

PRESS RELEASE

PSOJ's COUNCIL OF PRESIDENTS RESPONSE TO THE STREET LIGHT CESS

The Minister of Local Government and Community Development, the Honourable Arnold Bertram recently tabled a Bill entitled "An Act to Amend the Electric Lighting Act" in the House of Representatives. Among other things, the Bill calls for the introduction of a cess of 3.14% of a customer's JPSCo bill, for the purpose of constructing and maintaining street lights across Jamaica. The Minister further stated that the cess will provide a capital fund from which the expansion of street lights will be financed, starting with a 10% increase in street lights during the 2002/3 fiscal year.

The Private Sector Organisation of Jamaica (PSOJ) Council of Presidents welcomes the initiative to increase the number of functioning streetlights but has concerns about the method of financing being used for this initiative. The Council acknowledges that the provision of street lights is a desired service, that has a cost which has to be met, but would rather a system where there is a direct relationship between the service rendered and the cost to the beneficiary of the service.

The cess is really a tax, which the government has required the JPS to collect on its behalf. Taxes should be transparent in their collection, and we do not believe that the government in this case should cede its authority to a private company to collect taxes on its behalf. It is a dangerous precedent that the Council strongly objects to. Though the JPS is currently a monopoly, it is conceivable that other power and energy companies could emerge to provide energy to residential and business customers. Who then would collect the cess?

The Council of Presidents believes that another way to finance street lighting should be examined for example through existing property taxation. As we understand from the Minister's presentation, it would be possible to raise the additional \$540 million projected yearly from the imposition of the cess through increasing the compliance rate for property taxation (on current valuations) without raising property tax rates.

In addition, the Council is of the view that in its current form, the cess is inequitable as there is no significant relationship between the private consumption of electricity by residential and commercial users at their homes and business places, and the consumption of the "public good" of street lighting. The cost of providing a set of lights should not differ greatly from one community to another, and on that basis, neither should the charge to the beneficiaries.

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According to figures released during the Minister's presentation, the majority of the cess (57%) will be paid by businesses (see Table 1), though energy rates to these businesses are already higher than other countries in the region. The Council of Presidents is of the view that the cess is prejudicial to economic growth in that it increases the production costs of businesses and industrial enterprises and serves to make them less competitive than their counterparts in countries with whom we trade. The timing of this addition to production costs is poor in light of the general slowdown in major sectors since the September 11th attacks.

Finally, the Minister stated that, "each Local Authority after consultation with Members of Parliament and citizens will be responsible for recommending the new areas to be provided for street lights in each parish". The Council questions the necessity of consulting with members of the legislature in the final delivery of the service and believes that this method of service delivery serves to entrench the culture of patronage that dominates our public affairs and would advocate that decisions on the location of new streetlights be devoid of partisan political influence.

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END

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ATTACHMENT

TABLE 1
APPLICATION OF STREET LIGHT CESS BY CUSTOMER CLASS

RATE	CLASS	NO OF ACCOUNTS	AVERAGE MONTHLY BILL FOR CLASS	TOTAL REVENUE FOR CLASS	AVG. INCREASE TO MONTHLY BILL	TOTAL MONTHLY CESS FOR CLASS	
10 Residential		442592	1527	675,837,984	43%	48	21,221,313 43%
20 Small Commercial Businesses		53290	7070	376,760,300	24%	222	11,830,273 24%
40 Large Commercial and Small to medium Industrial		1320	224742	296,659,440	19%	7,057	9,315,106 19%
50 Large Industrial		98	2340943	229,412,414	15%	73,506	7,203,550 15%
				<u>1,578,670,138</u>		<u>80,832</u>	<u>49,570,242</u>

CESS PAID BY RESIDENCES	43%
CESS PAID BY BUSINESSES	57%

MESSAGE CONFIRMATION REPORT

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