

The PSOJ's Environment Committee meets on the fourth Monday of each month at 3:00 p.m. at of the PSOJ. ■

Environmental Management Standards

The Bureau of Standards is beginning an effort to promote and monitor Environmental Standards through an Environmental Management Standards Unit. This Unit will deal with the implementation of the ISO 14000 Standards, Standards Bodies in countries worldwide are currently putting these standards in place and this will affect most aspects of international trade.

The Bureau will be adopting Standards which will be useful to Manufacturers, Exporters, Importers and other business interests in Jamaica. It is now establishing a database of all organisations which may have an interest in the Standards or which may be directly affected by them.

Please contact the PSOJ Secretariat if you would like to be included in the database. ■

International Environmental Standard Gets the Green Light

The following was sent to us from the Natural Resources Conservation Authority. The release originated in London.

LONDON, Sept. 16-/E-Wire/-- The first international environmental management system standard ISO 14001 has achieved world-wide recognition. From September 1996 it will help companies around the world to manage their environmental affairs and demonstrate their commitment to continually improve their environmental performance.

In response to the world-wide need for environmental management systems (EMS's), ISO 14001 will give companies the opportunity to obtain international, accredited approval of their environmental management systems.

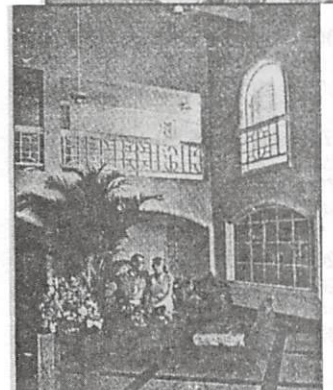
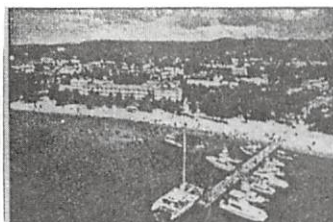
As one of the first accredited certification bodies Lloyd's Register Quality Assurance has played a

significant role in the success of environmental standards, certifying international companies such as BNFL, Epson, Ford, Hyundai, National Power, Volvo and BOC.

"ISO 14001 is expected to significantly increase the uptake of environmental management systems worldwide, building upon the interest shown since the launch of BS 7750," says LRQA's environmental business manager, Frank Harmer.

"It gives the international business community a consistent approach to continuous environmental improvement and helps organizations to share in the commercial benefits of ISO 14001, whatever country they are operating from. These benefits can include cost reductions, minimized environmental risk as well as improved corporate image."

CONTACT: *Barbara Goldstack of Lloyd's Register Quality Assurance, 0181-256 9810 (for international inquiries) or Jenny Tisdale of Lloyd's Register Quality Assurance, 01203-882241.*



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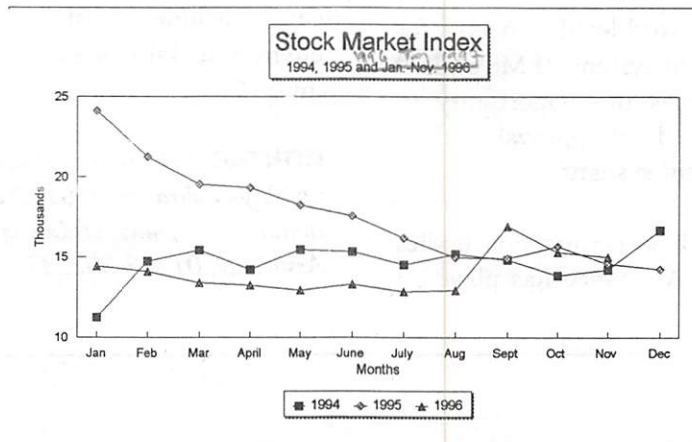
Economic Update

UPDATE ON SELECTED ECONOMIC INDICATORS

INTEREST RATES (%)

	Dec 94	June 95	Dec 95	Mar 96	Jun 96	Sept. 96	Oct. 96	Nov 96	Dec 96
Fixed Deposits (J\$100,000 and over 3 to 6 months)	20-32	14.5-24.5	19-42	19-43	19-45	15-34	13-27	13-32	13-37
Loan Rates (Avg)	56.14	48.73	55.27	58.27	59.95	58.50	55.22	55.22	55.22
Saving Rates (Avg)	18.75	17.49	17.82	17.82	18.12	18.12	18.19	18.19	17.96
Jamaican Treasury Bill (6 months yield)	-	21.61	34.97	39.96	37.63	31.35	31.11	29.21	26.37
		23.92	42.50	41.49	42.13	35.36	27.33		

