

STATEMENT TO PARLIAMENT
Presented by Dr. the Hon Omar Davies
Minister of Transport, Works and Housing
Portland Bight/Goat Islands
February 25, 2014

1. Mr. Speaker, Today I am providing an update on the **Portland Bight/Goat Islands Project**.
2. Members may recall that when I addressed this Honourable House on October 29th last year, I presented the results of an **Environmental Management Scoping Project** which was commissioned by the **Port Authority of Jamaica (PAJ)** to identify the legal and regulatory environment, the natural heritage resources, the industrial and commercial interest; as well as, the principal bio-physical and socio-cultural characteristics of the Portland Bight Protected Area.
3. I indicated, at that time, that the “Scoping Study” was a preliminary study geared to provide information on the present situation in the area of interest; and that it would serve as a useful guide in determining the appropriate issues to be addressed in an Environmental Impact Assessment. I emphasised that **the Study was not an Environmental Impact Assessment (EIA)**, nor was it a substitute for one.
4. The Study concluded that the **Portland Bight Protected Area** is a multi-use national park which hosts important natural heritage resources; as well as, a number of industrial, commercial, residential and agricultural activities. It was, therefore, not an exclusive environmental conservatory. It further concluded that experience with such a mix indicated that it was possible to satisfactorily address or compensate for the environmental impact of the proposed project.

5. The findings of the Study were posted on the PAJ website and the PAJ conducted a series of consultations with a wide cross section of key stakeholders and interest groups.
6. What became evident from those initial consultations was that whilst there were objections from some environmental groups, there was also significant enthusiasm and anticipation regarding the proposed project, particularly given its potential impact on employment and Jamaica's over-all development. The PAJ continued its discussions with **China Harbour Engineering Company Limited (CHEC)** and has now arrived at an **Initial Framework Agreement** that provides the general terms and conditions under which the discussions will continue.

Basic Scope of Project

7. Mr. Speaker, the Project, as envisaged is a large **Greenfield Project**, which will be implemented in phases. The proposal from CHEC is that the scope of the first phase of the project will include the following elements:
 - **Development of an Industrial Park**, which will carry on the operations associated with, storage, assembling and packaging of goods in 'light' industries; 'heavy' industry manufacturing; information technology; and skills training;
 - **The laying and development of infrastructure facilities** to include: bridge(s), roads, drives, within the Project Area; pipelines and water storage facilities; sewer lines and sewer treatment facilities; electricity transmission lines and electricity generation facilities; cable transmission lines; and similar services and facilities contemplated for the Project;
 - **Dredging and land reclamation activities to create the Port** and suitable access channel to the Port;

- Construction and development of a **Container Terminal** with modern fittings, technology and services;
- **Construction and development of berths** of sufficient width, length and depth to accommodate Super Post Panamax vessels;
- **The lay out, construction and development of the Portside Logistics Zone** in the immediate proximity of the Port to include warehouses, and such other commercial buildings or facilities as may be necessary
- **Construction of a coal-fired electricity generation plant** for the supply of electricity to the facilities comprising the Project.

Feasibility and Environmental Impact Assessment Studies

8. CHEC, with assistance from PAJ, has applied to the **National Environment & Planning Agency (NEPA)** for a Beach Control License in order to begin their geotechnical investigation and the engineering survey which are necessary to determine the feasibility of the project.
9. The **Urban Development Corporation** and **Agro Investments Corporation**, the owners of the properties which are under consideration, have agreed for CHEC to enter their properties for the purpose of conducting these investigations. The technical feasibility study is expected to be completed by the end of April 2014. The preliminary designs for the first phase of the project will begin immediately thereafter; and is expected to be completed by the end of June this year.
10. At this stage, it is anticipated that the project will be sufficiently defined to allow CHEC to make a presentation to NEPA, to seek the requisite Terms of Reference

(TOR) for the Environmental Impact Assessment (EIA) of the project. And, Mr. Speaker, I must **emphasize that it is only after the completion of the EIA will the project be ready to be submitted to Cabinet for a decision.**

11. There are a number of issues which will need to be addressed prior to signing a **Binding and Definitive Framework Agreement**. These include the following:

- **Land Issues** – Acquisition of lands currently owned by the UDC and The Ministry of Agriculture (Agro-Invest and Innswood Estates)
- **Taxes and Incentives** – Taking into account the imminent repeal of the Freezone Act in 2015 and pending decisions regarding the treatment of Commercial Economic Zones
- **Citizenship** - review applicable laws, policy and procedure in light of possible request for citizenship from investors within the Project area.
- **Coal – fired electricity generating plant**: Given the high cost of electricity in Jamaica, CHEC proposes to establish its own coal-fired generating plant to provide lower cost electricity for the project.

