

HOUSE OF REPRESENTATIVES*Monday, October 19, 1992*

The House met at 1.45 p.m.

PRAYERS[MR DEPUTY SPEAKER *in the Chair*]**PAPERS LAID**

1. Report of the Auditor General on the Accounts of the Trinidad and Tobago Tourist Board for the year ended December 31, 1986. [*The Minister of Finance (Hon. W. Mottley)*]
2. Report of the Auditor General on the Accounts of the Trinidad and Tobago Tourist Board for the year ended December 31, 1987. [*Hon. W. Mottley*]
3. Report of the Auditor General on the Accounts of the Trinidad and Tobago Tourist Board for the year ended December 31, 1988. [*Hon. W. Mottley*]

Papers 1 to 3 to be referred to the Public Accounts Committee.

4. Report of the Auditor General on the Accounts of Trinidad and Tobago Export Trading Company Limited for the period May 1, 1986 to December 31, 1987. [*Hon. W. Mottley*]

*To be referred to the Public Accounts (Enterprises) Committee.***ORAL ANSWERS TO QUESTIONS****Tableland Health Centre
(Rebuilding)****29. Mr. Mohammed Haniff** (*Princes Town*) asked the Minister of Health:

Would the Minister of Health indicate:

- (a) Whether Government has any plans to rebuild the Tableland Health Centre (Office)?
- (b) If the answer to (a) is in the affirmative, would the Minister state when the project is likely to commence?
- (c) If, however, the answer to (a) is in the negative, would the Minister state whether any repairs are planned for this said health office and when it would commence?

The Minister of Health (Hon. John Eckstein): Mr. Deputy Speaker, the answer is as follows:

- (a) The Government proposes to build a new health centre at Tableland;
- (b) The Minister is unable to give an exact date when the project is likely to commence. Several health institutions have been identified for upgrading. They have been the ones adjudged by Ministry of Health personnel to be most in need of upgrading or, rebuilding. The cost of this exercise exhausts all the funding currently available to the Ministry of Health. When additional funds are available, consideration will be given to the construction of the Tableland Health Centre.

Mr. Haniff: Could the hon. Minister please state whether he is aware that on health office days, members of the public have to shelter in the shop across the street when they attend the health office?

Mr. Eckstein: As I have indicated, the ministry has determined that there is need for a health centre in the Tableland area because the present one is in a deplorable state. However, there are other areas in which the need is even greater and budgetary provisions for facilities in those areas have exhausted the funds that are available to us. As soon as additional funds are made available, we will give consideration to building the health centre in the Tableland area.

School Buses (Nariva Constituency)

35. Mr. Krish Jurai (*Nariva*) asked the Minister of Public Utilities:

Is the Minister of Public Utilities aware that there are no school buses or any buses for use by the general public on the following routes in the Nariva constituency:-

- (a) Sangre Grande to Biche?
- (b) Sangre Grande to Guaico, Tamana?
- (c) Sangre Grande to Four Roads, Tamana?
- (d) Sangre Grande to Cunaripo/Bon Air/Coryal?
- (e) Sangre Grande to Little Caura Road/Guatapajaro?
- (f) Sangre Grande to Manzanilla/Mayaro?

- (g) Sangre Grande to Rio Claro?
- (h) Sangre Grande to Plum Mitán?
- (i) Rio Claro to Tabaquite?
- (j) Rio Claro to Mayaro?

Is the Minister aware that as a result of the non-existence of school buses on the aforesaid routes, and the prevailing high fares charged by other forms of transport, children in those areas cannot attend school?

If the answer is in the affirmative, would the Minister state:

- (a) What action will be undertaken to resolve these problems?
- (b) Whether in the interim, in an effort to resolve this critical transport problem, he is prepared to provide a maxi-taxi school bus service to the affected routes as aforementioned?

The Minister of Public Utilities (Hon. Morris Marshall): Mr. Deputy Speaker, the Minister of Public Utilities has been advised of the non-existence of school buses on the routes in question and indeed sympathizes with the school children in the respective areas who are enduring such hardships in attempting to attend school.

The Minister of Public Utilities wishes to advise this honourable House that the school bus service was re-introduced on a limited scale from February 10, 1992 with a total of 25 buses to serve areas in different parts of Trinidad and Tobago. Cognizant that there might be need for further expansion of the school bus service, a recommendation was made to Cabinet that a committee be established to review the re-introduced school bus service. Accordingly, on February 20, 1992, Cabinet appointed a committee to review the operations of the re-introduced school bus service, assess the need to expand the said service, highlight the implications of undertaking any required expansion and formulate a recommended course of action.

The composition of the committee then was as follows:

Mr. Simeon Yearwood, Acting Senior Planning Officer, Ministry of Public Utilities—Chairman

Mr. Valance Patino, Assistant Director, Ministry of Finance

Mr. Hugh Lee, Chairman of the School Bus Service Committee

Mr. Philbert Morris, Chairman of the Public Transport Service Corporation

Ms. Anna Mahase, then Principal of St. Augustine Girls' High School

Mr. Albert Aberdeen, President, Transport and Industrial Workers' Union

Mr. Glenville Taitt, President, National Parent-Teacher Association

Mrs. Annette Fitzpatrick, Planning Officer I, Ministry of Public Utilities

It should be noted that on April 2, 1992, two other persons were appointed to the Committee, Mr. Rawle Richardson, School Supervisor III, Ministry of Education, and Mr. Emile Charles, Deputy Chairman, PTSC, in place of Dr. Philbert Morris, former Chairman.

1.55 p.m.

The Minister of Public Utilities wishes to further advise that the report of this committee is in its final stage of preparation and will be available to the Cabinet by October 30, 1992. In the interim, the Minister will investigate the possibilities of providing a maxi-taxi school transportation service to the affected routes.

The Minister of Public Utilities assures this honourable House that the Ministry and the Government remain committed to the task of resolving the transportation problems being endured by the nation's school children.

Thank you, Mr. Deputy Speaker.

Mr. Jurai: Mr. Deputy Speaker, I want to repeat that I have mentioned several routes here and I am sure the Minister is aware that there is no public bus service or school bus service.

I am asking for immediate introduction of maxi-taxis to ease the plight of the school children. Would the Minister so oblige?

Mr. Marshall: Mr. Deputy Speaker, I wish I could have made a maxi-taxi service available this evening, but the reality is that it is just not possible. I sought to put the real situation to this House and indeed to the Member for Nariva.

For this term, alone, it is costing us close to \$1 million to deal with those maxi-taxis that we have, on the various routes for our school children. I will see if we can assist—in fact, I have requested of the PTSC to see if it is possible at all within the constraints of the financial resources. If it is possible, we would certainly do that.

Miss Nicholson: Mr. Deputy Speaker, I should like to find out if when the Member for Laventille West speaks, he speaks from a national standpoint, that is, Tobago included. Is he also aware that PTSC serves Tobago and that Tobago should have a school bus service.

I am alarmed that he has a committee looking after that but he does not have a representative from the Tobago House of Assembly. I want to know if he understands the urgency of a school bus service in Tobago.

Mr. Deputy Speaker: Member—

Miss Nicholson: It is a supplemental question.

Mr. Deputy Speaker: That sounds like a long debate. If you have a supplemental question, I would appreciate it, if the question can be put so the Member can answer it.

Mr. Marshall: Mr. Deputy Speaker, I want to assure my friend the Member for Tobago West that we are indeed looking at it on a national basis. We have been keeping in touch with many persons from Tobago. It really was an oversight. It is not intended to leave out Tobago. In fact, we are dealing with Tobago as best we possibly can. I think about eight or ten of the maxi-taxis are servicing communities in Tobago.

Rest assured that Tobago will continue to be treated equitably. There is no attempt to treat Tobago any other way. I hope that you will appreciate that, Member for Tobago West.

Water Shortage (Cipero Road)

36. *The following question stood on the Order Paper in the name of Mr. Subhas Panday (Naparima):*

Could the Minister of Public Utilities state what steps, if any, are being taken to ease the acute water shortage on the Cipero Road from Jordan Hill Village to Lengua Village?

The Minister of Public Utilities (Hon. Morris Marshall): Mr. Deputy Speaker, I wish to request some additional time to be able to respond to this question by Friday.

Question, by leave, deferred.

**Landslips
(Papourie Road)**

37. Mr. Subhas Panday (*Naparima*) asked the Minister of Works and Transport:

Could the Minister kindly state when work on the following landslips on Papourie Road will commence:

- (i) Landslip in the vicinity of Light Pole No. 91?
- (ii) Landslip in the vicinity of Light Pole No. 111?
- (iii) Landslip in the vicinity of Light Pole No. 125?

The Minister of Works and Transport (Hon. Colm Imbert): Mr. Deputy Speaker, the landslip in the vicinity of Light Pole No. 91 on Papourie Road was repaired during the first quarter of this year.

The landslips at Light Poles Nos. 111 and 125 are scheduled to be repaired under the Landslips Repair Programme in 1993, subject to available funding.

Mr. Sudama: Could this Minister tell this House where he gets his information? Obviously what he says about Papourie Road is not true. No work has been done in the first quarter of this year on Papourie Road.

Mr. Imbert: Mr. Deputy Speaker, the information given to me by the District Engineer at the Highways Division of the area in question is as follows:

"The repair work on the landslip was started on 11th February, 1992, and completed on the 6th March, 1992."

Thank you.

**Barrackpore Industrial Park
(Boundaries)**

38. Mr. Subhas Panday (*Naparima*) asked the Minister of Planning and Development:

Could the Minister say what are the boundaries of the parcel of land which has been earmarked for the Industrial Park at Barrackpore?

The Minister of Planning and Development (Sen. Dr. The Hon. Lenny Saith): Mr. Deputy Speaker, the parcel of land identified for an industrial park at Barrackpore has not yet been surveyed to demarcate the boundaries of the site.

The land for industrial use, however, is located approximately 150 feet north of the Borde Narve Village in the Barrackpore area and is bounded on the west by a Caroni (1975) Limited access road.

Mr. S. Panday: Could the hon. Minister state when these lands will be surveyed and the boundaries identified?

Dr. Saith: Mr. Deputy Speaker, the lands will be surveyed. The matter is now with the Director of Surveys. They are in a list of surveys that have to be done and they will be surveyed. I cannot give an exact date.

CARONI (1975) LIMITED
[FIFTH DAY]

Order read for resuming adjourned debate on question [September 18, 1992]:

Be it resolved:

That this House take note of the Report of the Cabinet appointed Tripartite Committee on Caroni (1975) Limited.

Question again proposed.

The Minister of Agriculture, Land and Marine Resources (Dr. The Hon. Keith Rowley): Mr. Deputy Speaker, when we took the adjournment of the last sitting, I was in the process of trying to deal with a problem which arose with the presentation of this motion.

The entire tenor of the debate which came from the other side was guided by certain positions taken by the Member for Naparima in seeking to give the impression that the Government was saying one thing but had the intention of doing something else.

He presented facts, figures and page numbers for his colleagues and the end result of that was that the Members for Nariva and Caroni East—who otherwise would have known better and would have done better—made their contributions along those lines.

I was trying to make the point that there are many reports relating to the business of Caroni (1975) Limited. I do not know the exact number. I am not even sure if anybody knows the exact number.

It was quite irresponsible for the Member for Naparima—

Mr. S. Panday: On a point of order, Mr. Deputy Speaker. The Member is breaching Standing Order 36(5).

Mr. Deputy Speaker: I do not see where the Member is in breach of 36(5). Will the Member continue, please.

Dr. Rowley: Thank you, Mr. Deputy Speaker. I am not surprised that the Member would try to throw a muzzle in my direction. He has anticipated the point I was going to make. The point is that he was so bent on proving the point that the Government was being two-faced about this matter, that we had the situation where he quoted a meeting that he had with a Member of the House where statements were made that the Government did not intend to do what the Government was saying. Of course, the Member for Toco/Manzanilla has since cleared that up.

It would be remiss of me, if only for the record of the Parliament, not to correct other misrepresentations by the Member for Naparima. The Member said that the Government has a Booker/Tate Report. Yes, the Government has a Booker/Tate Report.

Mr. S. Panday: Why did you not tell the House?

Dr. Rowley: The Government has several reports of which the Booker/Tate Report is one. I made the point that the Government has a report from a management consultant, which was delivered in February. We have the Price Waterhouse Report which was delivered in December of last year and, in fact, contrary to what the Member for Naparima said, there was absolutely no secrecy about the bringing of consultancy through the Booker/Tate group to the Government's information pool.

Mr. Deputy Speaker, if I go back to my presentation at 3:20 p.m. on the date when this motion was presented—and I quote for you:

"As a result of that realization that the tripartite approach would have borne fruit—and which it has done—while the tripartite approach was being taken and they were working at arriving at this consensus, I, as Minister, was working on the other front—that of seeking to identify investment funds which would be required to give life to what we have agreed to in this report."

I indicated to this House that while the Tripartite Committee was meeting, trying to get consensus, anticipating what the consensus would require and not wanting to waste time in the process, I, as Minister, was seeking to do other things.

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In fact, the Member for Naparima went on to say that this thing was done and, to use his phrase, in the "cloak-and-dagger of night". Mr. Deputy Speaker, there could be no cloak and dagger at Caroni (1975) Limited. Let me quote from the management report which was delivered in February of this year:

"Communications in Caroni are affected by speculation, lack of confidentiality and hearsay."

If anything proves that, the performance of the Member for Naparima does.

Mr. Humphrey: Would the Member give way to a question? Would he indicate to this House whether the investment funds that he, as Minister was seeking, were to assist Caroni (1975) Limited in carrying out this programme, or to invite a foreign investor to come and purchase Caroni (1975) Limited?

Dr. Rowley: I will come to that. The point I was making is that the management report which was paid for by Caroni (1975) Limited, says that hearsay and lack of confidentiality are par for the course and we have the proof here. Because, you see, the Booker/Tate Report—contrary to what was being told to the House—on page 9, says:

"Booker/Tate wishes to record its appreciation of the whole-hearted co-operation received by the team from the management and staff of Caroni (1975) Limited without whose assistance this exercise could not have been completed."

