



BARBADOS
PRIVATE SECTOR
TRADE TEAM

**REPORT OF THE 9TH ANNUAL PRIVATE SECTOR FORUM OF THE BARBADOS
CHAMBER OF COMMERCE & INDUSTRY IN COLLABORATION WITH THE
BARBADOS PRIVATE SECTOR ASSOCIATION
APRIL 30TH, HILTON BARBADOS**

A. Introduction

The 9th Annual Private Sector forum was convened under the theme: “Easing the Burden of the Cost of Living”. Mr. Magnus Whitehead, CEO of the Barbados Chamber of Commerce and Industry (BCCI) and the Barbados Private Sector Association (BPSA) welcomed the respective private sector organisations and company representatives to the forum. He noted that the topic under which the forum was convened was pertinent especially in light of government’s recent decision to remove subsidies on fuel which is affecting all sectors of the economy. He also noted that the substantial price increases taking place are not going to disappear anytime soon, that they are global in nature and require collaboration. The forum was hailed as one step in the direction of fostering collaboration at the national level.

The President of the BCCI Mr. Dick Stoute also addressed the opening of the forum. He noted that the cost of wholesaling and retailing in Barbados was too high and pointed at the need to look at trade logistics in terms of driving prices down. It was noted that port costs were too high and that the process of getting goods through the port was too long. It was further noted that the private sector needs to do what it can do reduce costs and improve productivity. On the issue of productivity, it was also noted that the looming tripartite discussions toward a new social partnership must address the issue of productivity.

The final person to address the opening of the forum was Mr. Ben Arrindell, Chairman of the BPSA. He noted that there were difficult times ahead for Barbados and called on all social partners to exercise restraint. As such, he advised that government needed to reduce expenditure, that the labour

movement needed to temper wage demands and that the private sector needed to do more to stem price increases.

B. Presentations

Energy

Mr. Roger Bryan of SOL Barbados Limited presented on energy and how it is affecting prices. It was noted that since 2004, there has generally been an upward trend in the price of fuel. In 2004, the cost of oil per barrel stood at approximately US\$40 whilst in 2008, the cost has surpassed US\$90. A number of issues driving up the cost of fuel were also identified. These included:

- Growing demand in China and India;
- Slowing United States economy;
- Global anxieties such as natural disasters, oil worker strikes or an attack on an oil refinery anywhere in the world.

Agriculture

The CEO of the Barbados Agricultural Society, Mr. James Paul, looked at the general trend of increasing prices in the context of agriculture. He noted that there have been increases in most types of agricultural production, especially in non-sugar agricultural production. He further identified a number of inputs used in agricultural production which were increasing in cost such as fertilisers. This was also contributing to the increases being witnessed with respect to a number of agricultural products. He also noted that basic commodities such as corn and soya-bean were increasing in cost due partly to growing demand in China and India as well as speculation in the market. For instance, corn has moved from US\$2.50 per bushel two years ago to approximately US\$6.50 per bushel currently.

Small Business Sector

Mrs. Sandra Husbands-Nurubakari looked at the impact of current price increases on the small business sector. She noted that the sector currently comprises of approximately 11,000 entities, both small and micro and employs about 30,000 persons. Across the Caribbean, the small business sector contributes approximately 40% to the region's GDP and Mrs. Husbands-Nurubakari noted that the demise of this sector would have social consequences such as increased poverty and dislocation. It was further noted that the small business sector is less resilient than other sectors to even short

periods of hardship and can collapse within three or four months. In terms of specific impact, she noted that the high cost of fuel as well as high food and product costs were resulting in higher costs for doing business, higher cost of living and therefore, lower consumer spending power. These together can result in a number of small businesses ceasing to operate.

Hotel and Tourism Sector

The Barbados Hotel and Tourism Association was represented by Mr. Alvin Jemmott who looked at the impact of the rising cost of living on the Hotel and Tourism Sector. He noted that there were increases in all of the sectors' input costs such as electricity, importation and shipping of goods and equipment, fuel costs as well as food and beverages. These were resulting in increased operations costs for the different aspects of the hotel and tourism industry.

Retail and Distribution Sector

Mr. Andy Armstrong presented on behalf of the Retail and Distribution Sector. He noted that in order to deal with the issue of rising prices, greater attention needs to be placed on creating greater efficiency at the customs (port) department. He referred to an Inter-American Development Bank study that was conducted in 2007 which called for better supply chain practices in Barbados in terms of improving transportation and reducing costs at the Bridgetown Port.

The Manufacturing Sector

The Manufacturing Sector was represented by Mr. Adrian Padmore. He noted that there have been significant increases in prices in recent times and further noted that these increases were being passed from businesses to consumers. He also indicated that the priorities of the manufacturing sector at this time were to protect and create jobs, maintain viable volumes and remain competitive.