Issues of Concern

12. Mr. Speaker, a number of concerns have been expressed regarding the project; and I would like to address them frontally. The first is that:

a. GOJ/PAJ is seeking to bypass Environmental Regulations. This is not so

Since my last address, there have been several town hall meetings with constituents in the Old Harbour Area as well as meetings with major stake holders including the Environmental Protection Groups.

- (i) CHEC, with the assistance of PAJ, has applied for permission to do bore holes on the proposed site as a part of the technical study.
- (ii) As soon as CHEC has presented the preliminary designs, PAJ will facilitate meetings with NEPA with a view to initiating the EIA process.

b. Low Level employment to be generated

- (i) The expectation is that there are **2,000 jobs** to be created during construction and **10,000 jobs** when the project is in full operation. The GOJ will negotiate the minimum ratios of Jamaicans to foreigners for the project. It should be noted that such a ratio was built into the Agreement for the construction of the North/South section of H2K.
- (ii) A **Training Complex** will be constructed in PHASE I of the project to ensure that Jamaicans with the requisite training and exposure are available for employment under the project.
- (iii) Training will be developed in collaboration with Jamaican tertiary institutions, the Caribbean Maritime Institute (CMI) and the HEART Academy. The objective is to ensure that there are adequate Jamaicans trained and well equipped to assume employment at all levels of the organizations that will make up the industrial complex.

c. The Project will be an Enclave Development

- (i) The majority of the complex will be on the main land where the industrial complex is located to take advantage of the large labour

force in Jamaica. It will have link roads to the North Coast highway, the South Coast highway and to Portmore.

- (ii) The cost of labour in China is rising rapidly and this will make it attractive to use skilled Jamaicans wherever possible, as it will be increasingly uneconomical to maintain a large number of Chinese to man the enterprises located in the zone.

d. Competition with the KCT Privatization

- (i) The **CHEC Project is first and foremost an industrial complex** with an associated port to support the activities of the zone.
- (ii) The port will be a mixed use facility. It is proposed that it will house the **assembly plant** for cranes and other port related equipment. It will also serve as the **home base for CHEC's dredging and harbour building equipment**, for use in projects throughout the hemisphere.
- (iii) The Port is not expected to be engaged in transshipment activities for several years yet. It will require time for technical development, after the signing of the implementation and concession agreements prior to the start of construction, and another period for construction. Assuming that the Agreements will be concluded about a year from now, the port will not be in operation for approximately four years. It is also expected to be limited in scope at the start.
- (iv) On the other hand, the **KCT Concessionaire** will be acquiring a going concern with excess capacity at present and with the ability for that capacity to be expanded within a short time frame by changes to the equipment at the terminal. The lead time prior to the start-up of

the CHEC Terminal is more than sufficient for a Global Terminal Operator to establish the necessary volumes and to entrench itself in the regional maritime trading arrangements.

- (v) Mr. Speaker, I think that it is essential that all hearing this presentation appreciate the following:
- (vi) Even if Jamaica did not pursue the CHEC proposal, that company is likely to implement the project elsewhere in the region. There are many countries willing to accept an offer from CHEC to develop the industrial complex and port in their country.
- (vii) The Global pattern is for major shipping lines (and in particular the integrated arrangements among the major carriers such as the P3 arrangement between the top three lines) to have their own terminals. It is not usual to have more than two of the top lines being managed out of a single terminal. The fact that Jamaica may have two terminals would serve us in good stead in establishing ourselves as the major transshipment terminal in this region.
- (viii) The model of development for the terminals is expected to be different and no overlap is envisaged.

BENEFITS OF THE PROJECT TO JAMAICA

13. In addition to what I have already outlined, it is anticipated that the Project will benefit Jamaica in becoming **a major transport and logistics hub**. The Project, as defined, will result in:

- (i) Increased generation of primary revenue streams from transport and related facilities and services;

- (ii) Increased contribution of transport services to Jamaica's GDP and employment;
- (iii) Opportunities for development of related economic activities throughout the logistics value chain;
- (iv) Provision of an ideal platform for global competitiveness for domestic producers and exporters.
- (v) Increased opportunities for employment, technical and skills training and knowledge transfer.