Clearly, there could have been no cloak-and-dagger arrangement when they had to deal with the management and staff.

Mr. Humphrey: On a point of order, Mr. Deputy Speaker. The hon. Minister is quoting a report that was not laid in this House. I think that in deference to the Parliament he should either lay the report in the House or refrain from quoting from it.

Dr. Rowley: Mr. Deputy Speaker, there are Standing Orders in this House and I shall be guided by them and wait for your ruling. I am not aware that there are limits on what you can quote from. The document I am quoting from is the Booker/Tate Report, delivered in July 1992. I am not aware that it has to be laid before I can quote from it. They are seeking to disrupt my thoughts so I would not say what I have to say but they will not succeed with that.

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What I have to say is that there was no cloak-and-dagger arrangement. I met on many occasions with the tripartite team and expressed to them exactly the approach that we were taking. I said so in this House. Just to prove the point that there is a certain measure of mischief in the direction taken by the Member for Naparima, he goes on—

Mr. S. Panday: You are hiding information from the House.

Dr. Rowley: I want to correct for the record; he made a number of statements which I tried—

Mr. Deputy Speaker: We have had several outbursts in these sittings and I think we have tolerated to a large extent quite a few. But I should like to draw to the attention of the Member for Naparima, Standing Order No. 35. I think he has been in this House long enough to adhere to that Standing Order. Please continue.

Dr. Rowley: Thank you, Mr. Deputy Speaker.

He made many categorical statements which were diametrically opposed to fact. I wish to correct them for the record and for the benefit of the workers at Caroni (1975) Limited and the general public.

He stated that in the Booker/Tate Report—of which he apparently has a copy, on page 27—and I want to quote him—it calls for the retrenchment of 3,200 workers from 5,700. I wish to state categorically that at page 27 of the Booker/Tate Report, the subject matter that is being dealt with is accounting functions and has no treatment of retrenchment at all.

He went on to tell the House at numerous points in his contribution that it calls for the closure of the diversification programme and the closing down of Caroni's diversification efforts. Mr. Deputy Speaker, there is no such call in any report in the possession of the Government, least of all the Booker/Tate Report. Just to put your mind at ease, Mr. Deputy Speaker, I should like to quote what that report has to say with respect to diversification.

Whereas the Member for Naparima was telling this House that the Government has a report which calls for the closing down of Caroni's diversification programme and that the Government intends to implement that in an underhanded way, let me quote for you some salient passages on that subject from the said Booker/Tate Report which he made heavy weather:

"Agricultural diversification, rice: A separate profit centre. The area in rice will be expanded cautiously in view of the general move towards trade

liberalization and a risk of competition from regional producers. It can become a separate profit centre.

Citrus: This can also become a separate joint venture."

The report makes comments about beef.

"Aqua-culture: This project is at a pilot stage. Additional working capital will be needed to take it through to a commercial operation at which time specialist, technical and marketing skills will be needed."

Now, does that sound to you, Mr. Deputy Speaker, as any closing down of any diversification programme? I am hoping that while I am saying these things, the Member for Naparima will do the decent thing and get up and apologize to this House for his behaviour during the debate.

Mr. Maharaj: Could the hon. Minister tell us whether taxpayers' money was paid for that report, and whether the Government will be prepared to lay that report in Parliament?

Dr. Rowley: Yes, it was paid for by the Government of Trinidad and Tobago and at this stage I am not giving any consideration to laying it before the House.

The point I am making is that when the Government entered the tripartite arrangement, having given a commitment up front that it would be bound by the consensus of that report, the Government had to take into account all the information available with respect to a number of matters. In fact, let me point out, that this Booker/Tate Report was to supplement the work being done by the Tripartite Committee. It had a specific purpose. If the Government was going to commit itself to making certain specific investments in Caroni (1975) Limited, it had to know exactly what those investments would be. It had to know what the viability from the technical standpoint would be. The reason we hired Booker/Tate is that as, you would know, if you need brain surgery you do not go to the butcher in the market; you go to an expert.

Whatever is being said by the Member for Naparima, the point is that it cannot be denied that Booker/Tate is an internationally recognized expert body of opinion in world sugar production, whether we are in love with the organization or not. The fact of the matter is that the Government needed technical advice and it sought it from the proper quarter. It was paid for. It has absolutely nothing to do with any ideological hoo-hah about bringing Booker/Tate back to Trinidad and Tobago.

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If you look at the Tripartite Report you would see that it does not make any quantum available with respect to things that have to be done. It says the direction that we will go, but in terms of putting hard numbers on those things, it did not do that and that is why we had to get technical expertise to put on the numbers.

When you look at the Tripartite Report, you do not see anything to do with costings and cane supply; costings and mill extraction; costings and overall recovery; operating costs; boiling house recovery, costings, or actual numbers. It is on the basis of those actual numbers that the Government saw where it could commit itself to making an \$80 million capital injection into Caroni (1975) Limited for specific purposes. In the Tripartite Report you will see a commitment to making \$80 million of capital investment, but to do what? The specifics are in the technical report and that is the context of the Booker/Tate Report. I think we can put that to rest.

If it is that we are talking about reports and the fact that a report exists means that that is what you are going to do, then the report you ought to be worried about is the one that was laid last December—the Price Waterhouse Report—because that one talks about shutting down Caroni (1975) Limited. I did not hear him mention this. *[Interruption]* It was not laid because it is not the Government's policy or the Government's direction. The point I am making is that all these reports give impressions.

Since we are talking about reports, let me point out to you, Mr. Deputy Speaker, that if other assessments are under wraps and that is what the Government is going to do, then we should not be worried about the Booker/Tate Report. Let me quote one paragraph from the Price Waterhouse Report under "Macro-economic assessment". I think it is important to quote this to give you a perspective:

"Resource utilization:

Although this has been discussed in the context of Caroni's contribution to the economy, it can also be seen as a cost. At the present time, the land, labour and capital employed by Caroni have a negative return on resource utilization because of low productivity and non-profitability.

This means that if Caroni (1975) Limited was shut down, Government would not have to bear its \$100 million cash losses per annum. Resource utilization also has an associated opportunity cost, because there are probably

other ways in which the resources employed by Caroni could be used more efficiently and profitably.

Currently, these resources are being withheld from other uses, be they existing or potential industries. This subject would need further study.

Any proposed changes in Caroni would have to address the issues covered in the macro-economic assessment. It becomes clear, then, that an option that may be financially attractive could be economically unacceptable to Government. Yet it is also clear that, in the current situation, Caroni fails on both scores.

Caroni, therefore, needs options that are developed with the goal of being both financially and economically attractive."

The fact that something is said in a report does not mean that that is policy. When the Government comes with a tripartite report, taking into account all that is being said by all the various sources and then says it is going to pursue the course of action that has been hammered out at the tripartite level, the least we can do is accept the good faith and the correct course of action. You pay attention to everything and then see what course of action to take. What the Government is saying is that notwithstanding whatever report exists—

Mr. Maharaj: I wonder if the hon. Minister would give way. Could he state why these reports were not made available to the Committee? I looked at the Committee's report as to what documents they had before them—Appendix 4. Could he give any explanation as to why these reports, if they could have been useful, were not made available to the Committee?

Dr. Rowley: I do not think that your assumption is correct. In fact, this copy was given to me by the Chairman of the Committee, himself. It was used in formulating the company's position, because the company was a part of the Tripartite Committee. The Committee was made up of the Government, the unions and the cane farmers, the company agreeing on the situation. The fact is, I did not have all the information the union had. I do not know what the union had. The union did not give me every document they had. The Booker/Tate Report was commissioned, in parallel, to support the tripartite exercise. I said it in English just now—in anticipation of a successful conclusion of the tripartite exercise, we sought to get numbers for the capital programme. I do not understand your point. There is nothing sinister about it. If you would like to look at this, it is in the library at Caroni.

Mr. Maharaj: All right. With respect to the Booker/Tate Report, is there any explanation why—it was a Government report paid for with taxpayers' money—the Government did not consider it worthwhile to make that report available to the other sides of the Tripartite Committee?

Dr. Rowley: It was available to the Government and the Government was part of the discussions. I will say this over and over: The Government entered into an arrangement to be bound by the consensus. Therefore, the Government had to have information before it committed itself in a negotiation. Do you give your briefs to the other side when you go to court? The trade unions were there; they did not give their brief to the Government. The cane farmers were there, they did not share their brief. The point I am making is, there was nothing sinister about it. It was work that came out of working with the Caroni staff.

Miss Bhaggan: Are you, therefore, saying that the Booker/Tate Report was done to enable the Government to formulate its position? You said just a while ago that it had to do with giving investment to the sugar industry. Now you are saying that it has to do with formulating the Government's position. Could you state clearly what you are really saying?

Dr. Rowley: They are not mutually exclusive. Quantification of the technical input is a part of the report and when I come to investment I will answer the other part of the question which is also correct.

If one accepts, as I am trying to get them to accept, that there is nothing sinister about any of the reports, because after they are analyzed, the point is—and the Members on the other side steered clear of the relevant issue—there is no big issue about the Booker/Tate Report. The point is Booker/Tate or no Booker/Tate, what this Government has before the House is the Tripartite Report and nobody on the other side has come to page 9 to discuss the actual things that we say we are going to do about Caroni (1975) Limited. These are the salient points.

Mr. Maharaj: I do not believe that.

Dr. Rowley: If you do not believe, I cannot help you. The fact is, you have a good basis on which to believe because you have a PNM Government in office. But when you had the Member for Oropouche in office, he did not do anything about it so you should not believe.

Take page 9. *[Interruption]* I was not in the NAR, you were in the NAR. I give way to the Member for Tobago West.

Miss Nicholson: I am not speaking to you.

2.25 p.m.

Dr. Rowley: I am sorry. The salient points of the Tripartite Report—the commitment that we are giving—are on page 9. We talk about setting an industry target of 125,000 tonnes. That is a very important point because it says that we have agreed on the size of the industry. I have heard Members make such heavy weather of the Spence report of 1978. There were comments that at one time we produced 200,000 tonnes of sugar in this country; yes, but between 1978 and now, many things have changed; and it is in recognition of that fact that we did not say, okay, since we did not implement the Spence report in 1978, we will now accept that. We said we would ask the Tripartite Committee to look at all the available considerations and chart a course today for today's situation.

In 1978 I do not know who was in the Soviet Union. We had Brezhnev, Gorbachov, Andropov, whatever, all come and gone. The world has changed. The Berlin Wall has come down. So it is not relevant to come and say that we should have done that then, when we are trying to chart a course for what we are actually going to do. It is what we are going to do. We talked about the 125,000 tonnes. That is based on the fact that we have assessed the situation and have determined what we can produce and what we can sell.

At the moment if we produce for sale on the outside market more than about 60 tons of sugar, we would have great difficulty selling it at a price above \$800 or \$900 a tonne. So the fact is we are producing at almost \$4,000 a tonne, and it is not viable to produce to sell on the open market. So we have to limit our sale to what we can get in our sheltered market, otherwise it does not make sense.

But let me say that the report says, very clearly, that there is a place in the economy of Trinidad and Tobago for the sugar industry. In fact, the sugar industry gives us the opportunity to utilize certain resources which otherwise might not be utilized, namely, certain categories of soil which are suited for growing sugar cane and not very useful for other aspects of agriculture. That alone underscores the point that there is a place for the sugar industry and we have a sugar industry. But report or no report, what all the reports—from the Spence report to the Price Waterhouse to the Booker/Tate to the Tripartite—every single report identifies one common thread and that is, yes, we have a sugar industry; yes, that sugar industry is playing, and can play, an important role in the economy. But the industry is over-staffed, the industry is inefficient; and as a result of that

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inefficiency, the very industry itself is threatened. And all the reports make recommendations to address that situation.

We have agreed in the tripartite discussions that we would seek to go in that direction to make the industry more efficient, more viable. In fact, viable, not more viable—make it viable by entering into an arrangement which will have the effect of reducing the cost of the manpower input, so as to allow the industry to survive on its own.

I listened to all the Members on the other side and the one thing that was not dealt with is the fact that, whether we are producing sugar, rum, cattle or rice, Caroni Limited is a state company, owned by the state incidentally, but it is an organization under the Companies Ordinance and ought to operate as such.

We have heard all sorts of talk that 'cane can only be produced by a certain culture'. That might sound good to some people. Fact does not support that, because cane is grown all over the world by all kinds of cultures. The fact is we do have some experience in doing it; a section of our national community has more experience than the others but that, again, is not an overriding factor. The fact is we can have a very viable sugar industry here, but we must first agree on what we want to do.

If I go back to one of the reports which I have at my disposal today, "The Needs Analysis, Human Resources Department, Caroni" which is the Management and Labour Relations report of February 28. In that report the Management Consultants had this to say—and they were talking about the people they spoke to in analyzing the situation:

"It was felt by two of the Trade Unions interviewed, that there is definite racial discrimination against Caroni in that the Government does not want people of East Indian descent to own lands at Caroni..."

If that is the way we are going to handle the problem, we shall always have a problem. That is the Management Consultant talking. And when one comes into the Parliament and hears the Member for Naparima saying—

"Because the Government wants to keep the sugar industry in a state of uncertainty, so that the people who live by the industry would not be able to plan their lives adequately and they would always be like second-class citizens."

Mr. S. Panday: That is historical.

Dr. Rowley: If that is the approach we want to take, I tell you today we would never solve the Caroni situation. But if one takes the approach of the Member for Caroni Central which is, let us face up—I notice that the Member for Couva South is smiling. The Member for Caroni Central did say that after he read Dr. Williams—he is reading good books these days. He made the point that if we address the situation dispassionately and deal with the problems on a systematic basis, without these extraneous matters about who is who and who looks like whom, then we begin to approach the road to dealing with the Caroni problem, and that is precisely what I intend to do. That is precisely what the tripartite approach is about. We have identified the problem, and we decided how we are going to solve it. *[Interruption]* We heard Arouca North mentioned.