The Barbados Employers Confederation (BEC)

The BEC was represented by Mr. Harry Husbands. He noted that his organisation was in the process of planning and meeting with its membership to deal with labour related issues in the context of the current climate of price increases and rising cost of living. He also indicated that if the current situation continues, there will be layoffs and some businesses may be forced to cease operations.

C. The Way Forward

Energy

A number of recommendations were made with respect to how Barbadians can respond appropriately to the current energy problems. The following arose:

- Barbadians need to be encouraged to use more diesel powered vehicles;
- There is a need for the widespread use of solar water heaters and other energy efficient appliances;
- The Barbados Light and Power Company needs to diversify its fuel source. For instance, consideration should be given to the more widespread use of natural gas as opposed to crude oil.

Agriculture

A number of recommendations were also offered with respect to positioning the agricultural sector to deal with the current climate of rising prices and a general rise in cost of living. These included:

- The distribution system needs to be reviewed in order to get cheaper products to the consumer;
- There is scope for the greater use of technology and research within the industry;
- The different production sectors within Barbados need to become more integrated. For instance, there needs to be closer integration between agriculture and manufacturing or agriculture and tourism;
- A credit arrangement should be established between the farming community and the tourism sector;
- Government needs to implement a proper land use policy instead of leaving the use of land to market forces. Therefore, government needs to reserve a percentage of land in Barbados for agricultural production.

The Small Business Sector

There are a number of initiatives that the small business sector could adopt going forward. These include:

- Bulk purchasing and resource sharing to reduce cost of doing business;
- More joint sectoral projects and joint marketing;

- Greater dialogue with creditors such as landlords, banks, utility companies and suppliers;
- Government should be petitioned towards reducing the cost of diesel to small businesses;
- The plan to establish vendor islands at strategic points needs to be expedited;
- A warehousing facility to assist with bulk purchasing needs to be established;
- While mergers are not being presently considered, it was noted that the small business sector in the future should look to mergers as the ultimate form of collaboration.

Hotel and Tourism

A number of recommendations were also put forward with respect to how the hotel and tourism sector can deal with the problem of rising prices. These include:

- Government should be petitioned to reduce taxes on diesel for tour operators;
- The exorbitant fees charged to register coaches used by tour operators need to be revisited;
- The industry needs to consider bulk purchasing as a viable option to cut costs;
- Hotels and attractions need to be encouraged to become more environmentally friendly.

Retail and Distribution

Recommendations were also offered in relation to measures that can be taken to reduce costs in the retail and distribution sector. These include:

- Implementing an 'Electronic Single Window' system at the Bridgetown Port;
- Introducing the option of duty free purchasing to locals;
- Revisiting supply chain management practices in order to reduce costs in the overall process;
- Legislation affecting the operation of businesses need to be revisited such as restrictions on work hours per week.

Manufacturing

The following recommendations were made with respect to assisting the manufacturing sector in reducing costs. These include:

- Government needs to be petitioned to allow for concessions on diesel for the distribution of locally manufactured goods;
- Government should be encouraged to offer export tax incentives for regional and extra regional exports as well as for the creation of new markets.

Employers

There was a call for the mechanisation and automation of various processes to enhance the conduct of business in the workplace.

General Recommendations

A number of recommendations were also put forward that were not specific to any one sector. These are outlined below:

- I. The BPSA was urged to request of government to conduct an analysis on the impact of the Value Added Tax (VAT) on the cost of living.
- II. The BPSA was also advised to call on government to reduce the size of the public sector as well as to cut back on government spending.
- III. The issue of productivity also featured prominently in the discussions. It was noted that more emphasis needs to be placed on productivity and some persons were of the view that any future wage increases should be indexed to productivity or that even now, discussions should begin with a view toward implementing a pay for performance system. It was further stated that the pending Social Protocol needs to address the issue of productivity.
- IV. It was also suggested that the private sector needed to enter into discussions with the labour movement concerning extending the working hours.
- V. Attention was also focused on the Bridgetown Port and some were of the view that the operations of the port needed to be deregulated. It was noted that tourism and cargo activities needed to be separated and that a multi-shift system for workers needed to be implemented.
- VI. There were also discussions on revisiting the Common External Tariff as well as lowering the national tariff rates in order to introduce more competitive products into the market.

D. Conclusion

In closing, the CEO of the BPSA and the BCCI reiterated that the forum was the first step by the private sector in seeking to address the issue of the rising cost of living. He also encouraged the respective private sector organisations present to conduct similar sessions with their membership which can then be compiled and a comprehensive national private sector approach/position derived.

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