ROLE OF THE PORT AUTHORITY

14. The Port Authority of Jamaica is the agency charged with the responsibility for the development and implementation of this project. The Port Authority Act already mandates the Port Authority to regulate the use of all port facilities in a port; provide and operate such port facilities and other services as the Minister may require; and to carry out such activities as appear to it to be advantageous, or necessary, in connection with the discharge of its duties.
15. We have been fortunate to have had the smooth transition in leadership at the PAJ from the Hon. Noel Hylton to the new CEO, Professor Gordon Shirley.
16. Professor Shirley has also been appointed by Cabinet to chair the National Logistics Initiative Council to provide the necessary coordination, facilitation and technical advice and oversight required to achieve the strategic goal of positioning Jamaica as a Global Integrated Logistics Hub.

17. The Port Authority has been given the responsibility to execute a Framework Agreement and subsequent Agreements on behalf of the Government of Jamaica for this project.

Strategic Investment

18. Mr. Speaker, I would like to advise that this project, if approved, will be designated as **a strategic investment**. It would qualify as a strategic investment under the Government's Policy Framework and Procedures Manual for the Privatization of Government Assets, having met a number of the requisite conditions namely:

- Strong policy coherence with Government's strategic direction and priorities;
- Alignment with maritime sector and national development plans; and,
- Clear long term benefits to Jamaica's sustained growth

19. Furthermore, it will capitalize on global and regional market positioning; and would respond to changes in the external environment that are highly time sensitive. In addition, it requires action within a limited time frame to maximize the economic opportunity. It also provides the opportunity for an industry/sector to be transformed by an investment of a **"marquis" investor** whose involvement may attract other major entrants.

20. As Jamaica proceeds with its plans for positioning the country as a global logistics player, **there is an urgency to implement investment-ready feasible projects such as this**. The country must be ready to take advantage of the opportunities to be derived from the expansion of the Panama Canal; and, particularly from the shifts that are taking place within global trade and shipping.

21. Mr. Speaker, we also need to be mindful of potential competition from other regional players, which are already embarking on similar plans.

1. Mr Speaker, at this time I would like to take the opportunity to update this Honourable House on another exciting project that is being spear-headed by the Port Authority – that is the privatization of the Kingston Container Terminal. Three large Global Terminal Operators have been pre-qualified. They are - Port of Singapore (PSA), Terminal Link Consortium [CMA CGM/Terminal Link, China Harbour Engineering Co, China Merchant Holding International] and Dubai Ports (DP) World.

22. The RFP and Confidential Information Memorandum were issued in mid-January this year, and relevant data placed in a Virtual Data Room signalling the commencement of the Bidding stage of the Privatization process.

23. Senior officials of the first of the three firms bidding for the KCT Concessionaire, **PSA** are currently in the island meeting with the management of KCT and conducting their site visits of the facilities. PSA will return on March 10, to undertake a detailed technical assessment of these facilities.

24. Similar visits are scheduled for the other bidders – **DP World** is scheduled for March 17 - 18, and the **CMA CGM consortium** is scheduled for March 19 – 21.

25. A Draft Concession Agreement outlining the terms and conditions of the agreement has been prepared and provided to the bidders. The Draft Concession Agreement will be discussed and issues clarified during the site visits.

26. The bids are to be returned by the bidders on May 22, 2014, and evaluation completed by June 20, after which a provisional bidder will be selected followed by the commencement of negotiations of the Concession Agreement.

27. We expect to conclude these negotiations by the end of September 2014.

CONCLUSION

28. Mr. Speaker I have sought to provide information on the projects on a timely basis. We have followed due process and have done everything that we have set out to do and will continue to do so. Therefore, a source of concern is that false information is circulated which is sometimes accepted as fact. I therefore ask commentators to seek clarification on issues before going to press.
29. The most recent example of this misinformation was the assertion that the UDC had concluded the sale of the Goat Islands to China Harbour. However, the misinformation went further – detailing a selling price, the Committee which approved the sale, as well as the date on which the Committee met.
30. Mr. Speaker, the PAJ and my ministry have sought to limit our public utterances to those times when there is a specific new development on which to report. Today is one such day.