The Member for Naparima described my friend the Member for Arouca North as a hatchet man. That he wielded a mean hatchet. He was termed thus because he raised another problem which is particularly tricky. He raised the problem about a closed-shop situation and he was called all kinds of names. Since we are so obsessed with reports, let me read for you from the report of February, 1992, Management and Labour Relations—and this was done by experts—not this side. Hear what the report has to say on the subject which was dealt with by the Member for Arouca North—

"Selection and Recruitment

Although there is a Company Manual setting out the policies in most of the areas mentioned above, nevertheless, the practice of Caroni (1975) Limited seems to be more in its breach than in its adherence. There were several complaints by the Human Resource Department that Selection and Recruitment is undermined by the Board of Directors, Executive Management and by the Union's Collective Agreement for daily paid workers. It should be noted that there is a Closed Shop practice with the All Trinidad Sugar Workers' Trade Union which is contrary to the Industrial Relations Act, 1972, as amended..."

So it is not the Member for Arouca North who raised that issue. It was raised by a consultant paid by Caroni.

Mr. Sudama: Would the Member give way to a question?

Dr. Rowley: No, I am not giving way again, unless it is a point of order.

Mr. Sudama: On a point of order. The Member for Diego Martin West is misleading this House, simply because if it is a practice in Caroni Limited which is against the law of this country, which is against the Industrial Relations Act, then, of course, somebody is not enforcing the Industrial Relations Act.

Dr. Rowley: What is the point of order, Mr. Deputy Speaker?

Mr. Sudama: Therefore you ought to tell us whether the Government of this country is condoning a practice which is against the Industrial Relations Act. Do you wish to enlighten the House on that?

Dr. Rowley: Mr. Deputy Speaker, I was making the point of what is written in the report with respect to the closed shop situation at Caroni Limited.

Mr. Humphrey: There was no closed-shop situation. That is misleading.

2.35 p.m.

Dr. Rowley: I am saying that, not only did the Management Consultant recognize that, but also the company itself, because the company itself wrote to those who raised the query. My colleague the Member for Laventille West was drawn into this and, of course, it was made into a racial issue. The question of a closed shop at Caroni (1975) Limited was not raised by Members of this side, and it was not mentioned in any context to do with race or other. The context in which it was raised is that it has been drawn to our attention that all applications must pass through and be recommended by one particular trade union. Is this not discrimination? The whole matter centered around whether a union should have that right to block out others. That is what the management consultant was saying is happening there.

I raise this in the context that if we are going to address the problems of Caroni (1975) Limited to seek to arrive at the objectives of the Tripartite Committee, then one of the things which need to be addressed is this whole situation of one particular trade union having this absolute right to recommend employees to Caroni (1975) Limited. I am telling this House today, to the extent that it is part of the industrial relations agreement between the company and the union, I would instruct the board of Caroni (1975) Limited to seek to re-negotiate that; and all those in this House who are saying they want it corrected when it is time to re-negotiate it, let us see them call a strike when that is not done. Because, you all are here saying all sorts of things but you go out there and do the opposite.

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In fact, the reason I make an issue of this is that the fundamental problem threatening the entire industry is over-staffing. I have very good reasons to believe that that is influenced by the fact that this situation exists between the trade union and the management of Caroni (1975) Limited. Obviously, there is conflict of interest with respect to efficiency in the management of Caroni (1975) Limited, because it is in their interest to hire more people than they need. So, when they are in charge of the hiring that is likely to happen.

Mr. Humphrey: Mr. Deputy Speaker, would the hon. Minister indicate whether Caroni (1975) Limited is bound to employ people recommended by the union, or whether, in recruiting new workers, Caroni (1975) Limited can do so, outside the list of recommendees of the union.

Dr. Rowley: Mr. Deputy Speaker, let me give the Member his answer which comes from the Manager, Human Resources, at Caroni (1975) Limited. When that issue was raised with him his reply was this:

"We wish to advise however, that the collective agreement with the representative Union contains a clause which gives the said Union absolute right to operate as an employment agency in respect of all employment within the particular bargaining unit."

He advises the other people that—

"This matter will have to be subject to negotiation and until we are able to obtain agreement on change, we will not be able to entertain any... recommendations for employment."

I hope that answers your question. *[Interruption]*

I am not singling out Caroni. As problems are raised that exist at Caroni (1975) Limited, you hear from the other side, "Why are you singling out Caroni?" There is no singling out of Caroni (1975) Limited. I can tell you that the Government is looking very closely at all state enterprises. To the extent that we are dealing with Caroni (1975) Limited today, we would look at it in that way.

We have the Member for Tabaquite who spoke of disparity of treatment. He went as far as to seek to rewrite the books in the Ministry of Finance. He said that the moneys that are made available to Caroni (1975) Limited by the Government are loans, but all moneys made to other state enterprises are treated as subventions.

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Nothing is further from the truth. Ask the management at BWIA or the boards of large or small state corporations, and you will see, invariably on their books, the advances from government are carried on their books as loans. That is why in the case of Caroni, on this occasion we are saying we will treat those loans as subventions; put it on the books, therefore, cleaning up the books. In fact, coming from a Member of Parliament who gets all documents relating to the funding of state companies—those documents are laid in Parliament on an annual basis—it is quite mischievous to get up and say that all state enterprises get their subventions from the state, but the equivalent sums are made to Caroni (1975) Limited as loans, giving the impression that Caroni (1975) Limited is being weighed down by loans. That is a statement that should be retracted. Nothing is further from the truth.

We have seen recently where the Government looked at Trinidad and Tobago Printing and Packaging Company Limited; another state company in serious financial difficulty with no prospect of recovering itself. The Government came to the House, told the population that we intend to have steps taken to divest the state of that company. No special interest.

At the moment decisions have been taken with respect to National Fisheries. My friend the Member for Caroni East comes here Friday after Friday and raises the spectre of a Minister of Agriculture who is somehow doing something that is detrimental in fisheries by the way he is dealing with National Fisheries. I want to ask the Member for Caroni East if he is aware that there is a Cabinet decision taken by—not your Government, you were a PNM until last week—the last Government to close down National Fisheries, and 850 workers were actually paid severance. The reason why there are workers there now is that some mickey mouse arrangement was—

Mr. Mohammed: Would the hon. Minister inform this House as to how many workers are now at National Fisheries?

Dr. Rowley: I would not be sidetracked.

Mr. Mohammed: Five.

Dr. Rowley: The workers who are there now are under some kind of arrangement where the severance that was due to them was somehow used in carrying on an operation after the Cabinet took a decision to close down the company. I want him to explain that one to me. That is what I meant.

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The present Cabinet in discharging its responsibilities has taken steps to deal with the situation at National Fisheries. National Fisheries is a state company in as much difficulty as Caroni (1975) Limited—virtually bankrupt—which has to be dealt with. Only recently we have had to take a decision on Nonpareil estate, which is a state company of 2,000 acres of the best land in eastern Trinidad, which has 32 workers, 400 acres of bearing cocoa, but every fortnight we get a request at the ministry for the wages of those workers from the Treasury. The Government has to look at that situation. Is that the best way to use 2,000 acres of land? We have taken a decision that we shall take steps to correct that situation and have those 2,000 acres of land used in a manner which is more productive.

2.45 p.m.

It is quite incorrect to say that we are singling out Caroni (1975) Limited for any special treatment. To the extent that we do what we said we will do in the Tripartite arrangement, to bring Caroni (1975) Limited from the brink of disaster where it now is, to a position where the company can have a future, we would have been the Government that addressed the situation at Caroni (1975) Limited for the benefit of all the workers and people of Trinidad and Tobago. *[Interruption]* You should have said what the Member for Princes Town said. He raised his concerns and said that he agreed with the approach in the report. That is what I wanted to hear. Do not come and talk about who is being discriminated against and who is not and the Booker/Tate Report and other trivia. One of the things we agreed to was promoting the adoption of new varieties of cane, expansion of the acreage under improved varieties of cane. Somebody on the other side got up and said there is no new variety of cane available because no cane has been made available in the last whatever time. It only goes to prove the extent to which some Members of Parliament are out of touch.

The diversification programme was a subject of much talk. On page 15 of the report it says, "Proposed Capital Investment". Page 15 outlines what is required for a certain specific aspect of that diversification programme. I draw your attention to the fact that all this talk about diversification—every single diversification project at Caroni (1975) Limited today is losing money, except the rice project. We heard the Member for Oropouche talk about the Joe Pires Report which talked about diversification into all kinds of things to make us self-sufficient in food.

It was that kind of Mickey Mouse thinking that caused Caroni (1975) Limited at that time when that report was done, to hastily embark upon a whole spectrum

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of expenditures dealing with the production of mango, plantain, pineapple, passion fruit and similar type things, every single one of which lost money. In fact, Caroni (1975) Limited had the distinction of being the only farm in this country where people were stealing cassava. They had a whole plantation of cassava and most of it fell to predial larceny, because they embarked upon crops with very little rationale.

That is why the Tripartite Report says that we will embark upon programmes after rigorous scrutiny, and we agreed on what can survive and what can contribute to Caroni's profit, not to its losses. If we embark willy-nilly on all kinds of programmes in the name of diversification and each of those programmes is itself a money loser, the last stage is worse than the first.

The greatest diversification at Caroni (1975) Limited is the distillery and even that is losing money. Even though we have an automatic diversification component, it is losing money. So the Tripartite Report says that with regard to Caroni's distillery it is recommended that correct marketing initiatives be monitored, the specific objective is to break even within two years. We also see a role for joint-venturing that distillery so as to make it sound, and make it a money spinner in order to contribute to the economy of Caroni (1975) Limited and to the national economy as a whole. We cannot talk about diversification into papaw and pumpkin when a distillery which is an automatic facility for money making is in fact itself losing money.

We talk about the sugar refinery and its role in the whole scheme of things. I think it was the Member for Naparima who said that the US reduced our quota and that the Government is not doing any lobbying for sugar, once again, seeking to give the impression that we are treating the sugar industry in an off-hand manner. Nothing is further from the truth. If the Member for Naparima chooses to keep himself ill-informed, I can do nothing about that. However, if he had done what the rest of the national community had done, which is to follow the communique which came out of the last Heads of Government meeting held right here in Port of Spain, he would have seen that one of the things the Heads of Government agreed to was on the initiative of the Government of Trinidad and Tobago, that the Caribbean would set up a lobbying team to lobby for Caribbean sugar. That team was headed at the time by Mr. Hoyte who was President of Guyana. He is no longer President, but I presume that the new President of Guyana would assume those functions. It is a decision where the President of Guyana is heading a team in response to this whole question of securing our sugar quota.

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When they get up in the Parliament and talk about people lobbying for bananas and that we are doing nothing for sugar, it simply reflects a lack of knowledge of information that was made public even in the newspapers. We took the initiative to get the Heads of Government to agree to have the Caricom region source its refined sugar from within Caricom. The reason behind that is to seek to get the refinery at St. Madeleine to operate at 100 per cent as against its current 50 per cent, and to seek to get for that refinery, sources of raw sugar from Guyana where raw sugar is becoming increasingly available. These are the things we are doing. And Members ought to inform themselves before they come to the House and mislead their colleagues.

Mr. Humphrey: Mr. Deputy Speaker, on this question of Caricom involvement in supplies of basic raw material for refining locally, has any consideration been given by the Government to the debt Guyana owes us? That as part of the repayment of that debt to lands being made available to Caroni (1975) Limited to produce cane in Guyana to supplement the capacity of the refinery.

Dr. Rowley: That has not been a consideration but the whole question of Government's treatment of the debt of Guyana to Trinidad and Tobago is being dealt with elsewhere. But specific to Caroni (1975) Limited on that detail, I cannot say that is at this stage something that we can talk about.

The whole question of protection for the sugar industry has been paramount in the Government's thinking and that is why by the time we embarked on this initiative in January—in fact, one can go even further even while we were preparing our manifesto the initiative was signalled and we embarked upon the actual action in January. If the fruits started to come in July, it is again quite misleading to say that it had any kind of election time-table. The elections have come and gone and we are still pursuing it with vigour.

We heard about the need to make commitments and bankable assurances with respect to the commitments given here. We simply want to reiterate that the commitment to pay \$30 million to the sugar workers, stands as per the tripartite arrangements. With respect to the final payment to farmers, that situation has been attracting our attention for quite some time. That final payment comes from support from the Government which is married to a contribution from the company to pay the farmers.

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We heard last Friday that the company sold the sugar, and is using the cane farmers' money. The situation is this: even as the Government is now in a position to make its contribution, because of the parlous state and near bankruptcy of Caroni (1975) Limited, even after the Government has given it a 15 per cent increase in sugar which was not catered for in the first instance—that was additional—I am now being informed that the company is having difficulty in coming up with its own contribution for the cane farmers. In fact, that difficulty arises because, contrary to the point of view expressed that we sold the sugar and the company is holding on to the money, the fact is, the company is hoping to get its first payment for its 13,000 tonnes of sugar which was sold to the EEC. With that first payment, we are working towards a payment deadline of November 9 to be able to pay the cane farmers.

2.55 p.m.

It is our intention to facilitate the cane farmers as far as we can. However, one must understand that it is one thing to come to Parliament and make as much noise as one could about one's constituency considerations, but the fact of the matter is that at the end of the day, at Brechin Castle, it is the bank balance that matters. At this point the bank balance at Caroni (1975) Limited does not permit it to make that arrangement. Therefore, we shall have to look at a difficult situation. The Minister of Finance has been very co-operative; he has made the Government's contribution available; we are hoping that the company would be able to access its own funds, and by November 9, it is my expectation that we can satisfy them. These are some of the considerations.