STOCK EXCHANGE Index



COMMERCIAL BANKS (J\$M)

	Jan 95	Jun 95	Dec 95	Mar 96	Jun 96	Sept. 96	Oct 96
Assets and Liabilities	96276.50	106769.00	121324.90	125891.10	121634.40	129212.10	125986.5
Loans and Advances	33610.90	39950.60	45864.20	48963.70	46570.20	53289.70	56011.2
Deposits	68751.80	75194.30	89135.40	92104.50	88083.30	90993.60	91210.2
Liquidity Ratio (%)	50.00	47.00	47.00	47.00	47.00	47.00	47.0
Actual Liquidity (%)	61.95	52.39	44.78	48.43	48.22	51.25	45.1

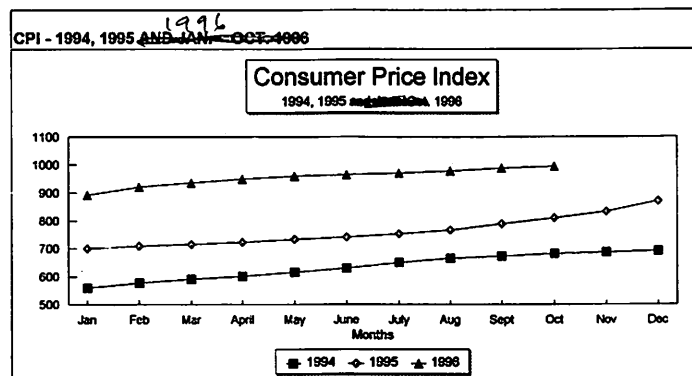
OTHER FINANCIAL INSTITUTIONS (J\$M)

	Dec 94	Jul 95	Dec 95	Mar 96	Jun 96	Sept 96
Assets and Liabilities	29023.50	47213.80	46712.20	49175.40	47268.10	52181.90

BALANCE OF PAYMENTS (US\$M)

	Jan-Dec 1993	Jan-Dec 1994	Jan-Dec 1995	US\$Mn Change 1994/95	Jan-Mar 1996	Jan-June 1996	Jan-Sept 1996	J-Oct 1996
Merchandise	-1113.80	-957.70	-1342.60	-384.90	-315.90	-653.30	-108.90	
Exports (fob)	1075.40	1219.50	1430.30	210.80	365.00	718.10	119.90	
Imports (cif)	2189.20	2177.20	2772.90	595.70	680.90	1371.40	228.80	
Services (net)	529.70	500.70	508.20	7.50	210.70	355.60	35.30	
Foreign Travel	886.90	854.00	851.90	-2.10	247.60	460.30	52.40	
Investment Income	-240.20	-284.30	-306.60	-22.30	-47.70	-92.30	-17.50	
Other	-117.00	-69.00	-37.10	31.90	10.80	-12.40	0.40	
GOODS AND SERVICES	-584.10	-457.00	-834.40	-377.40	-105.20	-297.70	-73.60	
Transfers (net)	371.90	457.30	579.30	104.00	132.20	267.40	44.30	
Private	306.40	447.20	521.80	74.60	114.60	226.80	39.80	
Official	65.60	28.10	57.50	29.40	17.60	40.60	4.50	