I want to end on a note of caution. In the Tripartite Report, those who put this report together under the guidance of the ministry, recognized that things are not cast in stone. I want to draw attention to page 24. In the conclusion of the report it says:

"At the same time, removing the constraints would not have been enough unless the plan additionally sought to include flexibility and room for manoeuvre to deal with possible sources of derailment."

What the tripartite is signalling here is that at this point, this is the picture we see. We believe that this is the best course to take. However, it signals that things can change and you need flexibility and room to manoeuvre.

I draw this to the attention of Members on the other side just to avoid their coming back here and seeking to say 'in January 1992, you said certain things and

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now it is December, you are saying something else'. This particular problem requires flexibility and room for manoeuvre. The report goes on further to say:

"Increased cost of production may require greater attention to the mechanisms for securing a suitable attrition rate in the labour force."

What does that mean? It means that as we seek to implement the programme to bring about the required attrition rate as we anticipate so as to make the company viable, we have to do that at a rate which keeps the objective and viability of the company in mind. That is why the Tripartite Report puts no figure on the actual reductions required at Caroni (1975) Limited.

What we said in our commitment is that those reductions first and foremost will be done on a basis to encourage people to leave the industry by having an attractive pension plan and other incentives. The bottom line is that we have to reduce the number of workers on Caroni (1975) Limited's payroll if this company must have any possibility at all of looking like a limited liability company.

I want to give the assurance to all those Members on the other side who dared the Government to take the action of the tripartite, that the Government intends to take the actions as outlined, some time in the future. It will not be for you to say at some time in the future, whether medium-term or long-term, that we did have a tripartite agreement in this House and nothing has been done. Such will not be the case.

I thank you.

Mr. Deputy Speaker: I shall put the question on the amendment proposed by the Member for Couva South first:

"That the following words be added at the end of the resolution:

"That this House approve the recommendations set out in the said report and that Government take immediate steps to implement the recommendations contained in paragraphs 4 and 5 of page 19 of the said report by Government making these payments and/or causing these payments to be made on or before December 20, 1992.

Question put.

The House divided: Ayes 12, Noes, 18

AYES

Maharaj, R.

Humphrey, J.

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Sudama, T.

Palackdharrysingh, R.

Bhaggan, Miss H.

Mohammed. S,

Singh, Dr. C.

Panday, S.

Jurai, K.

Sharma, C.

Haniff, M.

Hosein, S.

NOES

Valley, Hon. K.

Manning, Hon. P.

Sobion, Hon. K.

Mottley, Hon. W.

Ramrekersingh, Hon. A

Rowley, Dr. The Hon. K.

Eckstein, Hon. J.

Marshall, Hon. M.

Baboolal, Dr. The Hon. L.

Collis, Hon. K.

Imbert, Hon. C.

Pierre, Hon. J.

Casimire, A.

Narine, J.

Hart, E.

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Allum, D.

Bereaux, H.

Rajaram, C.

Miss P. Nicholson abstained.

Amendment negatived.

Question, on substantive motion, put and agreed to.

Resolved.

That this House take note of the Report of the Cabinet appointed Tripartite Committee on Caroni (1975) Limited.

RELATED BILLS

The Minister of Local Government and Minister in the Ministry of Finance (Hon. Kenneth Valley): I beg to move that we take second reading of Bills Nos. 4, 5 and 6 on the Order Paper together.

Mr. Humphrey: Mr. Deputy Speaker, we did not have much time to study these bills and Members on this side really do not understand the implications.

In the spirit of what was promised by the Prime Minister and is stated in the manifesto of the People's National Movement, we are asking the Government to consider deferring this matter, pending consultation with the Opposition and all other interested parties including trade unions, so that we will have an opportunity to be advised by the technocrats who are available to the Government, to get the answers to the queries that we want to raise. I do not want to quote at this stage, but the promise is to be found in the section on energy on pages 20 and 21. In addition to that, the Prime Minister has specified the provision of consultation on matters pertaining to energy, so I should like to put that for consideration.

3.05 p.m.

Mr. Valley: Mr. Deputy Speaker, we note the point made by the Member for St. Augustine. He would, of course, remember that on Friday we duly passed a motion that the debate would start today. We want to propose, so as to provide a bit more information to the Members opposite, that the Minister of Finance start the debate and we would adjourn afterwards so that we can consult.

Mr. Maharaj: I know that there was the understanding between us that the House would meet today to debate these bills, but I was not under the impression that a motion was moved. I checked with the *Hansard* Office. It would be appreciated that whatever the position—there are three bills before us which we were supplied with on Friday before the House started. If one reads those bills, one would see that it is difficult, with the facts contained in those bills, to debate those bills only after 36 hours, whereas the Government had 10 months to lay those bills in Parliament.

Mr. Valley: Mr. Deputy Speaker, you will recall that on Friday, in accordance with the relevant Standing Order, we moved a motion, which was duly passed, allowing for the three bills to be debated. We are saying that we understand the situation; we want to start consultations immediately, but, in order to provide them with more information, the Minister of Finance would make his presentation, we would adjourn the House and start consultation immediately.

Mr. Humphrey: Could the hon. Leader of Government Business indicate the form that consultation would take? I should like to suggest that the consultation which the Prime Minister organized between Members of Parliament and the Chairman of the West Indian Commission was very, very useful, and I am sure that following such consultation the concensus that the Prime Minister would need to go to the Heads of Government Conference would not be difficult in obtaining. If we could follow that sort of format and arrive at a degree of concensus, and, since consultation was promised also to the trade unions as stated in the manifesto of the PNM, could the format also include the trade unions involved in the petroleum industry?

Miss Nicholson: I wish to subscribe to the views postulated by the Member for St. Augustine and the Member for Couva South, particularly as I am seeing the bills today for the first time. This is a problem that I want to raise. I do not understand how these things are communicated to Tobago. We do not have enough time. We get our papers either a day before, or when we come here. I do not know what is the approach.

Mr. Deputy Speaker: You can rest assured that I will give the hon. Member for Tobago West an opportunity to make that input.

Mr. Manning: Mr. Deputy Speaker, we understand the position as has been raised by the Opposition. They have asked for consultation on three bills because

the bills are very significant, and the Government agrees to that. What we are saying is, especially as it has been articulated in that way by the hon. Member for St. Augustine, permit the Minister of Finance to make his initial contribution on the second reading of the bill. As he does that, much information that the Member indicates that the Opposition does not have will now become available. When that is over, we will enter into the rest of the consultations so that we could suitably inform the Opposition as a basis for a debate in Parliament.

Mr. Deputy Speaker: Hon. Members, I have considered the inputs made on both sides of the House. The question was put and the Members agreed that the bill be read a second time in accordance with the explanations given.

PETROLEUM TAXES (AMDT.) BILL

Order for second reading read.

The Minister of Finance (Hon. Wendell Mottley): Mr. Deputy Speaker, I beg to move, That a bill to amend the Petroleum Taxes Act, Chap 75:04, be now read a second time.

Mr. Deputy Speaker, as this bill and Nos. 5 and 6 on the Order Paper are interrelated, I propose dealing with them simultaneously.

Mr. Deputy Speaker, we bring these three bills and they are significant bills—

Mr. Maharaj: If the three bills are to be dealt with together, we should like to say something on that. The three bills are very important bills and it means that Members of Parliament will be restricted in the time presentation. I would want the Government to understand that these bills have serious implications for the people of Trinidad and Tobago, and the Prime Minister knows that. There are many, many things in the bills and if the Government is making a request, not only for it to be debated quickly, but also to be dealt with as three in one, it means that Members are being curtailed in the presentation of the bill.

Mr. Valley: I do not understand the issue today. Friday evening when we moved the motion, we indicated that we would be dealing with the three bills as a package. We understand that the Opposition needs more time. We are saying that we will start the presentation and enter into meaningful consultation and answer their questions. I do not know what more we can do.

Mr. Deputy Speaker: The three bills are interrelated and on Friday the House agreed that they would be brought together. On that basis, I ask the Minister of Finance to continue.

Mr. Humphrey: No agreement was reached to debate these bills concurrently. This is now being presented to us. In addition to that, Members have not been given adequate time to study these bills. However, if the Government is not prepared to honour its pledge to consult meaningfully with the people and specifically with the Opposition and the trade union involved, at a time when the petroleum industry is being threatened by the possible spread of a strike, what the Opposition would like to say is, if we are going to be railroaded in this way, let us not worry about consultation, let us forget about the possibility of further consultation, let us get down to the business of the House and have an open debate, free for all, no holds barred.

3.15 p.m.

Mr. Deputy Speaker: The Chair must acquiesce in the wish of the House and the question has been put. So I ask the Minister of Finance to continue.

Mr. Mottley: Mr. Deputy Speaker, this bill, together with the two other bills, a bill to amend the Income Tax (In Aid of Industry) Act, Chap. 85:04; and a bill to amend the Petroleum Production Levy and Subsidy Act, Chap. 62:02 which are before this House are seeking to implement the recommendations in the report of the Cabinet-appointed committee to advise on a petroleum tax regime for Trinidad and Tobago.

The Petroleum Taxes (Amdt.) Act, 1988 introduced a series of measures from the period 1988 to 1991 which principally affected the Supplemental Petroleum Tax. These measures expired at the end of 1991 and new legislation was required to be put in place. The provisions relating to the Petroleum Profits Tax, however, continue.

The committee was appointed on February 6, 1992 to advise the Minister of Finance on a petroleum tax regime for Trinidad and Tobago. It attempted to devise a new regime which takes full cognizance of the varied and complex petroleum environment in Trinidad and Tobago as well as the international oil economy and to provide adequate incentives for increasing activity in the petroleum sector, particularly activity which will help to arrest the declining trend of production.

The committee held several discussions with all petroleum companies affected by the legislation. Most of the companies expressed satisfaction with the outturn of the committee's efforts.

Let me say that what we have said, therefore, is that we are attempting to introduce a series of measures which, as a package, will require changes in the three pieces of legislation. But it is one particular goal that we have in mind—the amendment of the Petroleum Taxes Regime that now requires amendments to the three specific Acts.

Let me, therefore, get into some of the background of what we are about. The oil economy and the oil industry operate today in Trinidad and Tobago and internationally in a very difficult international economy. There is a sluggish world economy especially in the United States, and even more recently in Japan; recessionary conditions prevail. Demand for oil, as a result, is not buoyant and the major petroleum companies have recently seen very poor returns on their investments. As a result, new capital for oil exploration and production is in short supply and we need to know that.

International capital for oil exploration and production is now in short supply. As a result, the majors in the international oil business are looking to divest themselves of marginal under-performing assets and generally to bring costs in line. More capital is directed where they view the trade-off between risk and return to be most in their favour. This is a factor that we will come back to, the trade-off between risk and return as viewed by the international petroleum companies.

These companies have global choices and we need to be very aware of that in Trinidad and Tobago. Of course, there is the Middle East; there are opening opportunities in Africa, particularly in the Congo; in this hemisphere, Venezuela and Colombia are open to international investment. What is especially important for every single person in Trinidad and Tobago to realize, because of the importance of the oil industry in Trinidad and Tobago, is that what has happened is the opening up of what is now the Commonwealth of Independent States to international capital.

The former Soviet Union is a relatively under-explored oil area. It produces much oil, but it has not had the benefit of the extent of capital and technology available to the western world and with the crumbling of the Soviet regime and the opening up of the territories of the former Soviet Union to international capital, there was a flood of interest in the territories of the CIS.

I have here, Mr. Deputy Speaker, a map of the Soviet Union, or the CIS, which charts out the areas of major western interest now in that country. You see the Pre-Caspian basin, where ELF, British Petroleum, Chevron, Marathon and AGIP are

going in; Western Siberia, where Amoco, Conoco, Mobil and Shell are going in; in Sakhalin, where Marathon, Mitsui, Hyundai, Amoco, Sodeco, Exxon, Mobil, Shell, Mitsubishi, all of these companies are going into the Soviet Union.

There is, however, one concern that they have in that the Commonwealth of Independent States have vast geological potential, but a very much under-developed legal infrastructure to accommodate these companies. For a moment, there is pause while they straighten out their affairs and before a massive rush of international oil capital moves into the CIS and presents opportunities for the weigh-off of risk and return in that area that would put old well-explored countries like Trinidad and Tobago in the backwater.

In Trinidad and Tobago we have an industry in which the majors operate. We have Exxon, Texaco and Amoco and when you see the numbers of barrels of crude oil produced by these companies daily and then below you see how much Amoco (Trinidad) Oil produces, 70,000 barrels a day in 1988, whereas Exxon was producing 1,800 barrels per day and you go through this chart or table which I have made available to Members of the House, you will understand how very small we are.

Next to that, even to Amoco (Trinidad) Oil Company, at 70,000 barrels per day, you juxtapose Trintoc at 20,000, Trintopec at 22,000 and Trinmar at 38,000, you understand the scale of operations in Trinidad and Tobago. It puts us in perspective; it tells us why Trinidad and Tobago has to attract majors to our shores. It tells us, clearly, why we cannot do it all ourselves. It tells us that the technology is not available to us. These major companies are employing three-dimensional seismics with computer imaging that virtually allows them to see where that oil is, or be almost sure where that oil is, thousands of feet below the surface. That is the technology available to them.

It tells us, too, that as Trinidad has been explored for the last 100 years, almost, to find new oil we have got to go deeper and deeper. We now have to go down to 20,000 feet. At that depth we are looking at wells of US \$20 million per well, capital not available to our small companies when you look at the scale. These big companies can move their investments around and when things are brown in one country, the risks are paying off in another and they can balance it. These countervailing risks are not available to Trintoc and Trintopec.

In addition, our companies, at this time especially, are equity-starved. We all know the bitter Trintomar experience where Trintoc and Trintopec in 1988 had to

put over TT \$50 million into Trintomar, \$73 million, in 1989 and we all know the outcome of that Trintomar experience. The companies haemorrhaged very, very severely and, as a result Trintoc and Trintopec were not able to plow back into new exploration and so forth that they would normally do, with consequences on the deep south and on operations for the whole oil belt that the entire country is familiar with.