	Jan-Dec 1993	Jan-Dec 1994	Jan-Dec 1995	US\$Mn Change 1994/95	Jan-Mar 1996	Jan-Jun 1996	Jan-Sept 1996	Jan-Oct 1996
Current A/C	-212.20	18.30	-255.10	-273.40	27.00	-30.30	-29.3	
Net Capital Movements	310.30	367.10	278.50	-88.60	48.00	207.40	27.5	
Official	-4.10	-93.70	-106.50	-12.80	-74.70	-83.60	-1.0	
Private (including net errors & omission)	314.40	460.80	385.00	-75.80	122.70	291.00	28.5	
Change in reserves (BOJ / Increase = minus)	-98.10	-385.40	-23.40	-75.00	-177.10	1.80	1.8	
EXCHANGE RATES								
	Dec 93	Dec 94	Jun 95	Dec 95	Mar 96	Jun 96	Sept 96	Oct 96
US\$ = J\$	32.70	33.37	33.95	39.80	40.12	35.73	35.08	35.05
BR. Pound = J\$	42.60	50.15	52.64	59.20	58.24	53.36	53.73	55.27
Can\$ = J\$	21.80	22.96	24.42	28.11	27.92	25.40	25.15	25.28
FOREIGN CURRENCY A/C (US\$M)								
	Dec 93	Dec 94	Mar 95	Jun 95	Dec 95	Mar 96	Jun 96	Aug 96
Commercial Banks	428.40	691.4	668.7	703.1	783.6	748.8	749.7	773.6
		699.00	625.15	656.40	737.30	702.75	713.26	691.00
								708.00
								703.00
INTER BANK TRADING (US\$M)								
	Dec 93	Dec 94	Mar 95	Jun 95	Dec 95	Mar 96	Jun 96	Aug 96
Purchases	78.70	128.00	124.07	91.45	108.90	130.88	164.21	176.61
Sales	79.60	126.20	125.42	90.13	110.06	134.13	154.63	185.50
FISCAL ACCOUNTS (J\$M)								
	Apr-Mar 94/95	Apr-Mar 95/96	Change	Apr-Jun 94/95	Apr-Jun 95/96	Apr-Jun 96/97	Apr-Jun Actual 96/97	Apr-Oct Actual 96/97
Revenue	6089.20	7820.80	1731.60	9531.70	12409.10	15052.20	15052.20	15052.20
Expenditure	6853.10	6165.90	-687.20	9856.40	10000.00	19762.00	19762.00	19762.00
Deficit/Surplus	-763.90	1654.90	2,417.90	-342.70		5289.00	5289.00	5289.00
NATIONAL DEBT								
	Dec 93	Dec 94	June 95	Sept 95	Dec 95	Mar 96	Jun 96	Sept 96
Internal Debt (J\$M)	23554.80	41248.50	54340.00	54751.00	59470.00	57896.00	62997.67	71483.47
External (US\$M)	3647.20	3651.80	3640.00	3509.00	3446.00	3402.51	3340.51	3292.48
SELECTED MONETARY INDICATORS (J\$M)								
	Dec. 93	Dec 94	Mar 95	Jun 95	Sept 95	Dec 95	Mar 96	Jun 96
Money Supply (M1)	14523.3	17896.7	16884.6	17829.7	18543.2	23227.7	21249.1	22168.43
(M1 & Quasi-Money) M2	39492.3	54783.5	55512.2	59825.6	65551.6	73617.6	72488.1	72642.40
Net International Reserves (US\$Mn; BOJ)	-80.12	397.92	435.3	449.89	468.1	421.31	496.26	598.43
Credit to Public Sector	-2408.1	-8506.3	-14238.5	-8466.5	-9748.2	-4986.9	-8984.2	-3526.5
Credit to Private Sector	21148	26282.8	30791	3468.5	37901	39927.5	44537.7	42555

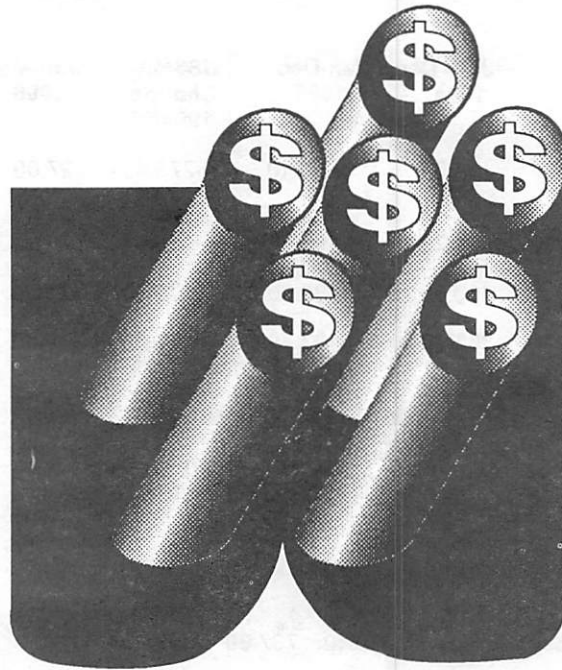


For the calendar year 1995, Inflation Rate = 15.84%

Point to Point (Oct '95 - Oct '96) Inflation Rate = 25.5%

For the year to date 1996, Inflation Rate = 14.97%

For fiscal year to date (April to Dec 96) = 7.4%



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