In other words, in a very short space of time, very concisely, I am mapping it out for Trinidad and Tobago and for this House in particular, the vital necessity to attract international capital into the oil industry in Trinidad and Tobago if we are to stop the decline that is the natural course of an oilfield.

Also, I have passed out to Members a picture of our east coast production which is where most of Trinidad and Tobago's oil is now being produced. The dark black column shown in these tables is what is known as base oil. It shows the natural propensity of oilfields overtime to decline, except if you spend much money with work programmes to bring more oil out of the same field by all kinds of sophisticated techniques.

To do that, the oil companies have to invest large amounts of additional capital so that the lighter coloured bar activity that you see there is as a result of that kind of work programme investments that we desperately need to encourage in Trinidad and Tobago if we are to overcome the natural rate of decline which is that sharply sloping, downward trend in the base oil black line which shows out of East Coast in 1985, productions of almost 100,000 barrels a day but which, at the end of 1991, had it not been for that extra investment that we are trying to introduce and sustain by the kinds of tax regimes that I want to discuss here this evening, would have been down to just over 20,000 barrels a day with consequences for revenues in this country and a standard of living which I do not even want to begin to talk about.

Mr. Deputy Speaker, that is the background to what we are about: The question of bringing equity capital, bringing investment to the oil industry in Trinidad and Tobago, because without it this country will be in dire straits. We are already seeing that the last oil find was the serious oil find back in the 1960s, off the east coast. We desperately need to get additional work going in addition to the workover types of investments that are required to keep those declining fields at a lower rate of decline—not to increase—because of the consequences for revenue and standards of living.

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We are weighing off risk and return, because that is what the international oil majors are looking at. Obviously there is political risk. Trinidad and Tobago figures well in that area. We do not have the kind of political risk that they see when they presently look at the Commonwealth of Independent States.

Labour unrest is a factor and we would do well not to cause ourselves further damage.

Geological risk is there; we all know that Trinidad and Tobago is not an easy geological consideration. It is a very fractured geology in Trinidad and Tobago and that is something that works against us.

On the other side of the risk matter is the question of the return. What is the rate of return that will attract these majors to come and invest their oil dollars at a time of shortage of international oil capital? Will we find a spindle-top here?

On the basis of encouraging the seismic surveys and so on, as you will see as I recite the legislation, we are hoping to get that kind of work done increasingly in Trinidad and Tobago to offer the prospects of a major oil find that would induce companies to come here. There is hope. There is the El Coryal find not too far away from us, in Venezuela, that offers that hope and prospect that is drawing interest in Trinidad and Tobago. This is what we see as our window of opportunity.

But really Mr. Deputy Speaker, the one area that we have as a Government to tip the balance in our favour, the balance of risk and return, is what we do with taxation. That is the single item that is under our control to tip the balance in our favour so that Trinidad and Tobago ranks in the international competitiveness for drawing capital investment here. That makes Trinidad and Tobago a prime candidate after the risk and return calculations are done.

That is what the business of this House is about today: To see the kind of legislation introduced that would have this country, once again, classed as a prime candidate for investment in the oil sector that for all of us, hopefully, will pay off not only in new exploration, not only in additional workovers, but ultimately, also in the finding of new oilfields because since 1960 no new large oil find has been made in Trinidad and Tobago. Therefore I put this legislation in that context so that all of Trinidad and Tobago understands the fundamental importance of what we are about in this honourable House today.

There are several significant features in the new legislation that we are about to put; it is technical legislation and I will first attempt to paint the broad picture and

then get into some of the specifics in each of the individual bills for which we seek comment. I shall enumerate now the main features of the three bills that are before us.

The first bill: The scale of the supplemental petroleum tax rates reflecting progressive graduations when the price of crude oil increases, enhances Government's share of the revenue from any windfalls that may arise. So we have a scale of SPT rates that we can see appended to the bill.

From discussions it was agreed that significant relief provided in respect of the Supplemental Petroleum Tax presented an opportunity to shift to a more profit-based regime. The SPT is a tax, so to speak, on gross, whereas we are now trying to shift more, to put the balance in favour of a pure profits tax rather than a tax on gross.

As a consequence, the petroleum tax profits rate was increased by two percentage points when the removal of the national recovery impost is taken into account. I shall come to that. We propose to remove the national recovery impost.

Next item. The incentives have been designed to facilitate specific activities, the benefits of these incentives will only accrue from additional investment expenditure or from increased production. Relief has also been provided for marginal fields in both the land and marine areas. The incentives for production of heavy oil has been enhanced.

This is of vital importance to Trinidad and Tobago. We have large reserves of heavy oil, prospects of finding more and we propose—because there is not much action in that area—incentives for the production of heavy oil in this legislation.

The additional features of allowing expenditure on side tracks to be deducted from the Petroleum Profits Tax, will improve crude recoverability from lone reservoirs. “Side tracks” is a technical term. The hon. Minister of Energy has informed me that it is a well side-tracked from an existing well in order to tap a reserve that is some distance away from the original well.

Mr. Palackdharrysingh: As in Venezuela?

Mr. Mottley: If you want to learn, I suggest you talk to the very knowledgeable Minister of Energy.

Mr. Deputy Speaker, as an inducement to new investment in the petroleum industry, a reduced scale of Supplemental Petroleum Tax—I shall merely say

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SPT—has been provided where production commences in the future from new licensed areas. We are trying to encourage production from new areas. This would compensate for the disadvantage experienced by new companies. Again, we are trying to bring new companies in and to give them encouragement without current operations against which to deduct new investment expenditure, to give some benefit to the new Exxons and so forth as against the existing companies, Amoco and so forth.

A similar concession was made with respect to sub-licences issued after January 1, 1988 on land, since by the nature of their operations sub-licensees do not qualify or may not qualify for all of the SPT allowances related to explorations, development drilling, geological and geophysical costs.

A limit of three per cent of gross income was put on the petroleum production and subsidy levy. This addresses the concerns expressed by the oil companies that they are unable under the present regime to predict the amount of the levy for the financial year and would prefer that a ceiling be placed on the extent of the levy so that they could more realistically plan their programme of activities for the year. So we are putting a three per cent levy ceiling.

After having thus outlined the broad parameters of the legislation, I shall now get into the specifics. I shall deal first with the amendment to the Petroleum Taxes Act, Chap. 75:04.

Clause 2 deems the Act to have come into effect from January 1, 1992, except where it is otherwise stated.

Clause 4 repeals the National Recovery Impost which was introduced in 1987.

The National Recovery Impost ceased to apply to individuals and companies, other than oil companies, after January 1, 1989. The rates applicable to oil companies were one per cent where taxable income was less than \$5 million, two per cent where taxable income was more than \$5 million but less than \$15 million and three per cent where taxable income was \$15 million and over.

Clause 5 is intended to give relief to a person who is carrying on refining operations and is given a tax holiday under the Fiscal Incentives Act. A person carrying on refining operations is subject to Petroleum Profits Tax. However, under the Fiscal Incentives Act there is no provision for exemption from Petroleum Profits Tax. Without this exemption the full benefits accruing under the Fiscal Incentives Act cannot be obtained. The relief is intended to attract persons wishing to establish refining operations in Trinidad and Tobago.

Clause 6 provides for a deduction of 100 per cent of expenditure incurred in workovers, maintenance or repair works on completed wells and qualifying side tracks.

Clause 7 seeks to extend the heavy oil allowance to land areas. Under existing legislation this allowance is available only in marine areas. This provision would encourage companies with land operations to develop heavy oil reservoirs which previously may not have been economically viable.

Clause 8 extends the deduction for expenditure on development dry holes to exploration dry holes. Under the present legislation, expenditure on exploration dry holes is capitalized. That is, it is written off over a long period. The reduction for such expenditure would encourage further exploration drilling. Always, Mr. Deputy Speaker, I stress, let us get activity going.

Clause 9 removes definitions relating to base crude oil and additional crude oil.

Clause 10 removes the charge of Supplemental Petroleum Tax from additional crude oil income and base crude oil income and replaces it on gross income.

Clause 11 removes references to additional crude oil and base crude oil and introduces a new Schedule, the Third Schedule. Part A of the Schedule provides for the manner in which the SPT shall be computed and Part B provides for the rates to be applied. This is really the heart of the bill, with those particular tables attached, with the different columns under which percentage rates of tax will apply.

Clause 12 introduces a new allowance, the Geological Land Geophysical Allowance for SPT purposes. The allowance is equal in amount to 50 per cent of expenditure incurred and this is allowed as a deduction from gross income. These costs are associated with exploration and development activity and the deduction from gross income would encourage further activity of this nature which may result in additional drilling for oil.

In other words, we are attempting to let companies write-off these expenses in all of these new techniques and three-dimensional seismics and so on as a further inducement to getting the substrata of Trinidad and Tobago mapped out.

Clause 13 and 14 remove the provisions of the production allowance on marine operations. The production allowance was an allowance of 30 per cent of gross income, which was deductible from the gross income of the first two million barrels of oil produced from each marine field in any year.

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Clause 15 provides for the exploration allowance of 150 per cent of the direct cost of drilling exploration wells to be reduced to 100 per cent of such expenditure, which is deductible from gross income.

Clause 16 makes provision for the deduction of overriding royalty in computing the SPT. Under the present legislation, the sub-licensees were not entitled to a deduction of the overriding royalty. This provision is intended as a relief to sub-licensees who at present are small producers—and I stress this—this has very great significance to sub-licensing, which is an area we are moving strongly towards in Trinidad and Tobago at this time. It has very great significance, this particular clause 16. Not heavy in terms of dollars, but very significant to a new sector in the business.

Clause 17 introduces a new heavy oil allowance in computing SPT. An allowance of 100 per cent of all capital expenditure incurred in marine thermal recovery schemes is deductible from gross income. This provision will encourage the development of thermal projects which may result in increased production which is very significant to Trinidad and Tobago. One need only look at Lake Asphalt to understand that is a fault, but there is, in addition, heavy oil in this country which is expensive to bring into production. With those vast reserves we have, if we could get more of it into production, it would significantly impact on our earnings.

Clause 18 extends to land areas; the investment allowance in development activity is currently only applicable to marine areas. The rate of 43 per cent for intangible drilling costs and tangible costs respectively is reduced to 40 per cent which is deductible in computing SPT. This provision introduces a new relief to land operations which would result in additional developmental activity on land.

3.45 p.m.

Mr. Deputy Speaker, a lot of our low production is on land but land is the area where most of the employment in the industry is and we want to make sure that we encourage land-based activity; therefore this is a significant benefit that we are putting their way to try to encourage land-based activity.

Clause 19 reduces the enhanced recovery allowance on land from 140 per cent of expenditure incurred on plant and machinery to 100 per cent. The plant and machinery which qualified for this allowance were listed in the Third Schedule which is now renumbered as the Fourth Schedule.

Clauses 20 and 21 remove the reference to "additional crude oil" and "base crude oil" from section 26 which relates to allowances to be claimed in a financial year and from section 26(d) which deals with deductibility of allowances in relation to land operations and marine operations.

Clause 22 removes the provisions from section 26(e) which provides for the end of the previous petroleum tax regime for the SPT.

Mr. Deputy Speaker, clause 23 increases the tax rate for petroleum profits tax from 45 to 50 per cent. Whereas we are bringing down generally the SPT rates, as I said earlier, we are shifting from so to speak for want of a better word, a gross tax, a turnover tax; we are shifting more to profits tax and we are bringing therefore the SPT but we are taking the opportunity to slightly bring up the pure profits tax which is the PPT. So we are increasing the Petroleum Profits Tax from 45 to 50 per cent.

I stated earlier in my presentation that this bill is seeking to abolish the national recovery imposts. Most large oil companies pay the rate of 3 per cent for this impost. The increase in the rate applicable to PPT to 50 per cent and the simultaneous removal of the national recovery impost would result in a net increase of 2 per cent or two percentage points.

Mr. Deputy Speaker, I indicated earlier in my presentation that during discussions with the oil companies, it was agreed that the significant relief provided in respect of SPT presented an opportunity to shift to a more profits-based regime.

Clause 24 amends paragraph 7 of the Second Schedule which modifies the Income Tax (In Aid of Industry) Act to increase the rate of the annual allowance for intangible drillings and development costs from one-eighth of the expenditure to one-fifth.

Clause 25 rennumbers the existing Third Schedule as the Fourth Schedule because of the introduction of a new Third Schedule providing for the computation of SPT and the rates applicable.

Clause 26 introduces the Third Schedule Parts A and B.

I shall now turn to Part A of the Third Schedule which seeks to provide as an inducement for new investment in the petroleum industry, a reduced scale of SPT rates, where production commences in the future from new licenced areas.

Paragraph 1 defines "weighted average annual crude oil price."

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Paragraph 2 stipulates marine operations; and under “Marine Operations”, it is provided that no SPT is to be charged where the weighted average annual crude oil price for any financial year is US \$13 per barrel or less; no SPT where the average price of crude oil in this marine area is US \$13 or less.

In another section under column A it provides for higher rates of tax—in column “A” of Part B—where production is from an area, the licence or sub–licence for which was issued prior to January 1, 1988. So you see under the different columns, we are discriminating as between when the licences were granted, again, with an eye looking forward to production and encouraging some new licenced areas.

It is also provided that where the licence or sub–licence was issued on or after January 1, 1988, and production commences after January 1, 1992, the lower rates at column B of Part B will apply. That gives effect to it. It goes on, Mr. Deputy Speaker, to outline how the companies would choose between the different columns as outlined in the bill.

I now turn to the subsection dealing with the computation of SPT in respect of land operations. Because of the complex operations in Trinidad, we have to differentiate between when the licences were granted, whether it is marine or land. I have dealt with marine, I am now turning to how we will deal with the land operations.

Under sub-paragraph (a) it provides that no SPT is chargeable where the weighted average annual crude oil price is US \$14 per barrel. In other words, in a marine field, no SPT, at a price as low as US \$13. But on land we are giving you an extra break. No SPT when the price is one dollar higher, when it is US \$14 and below, no SPT. It is clear the reason for that is, we are encouraging land operations, which are far less productive in the Trinidad scenario than the marine operations, and we understand too well that when oil price is US \$14 and less, in fact there is no profit, virtually, in the deal and therefore you cannot be creaming off the top, which is what the SPT does. So we are saying, in other words, whereas US \$13 on marine, US \$14 is the cut off point on land. That is US \$ price per barrel. And similar tidying up operations as to how the companies would compute. I will not get into that here.

Paragraph 4, introduces a new SPT allowance which provides for a 20 per cent discount of the applicable rate for both marine and land areas in respect of low producing wells. The allowance is applicable where the average production in any

marine field is 200 barrels per well per day, or less, or in a land field where production is 100 barrels per well per day or less. In other words we are giving a special discount again for extremely low production wells. This allowance being introduced is an incentive, to continued production from those low producing wells, because of the high cost of maintenance of these wells.

Paragraph 5 introduces a new SPT allowance of a discount of 20 per cent of the applicable rate to that portion of production which exceeds 90 per cent of the production for the previous year. This appears somewhat complex, but what we are doing is, if you go back to this particular chart, if you look at the black line, you will see that is the base line. In other words, what we are trying to do is to understand that there is a natural propensity for our oilfields to decline and we are giving a break of 20 per cent discount that takes into account the natural rate of decline of wells, so that when you get anything from 90 per cent onwards, it will be subject to that particular 20 per cent discount allowance on the SPT.

Paragraph 6 provides for the determination of a field by the Minister of Energy and with that, Mr. Deputy Speaker, I turn to the rates set out in Part B. These rates reflect progressive graduations when the price of crude oil increases. You will see from those rates, that it is a graduated structure which will enhance Government's share of the revenue as prices rise and windfalls begin to accrue.

I turn now to the Income Tax (In Aid of Industry) (Amdt) Bill. This bill, together with the two other bills, a Bill to amend the Petroleum Taxes Act and a bill to amend the Petroleum Production Levy and Subsidy Act are before this House and seek to implement the recommendations of the Petroleum Tax Committee.

3.55 p.m.

Clause 3 deems the provisions of this bill, again to have come into effect on January 1, 1992. Clause 4 defines "production business". Clauses 5 and 6 seek to change the method of write-off of capital expenditure incurred on machinery and plant from the reducing balance method to the straight line method.

Clause 7 provides for the first year allowance under section 17(A) which was introduced by clause 6 to be treated as wear and tear allowance in arriving at the unwieldy balance of expenditure for the purposes of the balancing allowance or balancing charge.

Clause 8 seeks to provide an increase in the allowances granted in the year in which intangible drilling and development costs are incurred. The provision allows

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an initial allowance of 10 per cent of the expenditure incurred and a first year allowance of 20 per cent of that expenditure. This compares under the present legislation to an entitlement of 10 per cent initial allowance and 1/8 or 12.5 per cent or unit of production method, whichever is the greater.

Clause 9 is a consequential amendment. Clause 10 limits the investment allowance to capital expenditure incurred not later than December 31, 1991. Accordingly, the investment allowance will not be available in respect of expenditure incurred after that date. However, the annual allowance in respect of capital expenditure incurred up to December 31, 1991 will continue until the residue of expenditure is exhausted. The investment allowance was only applicable to production business on land. The capital expenditure incurred was grossed up to 150 per cent and written off over a period of six years. With the removal of the investment allowance there will now be no difference in treatment of capital expenditure incurred after December 31, 1991 in respect of land or marine operations.

Clause 11 is a consequential amendment again, and with that I turn, finally, to the Petroleum Production Levy and Subsidy Act, Chap. 62:02. Clause 3 amends section 3 by repealing subsection (1). This provision had provided that the levy did not apply unless petroleum was produced at a daily average rate in excess of 3,000 barrels. The levy will now be applicable to all persons or companies carrying on production business. No exemptions. All producers in oil will now be subject to the levy.

Clause 4 limits the levy to three per cent of gross income, so that where the amount computed in accordance with section 11(1) exceeds three per cent, the levy payable is three per cent.

As I explained earlier on, the oil companies were very concerned about this levy; the actual amount paid fluctuated with the oil price, there was no ceiling on it and they had no idea how much they would pay towards this subsidy which in effect subsidizes gasoline. Therefore, we have put a cap on it that limits the levy to three per cent of gross income of the producing company and all companies are now subject. Clause 5 deems this particular bill, again, to have come into effect on January 1, 1992.

Mr. Deputy Speaker, already in anticipation, let me inform the national community that in addition to serving Trinidad and Tobago's general interest, and encouraging new petroleum exploration and work programmes, a significant

amount of the benefits of this new legislation will accrue to our own national oil companies. I think it is very important that all Members of the House understand that.

Production decreased from a total of 42, 624 barrels of oil per day between Trintoc and Trintopec in 1987 to 35,269 barrels of oil per day in 1991, that is, Trintoc and Trintopec minus Trinmar. A decrease of 17 per cent in that short period of time. Both companies, despite having maintained an aggressive level of activities were unable to sustain production levels. In order to address the decrease in oil production, various provisions have been included in the bill before us. For example, a scale of SPT rates which reflect that no windfall profit tax or SPT tax on marine fields at under \$13 per barrels and on land, \$14 per barrel.

The new SPT rates will allow Trintoc to accrue a cost saving of \$50 million in 1992, which will enable the company to have a better cash flow and as such the company can therefore embark, hopefully, on projects which normally would not have been done. Trintoc and Trintopec, like any other oil company, can only ensure survival and continued well-being by arresting the natural decline of existing fields and by exploring for, and finding new reserves. These funds need to be generated through earnings from current operations on land, Galeota and in Trinmar.

In the latter respect, the Government is proposing 100 per cent of all capital expenditure incurred in the drilling of wells and in the acquisition of machinery and plant for use in marine thermal recovery schemes for heavy oil to be deductible in computing gross income—that is a point that I made as I went through the legislation. This provision will now allow Trintoc and Trintopec, in the marine area Trinmar, to tap into the 500 million barrels of heavy crude which is not economically recoverable under the existing tax regime. Do you hear those numbers? 500 million barrels of heavy crude which is not economically recoverable under the existing tax regime.

Current oil prices on land are low and all indications are that they are likely to remain so into the foreseeable future. In spite of this, the land operations of both state petroleum companies bear, and will continue to bear, the major burden of employment, both directly and indirectly, through their contractors and suppliers, and are the main generators of economic activity in large sections of south Trinidad. Therefore, Members of Parliament will understand that these particular

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measures have a significant bearing on the companies and on the country as a whole, but more specifically, on the very section of south Trinidad.

Mr. Deputy Speaker, those are the benefits that will accrue as I have stated specifically to Trintoc and to Trintopex, and I have just refreshed your memories on this because it is so critical. The benefits also accrue to the wider population of Trinidad and Tobago. It is oil again that bears the brunt of responsibility in pulling Trinidad and Tobago out of stabilization into growth. That is only going to happen on the strength of new exploration which, as I have indicated, must happen in the context of international competition for those scarce oil dollars that can be moved anywhere in the world for new exploration drilling.

4.05 p.m.

We have to attract those dollars here. We have at our finger tips only a few items that we can manipulate. As I say, some of them are our political climate, our industrial relations climate, but most important, our taxation regime is critical for Trinidad and Tobago. We have worked on this. The committee was in force since, as I explained, very early this year. I want to pay tribute to the members of the committee which was chaired by Mr. John Andrews and included, Mr. Reynold Rampersad, Mr. R. Mendes, Mr. R. Kong, Mr. A. Jupiter and Mr. A. Alleyne. A group of technical experts who worked hard and mastered a very complex number of circumstances and have given Trinidad and Tobago the prospect of a new regime that will serve our interest and at the same time, serve to attract the capital that is so vitally needed in the industry today. I think Trinidad and Tobago owes them much.

We have calculated what the costs of this particular regime are likely to be. We have calculated that the SPT which we are varying, the Petroleum Profits Tax which we are varying upwards, the recovery impost which is coming down; the unemployment levy stays the same. That is now assuming everything else to be the same—all other items being constant and varying just the legislative regime from what existed hitherto, and what we now propose that the 1992 fiscal situation should be, will cost about \$150 million. But, it is what we have to gain henceforth. Any time we look at this particular chart and do not realize that we are in a dynamic situation; any time we want to hold our rate but hold it on a declining balance, Trinidad and Tobago is in dire trouble. Any time we lower the rate and hold forth the prospect of immediately losing some revenue but at the end of the day, increasing the size of the pie, bringing up this rate of decline, then, all of us stand to gain.

In spite of all that, I still want the House to know the facts, we are not hiding anything, that based on this year's fiscal 1992 we could have gained in the short run an additional \$150 million which we are giving up for this longer term benefit but, also Mr. Deputy Speaker, I want to let Trinidad and Tobago know that in that \$150 million benefit that we are giving up, Trintoc and Trintopec would be taking \$117 million of it. I want you to understand that, Mr. Deputy Speaker, and through you, the rest of Trinidad and Tobago.

Any time people understand that, they understand that by far in a way, the major benefit of this new legislation is going towards Trintoc and Trintopec. All the more reason therefore, for Trinidad and Tobago to understand the stake we have in those companies and the importance of their survival and the need for all of us in this country to act together, to act responsibly and to understand that even with these concessions a tax benefit is really no benefit if there is no cash flow underlying. At the end of the day they have to so order their affairs that they can put themselves in a position to benefit from these.

True, the SPT as a windfall tax takes off the top and they will be relieved of that, but ultimately, this country has to understand that how those two companies conduct their affairs, recognizing too, that in the several hundred million dollars borrowed from the IDB for refinery upgrading, those moneys are borrowed by the Trinidad and Tobago government, guaranteed by all of us here, and onlent to Trintoc for refinery upgrading. So that at the end of the day, any irresponsible actions out there will have consequences not on a narrow few but on all of us.

I commend these pieces of legislation to this House. It is vital legislation long awaited by all the players of the industry; vital legislation awaited by all kinds of small operators in the deep south of this land; legislation that has consequences for foreign exchange earnings, for employment and ultimately, I would say, for the economic survival of Trinidad and Tobago.

I beg to move.

Question proposed.

Mr. John Humphrey (*St. Augustine*): Mr. Deputy Speaker, We wanted consultation but we did not get it. Because once you start the debate you have to continue it.

Mr. Manning: Mr. Deputy Speaker, I want to make it absolutely clear that the position advanced by the Government was that the hon. Minister of Finance

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would make the presentation, we would adjourn the debate for consultation such as the Opposition has requested of us. Because we wanted the information that the hon. Minister of Finance had to be made available to all Members as their basis for consultation. If a different route is pursued this evening it is at the instance of the Opposition and not the fault of the Government.

Mr. Humphrey: Mr. Deputy Speaker, I am ready to go on. However, if the hon. Prime Minister would indicate what form this consultation will take, we would give consideration to it. That is the question we asked. What form will the consultation take? Because this is a form of consultation. I can refute everything the hon. Prime Minister has said by reference to certain documents.

Mr. Manning: Mr. Deputy Speaker, there is no point in our trying to make simple matters contentious. The Minister of Finance and the Minister of Energy and their technocrats could be made available to the Members on the Opposition for the purpose of consultation.

4.15 p.m.

Mr. Sudama: Mr. Deputy Speaker, would the Prime Minister indicate whether we could have the report prepared by the eminent gentlemen?

Could we have that report available to the Opposition in order to make an informed judgment on the question of the proposals before us?

Mr. Manning: Sit down!

Mr. Sudama: If not, who are you trying to hoodwink in this House?

Mr. Humphrey: Mr. Deputy Speaker, we are ready to go on.

Mr. Deputy Speaker: Will the hon. Member for St. Augustine continue please.

Mr. Humphrey: Mr. Deputy Speaker, the hon. Minister of Finance has sought to persuade this House that the genesis of this legislation, the amendment of three pieces of legislation, is as a result of current world conditions, and he referred to several events in the world which are attributable to moving in this direction. However, I want to refer to a different event that predates the events which he spoke about, for example, the collapse of the Soviet Union and the putting in place of the Commonwealth of Independent States that is so attractive to all of this petroleum investment today. I refer to the budget speech of 1992,

which was presented on Friday, January 17, 1992. At page 12 of the printed version, it states:

"We plan to draw about US \$40 million from the World Bank and Japan EXIM-BANK in connection with the Structural Adjustment Loan which the Government negotiated in 1989. The World Bank has extended the date for compliance with its second tranche policy conditionalities from December, 1991 to December, 1992. Failure to implement negotiated conditions on a timely basis damages the country's credibility in dealing with the international community. We shall make every effort to establish a suitable timetable for implementation of the agreed programme and disbursement of the associated tranche of loan funds."

That is the genesis of the legislation we have before us.

Let us go to the conditionalities of the World Bank with respect to petroleum, the energy sector. Let me put this in proper context because this is not an initiative of the PNM Government in response to the mandate given in the December, 1991 election. This is related directly to the structural adjustment loan and the conditionalities imposed on Trinidad and Tobago by the World Bank. That report which is really the PNM manifesto is what the PNM is implementing today in terms of running the affairs of Trinidad and Tobago.

I recommend at once that what the Government did was to take the cover from this document and place on that document, *Report and Recommendation of the President of the International Bank for Reconstruction and Development to the Executive Directors*. This is a report not of the Government of Trinidad and Tobago, but one written in the first person, by the Governor of this bank.

Let us go to the report. Paragraph 1 of the report states:

"I submit the following report and recommendation on a proposed loan in the amount of US \$40 million equivalent to the Republic of Trinidad and Tobago, to support the government's structural adjustment programme."

This is the report of the Governor of the International Bank for Reconstruction and Development. All its contents are Bank's information, decisions and recommendations.

Let us see what they said on November 21, 1989, in connection with the petroleum industry. We wanted consultation, but meaningful consultation, because we refute this; we reject this. This structural adjustment programme for Trinidad

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and Tobago is rejected by the United National Congress and by many of the interests in this society. In fact, the electorate felt that it was rejected by the PNM when they went to the election, because it was implemented by the NAR regime.

At page 44 of the report, there is the heading, "Conditions of Release of Second Tranche." We go to the condition relative to petroleum which is at (g). It states:

"Satisfactory progress in reviewing the regulatory and incentive framework applicable to the petroleum sector, (para 72.)"

Let us now go to paragraph 72. This is the action programme. It states:

"The Government has agreed to review the petroleum taxation regime and the general regulatory framework in order to assess T & T's competitiveness for stimulating increased investments by local and foreign investors in the petroleum and related sectors. Prior to second tranche release, consultants would be engaged and progress satisfactory to the Bank would be achieved in carrying out the review."

In other words, this ole talk about the Soviet Union's collapse and the international oil investors with capital that is so short in supply, and all this talk about the investors looking at risks and returns and seeking to maximize returns and minimize risks has nothing whatever to do with the measures before us today with the conditionalities of the World Bank loan, and the receipt of the second tranche of US \$20 million in December 1992.

That is why on a previous occasion, I recommended that it would be better to dissolve the Government; save the taxpayers the expense of carrying on the government, and hand the power of running Trinidad and Tobago to the Directors of the World Bank. Let them give the instructions directly to the public servants. There is no need for Ministers, because they are in charge. They are telling us how to move and what to do.

We must privatize the state sector. That is why when we stood up to debate Caroni (1975) Limited, we said we do not trust the Government because we know what is the intention of the World Bank. The World Bank does not want the state to own any part of the economy; it wants the state to privatize, divest, give up its involvement in economic life and enable the private sector to take control of the economy.

4.25 p.m.

That is in line with US policy under Reagan and Bush. We do not know what it will be under the new President, given a change in presidency in that country in November. If indications are correct, there will be a change in party. The Republicans will lose the executive and the Democrats will win. The difference between the Republicans and the Democrats in that country is the role of the state in economic activity. This Government, like the NAR previously, is slavishly following the economic policies of the Republic party of the United States of America, as reflected by the international multilateral lending agencies that are controlled by the major depositors. In this case the United States is the major depositor and it tells these people in countries where these moneys are loaned what kind of policy to implement.

The policy to be implemented is simple—create markets for US sourced goods and services. That is the baseline of the policy because the United States economy has structural difficulties far greater than even ours and what they are trying to do is to use the power that they have to influence the world, especially in this hemisphere—little Trinidad and Tobago included—to force us to become little outposts of their economy. That is what we are sitting here and allowing to happen.

The Government is seeking to play exactly into their hands by restructuring companies owned by the state, making them profitable regardless of the social cost to Trinidad and Tobago, so that they will become attractive to foreign investors. That is the strategy. This ole talk of the world recession creating a lower demand for oil and therefore making those who have capital to invest in the petroleum industry look more closely at how they invest, is not what is behind this. This predated what occurred in Eastern Europe and the Soviet Union and this is an ideological approach; it is a right wing conservative approach to economic management and is based on a concept of economic mobilisation called trickle down.

Mr. Valley: Could the Member once more give us the date of that document?

Mr. Humphrey: Mr. Deputy Speaker, a lot was made on a previous occasion of the date of the PNM's policy, which was reflected in the manifesto and this World Bank structural adjustment programme. What I suspect is that this policy was governed by information received by the PNM from people who were connected to this institution. I do not want to name names, but what I suspect is

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that certain people who are very highly placed in this country, and who lost their position, gave the PNM an insight into how the World Bank was thinking. This is what I suspect. If it is not true I would be very surprised, because there is an amazing coincidence of ideology and policy between these two documents. This is the Election Manifesto, 1991, and this is November 21, 1989.

What the hon. Prime Minister has told this House is that the PNM's energy policy was devised in 1988 and presented to a special convention. Now we have never seen the PNM's energy policy; what we have seen is what is written in this document. If we are to believe what is written in this document, let us turn to the section on energy at page 20 of the manifesto.

4.30 p.m.: *Sitting suspended.*

5.10 p.m.: *Sitting resumed.*

Mr. Humphrey: Mr. Deputy Speaker, before we took the tea break, I was about to refer to the PNM manifesto, the section on energy, to be found at pages 20 and 21. I want to quote from (a) "General":

"The PNM has always considered energy to be the leading sector in our country's development. Conscious of the fact that our natural resources belong to all our people, the PNM stands committed to the development of this sector for the benefit of all."

Mr. Deputy Speaker, nobody can fault the position that petroleum is part of the patrimony owned by the community of citizens of Trinidad and Tobago and must be managed in the interests of all the people of Trinidad and Tobago.

In the context of fulfilling this obligation to the people of Trinidad and Tobago, the PNM promised specifically to create a national and non-partisan attitude towards major Government decisions in this sector. To do this:

"Major initiatives will include:

- the establishment of an appropriate mechanism, at the level of Parliament if feasible, within the model of a parliamentary democracy, to provide a consultation on national energy policies between Government and Opposition."

Now, that is a specific reference, for introducing into the Parliament a consultative mechanism between Government and the Opposition on energy matters.

In addition, specifically:

"— consultation with the trade union movement on the formation of national energy policy."

Mr. Deputy Speaker, we asked for a deferment of this debate to enter into meaningful consultation. I specifically referred to the manifesto of the People's National Movement. It is quite clear to me that if the Government was committed to consultation, it would have seized the opportunity with these three measures before us to put in place a consultative mechanism. I even proposed the format of a recent consultation held between Members of Parliament and the Chairman and other members of the West Indian Commission, which turned out to be a very useful exercise. But when we sought to get specifics from the Government on the form of this consultation, it was quite clear to us that is not what was intended, no meaningful consultation.

To make available to us the technocrats who were put together in a committee to make recommendations, that is not consultation. Why not just release the Committee's report?

Mr. Manning: Please, Mr. Deputy Speaker, I think I must intervene. It is not just the technocrats. Why does he ignore that I also said the Minister of Finance and the Minister of Energy? It is political.

Mr. Sudama: We want to go beyond that.

Mr. Humphrey: Mr. Deputy Speaker, whether the Government wants to consult with the Opposition or not, I do not think it will make any difference whatever to what occurs with the economy of Trinidad and Tobago because I am honestly convinced that the shots are not being called by the Cabinet under the Prime Minister; the shots are being called elsewhere.

I would be very happy for Trinidad and Tobago, if someone could persuade me otherwise. What is amazing is the coincidence of position between what this Government is doing today and what the World Bank imposed on us for a mere US \$40 million, plus an additional \$40 million from the Japanese Import/Export Bank—\$80 million. We now have to totally transform our economy and virtually rebuild the foundation on which the economy was built.

Quite frankly, Sir, I am not satisfied that is in the best interests of the people of Trinidad and Tobago. It is certainly very clearly in the interests of the United States of America. All the nations that have to accept these conditionalities of the

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World Bank and the IMF are, in fact, reorganizing their economies not in their self-interest, but mainly in the interests of the United States of America. I see these measures before us, as compliance with the conditionalities of the structural adjustment programme of the World Bank.

We went into an election in 1991 and the electorate rejected the NAR Government. It is the NAR Government that imposed this programme on Trinidad and Tobago. I was in that Government in the first year of its life and I recognized the swing away from our mandate from what the NAR had promised the people of Trinidad and Tobago, and I confronted the then Prime Minister in Cabinet on this. And it was because of this that I was booted out unceremoniously from that Cabinet. It is quite true that others are trying to paint a different picture, trying to make me appear to be corrupt and so on.

The main issues of contention at that time—I am very happy to deal with them—we had promised to mobilize indigenous economic resources in response to indigenous needs. We had promised to re-create employment, when such tremendous unemployment was the order of the day, through directing domestic resources to enhancing food production and shelter.

For the poor of this country, mainly, the strategy was to use the idle capacity—those savings that this country had accumulated in the petro boom years and which were idle, and non-productive—to use those resources productively, and directing labour, capital and infrastructure to achieving food security and adequate shelter. Those were the two main thrusts of what we had promised.

I was made the Minister with responsibility for the infrastructure. That is the Ministry I was given. I was responsible for works, settlements and for infrastructure. In conformity with what we had promised, I was seeking to mobilize national resources by creating a partnership between the state and the private sector in the construction industry, to put those idle resources to productive work. A programme was identified. The constraint was funds; there was not enough money to finance the programme.

What I argued at the time was that we were operating our finances in an outmoded way, that the release of domestic funds was related to a static quantity of convertible foreign funds. That is what it is related to under the Central Bank Act. The foreign reserves of the country, under our law, limit the use of domestic currency. If we have no foreign exchange, we have to withdraw TT dollars from the system. Since there was a critical shortage of foreign exchange, what the

Government was doing was withdrawing money from the system—first of all by a devaluation; the devaluation, in fact, enabled the Government to sustain the level of domestic currency in the system, but then, by using it, the statutory reserve mechanism, withdrew money from the system, dried up whatever liquidity there was and virtually strangled the economy.

I argued with the then Prime Minister, who was Minister of Finance, that that was suicidal and lunatic; that you do not starve to death the goose that lays your golden eggs and then hope that you will get golden eggs. But the confrontation that resulted ended with my being fired. Accepted.

The very conditions with which the NAR betrayed the electorate, and on which the PNM got the electorate to believe it would do differently, this PNM Government is implementing.

Mr. Manning: May I ask, Mr. Deputy Speaker—and I thank the hon. Member for giving way—whether he would be kind enough to point out where the current policy of the PNM deviates from our public policy in the manifesto on the basis of which we went to the electorate?

Mr. Humphrey: Mr. Deputy Speaker, in the manifesto there is a fundamental thread that is supposed to be woven through the policies and the programmes of the Government. It is to be found at page 6:

“There can be no rest until poverty is completely eliminated, until all are housed, all clothed and fed, all educated, all find meaningful employment and all feel a sense of security and belonging to the family of Trinidad and Tobago.”

Sir, the electorate did not read the full text of this manifesto but clauses like that catch the imagination of people. The then Prime Minister was so hated by the voters of this country that they were happy to remove him from power, and the incumbent Prime Minister is the beneficiary of that. There is no question about it.

However, I should have hoped that if an electorate rejected the then Prime Minister and his Government because their policies and programmes were not fulfilling this kind of objective, on putting a new Government in place, they would have anticipated that that Government would have done better. But they cannot do better if it does exactly the same.

What the PNM regime is doing is exactly the same: Following slavishly everything in this document. It is amazing how every time I re-read this document I see the similarity between the NAR policies and the present policies of the PNM.

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Sir, in addition to all of this, the Prime Minister made a promise to the people of Trinidad and Tobago that we would get, early in this tenure, a clear petroleum policy. In fact, he boasted that he had presented very clear policies for the petroleum sector to the PNM convention and, therefore, the documentation should not have been very difficult to produce. We have not yet seen it.

The Prime Minister invited me over at the tea adjournment and he did show me that the Government is almost ready to deliver to the people of Trinidad and Tobago a policy on the energy sector. Sir, I remarked to him that surely the timing would have been better for this to have been presented as a White Paper prior to this legislation. I cannot understand the haste. Why is it so necessary to pass this legislation now?

The only reason I can possibly see is that the second tranche is due December 31, 1992 and they have to satisfy the conditionalities and this is one of the conditionalities. That is the only reason I can see. If I am wrong, I would really like one of my friends opposite to show me where.

Mr. Deputy Speaker, allow me to put on record the entire section of this World Bank Report on the Hydrocarbon Sector.

Mr. Manning: It is laid; you have nothing else to say.

Mr. Humphrey: Mr. Deputy Speaker, until you tell me my time has expired, it is worth repeating.

Sir, it puts this in perspective. The Hydrocarbon Sector:

"The discovery of oil in Trinidad and Tobago, in 1890, set the stage... "

Look at the date. We discovered oil, Mr. Deputy Speaker, over 100 years ago. We are one of the oldest oil producing nations in the whole world and, in fact, our technology is exported to many other parts of the world. Our people go and work in oil in many parts of the world:

"for the country's future prosperity and consequent problems. When this land find was followed in 1908 by marine discoveries and somewhat thereafter by the construction of an oil refinery, Trinidad was established early as the leading income earner in the English speaking Caribbean.

The petroleum sector has, however, suffered periodic production declines as old wells were depleted, leading as recently as 1968—1970 to a domestic recession and high unemployment. The sector is currently in such a production

slump. Existing wells are becoming depleted and drilling them is more costly. Crude oil production, which peaked at 83.8 million barrels in 1978, declined to 58.3 million barrels by 1983, a fall of 30 per cent in five years. The oil price collapse in 1986 stifled a recovery that began in 1984, and in 1988 production reached a 15-year low of 50.8 million barrels.

The Government's strategy is to stimulate higher oil production through more favourable tax incentives, introduced in 1988. The Government is targeting further exploration and secondary oil recovery to increase production.

During 1988, it introduced the lease operatorship programme for secondary recovery aimed at reactivating wells currently at low production and not being drilled by current owners. These latter would lease to private operators who would qualify for additional tax incentives under the revised Supplemental Petroleum Tax. Government invited bids for the lease operatorships and for new exploration acreages. The response to both programmes was good and the authorities are optimistic that over the medium-term, these and prime new areas to be offered for competitive bidding would be explored. Further improvements to the incentive and regulatory regime are, however, needed.

The tax revisions of 1988 are applicable strictly to existing production operations, not to new ones, and are not geared to stimulating their production much above 1987 levels. The taxation system is complicated and the contracting arrangements are outmoded. These issues are to be addressed under the adjustment programme."

So what is new? This is carrying on with the same programme that was started by the NAR.

"While refining has been central to the sector's operations for many years, accounting for 40 to 50 per cent of the sector's export earnings, the refining industry has not kept up with world-wide sector developments. It failed to adjust its product lines away from fuel oil for which demand was falling to the lighter products, such as gasoline and diesel, in greater demand.

This factor, coupled with the lower crude oil production and the cancellation, in 1982, of a long-term processing arrangement led to a drastic fall in capacity utilization. With industry throughput averaging only 25 per cent of refining capacity, refinery losses have averaged TT \$100 million per year.

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For some time the Government has recognized the need to rationalize and upgrade the subsector. Although the two refineries, at Point Fortin and at Point-a-Pierre, are run by the state-owned Trinidad and Tobago Oil Company (Trintoc), their refining processes are not integrated, with respect to the supply and use of feed-stock, for example.

Overstaffing afflicts both plants; and because many of the facilities are old, and the new processing configuration is very simple, extensive refinery conversions and new plant are necessary to change the yield pattern in order to be able to export more profitable distillates. These problems afflict the Point Fortin plant, the older and smaller of the two plants, more so than the other, and the option of closing down operations at Point Fortin altogether has been proposed.

The Government is approaching such a proposal cautiously because of the considerable social implications—about 1,000 workers would be added to the already large and rapidly growing numbers of unemployed, in a company town with no major alternative source of income. However, it is embarking on an industry rationalization and refinery upgrading programme with IADB support."

Now, Mr. Deputy Speaker, it has long been recognized that this country cannot continue to rely solely on oil production for its survival and sustenance. What is critically needed is to diversify the economy away from this dependence on oil. It is put in every single report that has ever been written about the petroleum industry. It is in this one. What do we do? We give incentives to the oil producers and disincentives to the producers of everything else. That is what we do and we expect the result to be diversification.

I want to ask this Government today, if it has recognized that in order to increase the production of petroleum you need to give the producers incentives, what about increasing the production of food, shelter and all those things needed by the citizens of this country? If you want to diversify, would it not be better to give incentives to all the producers of this country, to enable—I am not suggesting that you stifle oil.

Mr. Manning: That is what you wanted in 1987.

Mr. Humphrey: Let me tell you about 1987, Mr. Deputy Speaker, it is a nice story.

In December, 1986, when the NAR Government came into office I was considered a senior Minister and I was invited—as other Members of the Government were—to the home of an expatriate executive of a foreign oil company operating in Trinidad and Tobago for a Christmas party.

I seized the opportunity and took the initiative to bring into a little huddle while there, myself, the then Minister of Energy, the then Minister of State Enterprises two of the leading oil producing figures in the society from the private sector—one in direct production; one in the service industry.

Mr. Deputy Speaker, that evening it took no more than 30 minutes for the Ministers of the Government to try to discern from the private sector what in their opinion was needed to increase the production of crude. All they asked for was to leave the Supplementary Petroleum Tax at the level at which it was for existing production and remove it for increased production as an incentive to attract investment.

They guaranteed, that had we done that, the oil curve would have started an incline and the companies' revenues would have benefited. The three Ministers who were at that little get together took the decision that that was a desirable thing.

Sir, if Ministers in a Government had power and did not have to depend on the Prime Minister to take every decision, January 1, 1987 would have seen an increase in oil production in this country.

Dr. Rowley: Just turn the tap.

Mr. Humphrey: All the wells that were capped would have been uncapped. It would take a matter of months before production begins to increase. The fact is that the local private sector in the petroleum industry is fully equipped for enhancing oil production. They have idle wells, they can drill on land, a little more difficult in the sea because they have got to acquire the platforms in order to drill in the sea. The local private sector was ready to move immediately to start increasing production, but they needed that incentive. It took the then Prime Minister, I think, some four years before he actually put it into place.

Mr. Manning: Are you surprised?

Dr. Rowley: If he were here you would never say that.

Mr. Humphrey: What I notice is that there is something in common in every one of these amendments and that is the retroactivity to January 1, 1992.

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Quite obviously, the Government entered into an agreement with the producing fraternity to go ahead on the basis that these incentives would follow, but obviously it takes a little time to bring the legislation.

Mr. Manning: I thank the hon. Member for giving way again, Mr. Deputy Speaker. He argued just now that all that was required in 1987 would have been incentives to the local private sector to stimulate production. The bulk of the oil production capability in this country is in the hands of larger companies, state-owned and foreign owned. Would he agree that a similar approach to these companies would have the same effect, that is to say, if you give these companies an incentive, it would result in increased oil production for Trinidad and Tobago? Would he say that?

Mr. Humphrey: Mr. Deputy Speaker, I cannot fully subscribe to that. When it comes to the state-owned companies, yes, absolutely—if you give the state-owned companies the incentives, the benefits would redound to the people of Trinidad and Tobago.

Dr. Rowley: Two sets of laws.

Mr. Humphrey: But there is no guarantee that when you give these incentives to the foreign companies we shall reap the same kind of benefits.

The petroleum industry in Trinidad and Tobago is really not run in the interest of the people of Trinidad and Tobago; it is run in the interest of a few of the people because it is the main derivative of foreign exchange. Foreign exchange is the lifeline of the national economy, because we do not produce the things we consume and we do not consume the things we produce.

This in fact, is the problem with the structure of our economy. We remain an economy dependent on the resources of other people and societies and not on our own resources. We gear our production to the needs of other people and we fashion our tastes on the basis of what others produce.

Mr. Deputy Speaker, getting back to the retroactivity of these relief measures—which, in fact, have already been given to the producers of oil—I want the hon. Minister of Finance to indicate that it is 10 months since these benefits have been extended to the producers, and what has been the effective result so far? Because the hon. Minister of Finance has quantified the cost to the Exchequer as being TT \$150 million of which \$117 million will be appreciated by the two major locally-owned oil companies, Trintoc and Trintopec. He has not told us where the

\$33 million difference will be going, whether it would be to the smaller producers or to some multinational corporation operating in this country. It would be interesting to know how that additional \$33 million is dispensed.

He gave us the cost, but can he now quantify the benefit? His argument was that the whole international strategy of petroleum is risk/benefit, seeking to achieve a maximizing of the benefit and a minimizing of the risk. What had been the benefits of the incentive that has been given that is estimated already at \$150 million by Trinidad and Tobago? If there had been no benefits in the short-term, what are the estimated benefits in the medium and long-term? Would he please specify? Because the Government has taken the risk, has forgone revenues; what are the benefits to be derived? I am asking the Minister of Finance to please quantify, for the benefit of the Members of this House, what those are. They have had ten months of the enjoyment of the incentives. To what extent has oil production increased and who has been increasing the production?

5.40 p.m.

Mr. Deputy Speaker, I have some information that is a little troubling—that the state-owned companies who are in a position to increase their oil production, are leasing out wells to their friends in the private sector. Therefore the state companies that could reap the benefit and maximize the benefit with these tax incentives are, in fact, transferring those for the enjoyment of people in the private sector, some of whom are personal friends of the—

Mr. Deputy Speaker: The speaking time of the Member has expired.

Motion made, That the hon. Member's speaking time be extended by 30 minutes. [*Hon. P. Manning*]

Question put and agreed to.

Mr. Humphrey: Mr. Deputy Speaker, I do not know whether to thank the Prime Minister, or to say that I recognize how mischievous he can be at times. Because I was just advising my colleagues that I did not really need 30 minutes, I was about to wind up. Anyway, I want to thank him for his sentiments, which I will accept in a very positive way, and thank you, Mr. Deputy Speaker.

Mr. Raymond Palackdharrysingh (*Caroni Central*): Mr. Deputy Speaker, if I ever saw the abuse of Parliament, it was today. The treachery that emanated from the Members for San Fernando East and Diego Martin Central is unparalleled in this Chamber.

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Would you imagine, Sir, that on Friday evening, while a debate was in progress with respect to Caroni Limited, three bills concerning the petroleum industry were introduced in the Parliament and a session is called today to debate fully the implications of those bills? More than that, Sir, I cannot understand how the Member for San Fernando East can play cards with the boys and then come in the Parliament and drive knives in their backs. I cannot understand it.

Mr. Humphrey: Hugs by day and stabs by night.

Mr. Palackdharrysingh: I believe, the Member for San Fernando East will have to answer to the nation for debating this bill under these conditions, especially when members of the public, particularly those concerned with the oil industry did not have the opportunity to make an input into such an important matter in this country.

Sir, when we are talking about the oil industry, the main economic activity; we are talking about the lifeblood of this nation. To come and rush through these bills in the most haphazard, brutal and callous manner is unbecoming of any government. I want to register hurt I feel at the position taken by the Government with respect to debating these bills, especially when the public, and especially people involved in the oil industry, did not have an opportunity to contribute.

Hon. Member: You all are missing Ramnath.

Mr. Palackdharrysingh: I believe the Member must be missing Muriel Donawa because I know the close connection they had in the last session.

Today as we debate these bills under the most unfortunate conditions, I want to indicate that I was not fully convinced by the arguments made by the Member for St. Ann's East as he stated the case for the Government. How would the CIS—because the openness of the CIS at this point is naturally attracting foreign investment—really have hampered, to any significant degree, what was happening in this petroleum economy of Trinidad and Tobago? We all know that production by Trinidad and Tobago is less than half per cent of world output; we all know that in terms of affecting outcome among the international players in petroleum Trinidad and Tobago really does not have a say.

At the same time you have to take into account what is happening with the major producers of oil and how their quantity of production would impact upon the world economy. We are not decision-makers in this country, we are decision-takers. It is important for us to realize that no amount of production in this country

will, in any way, be great enough to alter any sort of movement in the international system. Sir, let me quote the *Quarterly Economic Bulletin*, Volume 27 No 1, March, 1992 on page 11:

"World demand as estimated by the IEA averaged 67.7 million barrels per day in the first quarter of 1992. This was not unchanged from the previous quarter, but 0.4 per cent more than consumption in the first quarter of 1991. Demand in the OECD countries reflected seasonal fluctuations, averaging 39.0 million barrels per day. This was marginally below consumption in the previous quarter, but 1.0 per cent above levels in the first quarter of 1991. In January 1, 1992, OECD oil stocks on land were estimated at 94 days of forward consumption, as compared to 97 days of forward consumption on both October 1, 1991 and January 1, 1991.

Seasonal fluctuations in demands were reflected in the spot prices of major traded crudes during the first quarter of 1992. Nigerian Bonny Light averaged US\$18.93, compared with US\$21.25 in the fourth quarter of 1991. UK Brent averaged US\$17.94, a decline of 13 per cent from the previous quarter, while the weighted average of OPEC crudes was calculated at US\$16.24, US\$2.44 less than in the fourth quarter of 1991. At the OPEC oil ministers' meeting in February 1992, all parties agreed to a system of new production quotas incorporating cutbacks in output..."

This indicates where the ball with respect to petroleum is being played and who plays it.

5.50 p.m.

The Minister of Finance has not indicated the sort of impact on our country with respect to what is taking place by the major oil producers. As a matter of fact, he sought to create panic by telling us look, a window is open, if we do not seize the opportunities, all the funds for investment would be diverted to other places around the globe. How fallacious an argument. That is not to say that there is no need for looking at the oil industry here. Of course there is need, but there is not the undue haste after the Prime Minister stood up in this Parliament and said that since 1988, in some convention of his, he had an oil policy and that a White Paper was going to be made available to us and the country. But you cannot hear anything. Like a thief in the night, he is hurrying, moving through in this Parliament, these pieces of legislation.

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I have heard the Prime Minister on many occasions, while he was in the Opposition, criticizing the NAR Government for taking some hasty decisions. Regrettably, he is no different. I am extremely disappointed in him.

I want to come back to the situation in this country and look at some of the matters raised today. A very lovely picture. Of course, the Minister of Finance has indicated that base production has dropped significantly and in order to maintain some measure of viability, there was need for secondary recovery methods, and to some extent maybe, enhanced recovery methods.

Unfortunately, the Minister of Finance did not give a picture of what the oil industry is at the moment in Trinidad and Tobago. In the production of crude oil in this country, what amount of the oil does not need secondary and enhanced recovery methods? Trinidad has to be situated, perhaps, in context with its American neighbour, Venezuela. We ought to be told the quality of oil or petroleum being produced; what is quantum of oil and its API; what quantity of oil comes naturally from the ground; how much of the oil remains in the earth?

Mr. Deputy Speaker, do you see what I am saying? Here, today, the picture is not painted clearly, and in that respect, we do not know the quantity of oil produced and at what cost. We know that we might have some light oil; some oil that is more viscous and then we have the heavy crude. Obviously, what is happening here is no one has attempted to tell this Parliament what we are doing with respect to the quality of oil and for what reason.

If we have previously tapped the light quality of oil those that have a good API—and I think the Member for San Fernando East knows what I am talking about.

Mr. Maharaj: Tell him what API is; he does not know.

Mr. Palackdharrysingh: He knows very well. I know he is a man of rocks and stones.

Mr. Deputy Speaker, the point I am making is that the costing of production, especially on the land fields, has not been given to us. When he comes here and says, 'Look, down the road we are looking at a bright future and we have to give up certain things now', there has been no costing. How many capped wells are there in this country? How many dry holes have been in existence? How many other wells have been abandoned because—

Mr. Manning: What production do you anticipate from—

Mr. Palackdharrysingh: You tell us. That is what you are here to do. Mr. Deputy Speaker, this is the position with respect to what is happening here today.

There is also another agreement with respect to oil in this country. The Member for St. Augustine has used, very wisely, the World Bank Restructuring Programme, but here we have another document called Loan Contract between the Republic of Trinidad and Tobago and the Inter-American Development Bank, Secondary Recovery of Oil and Refinery Modernization Project. I want to quote from Annex A of this contract, which has not been mentioned in the Minister's presentation, and here we also see that certain projects have been noted.

"PROJECT DESCRIPTION:

The project shall consist of three sub projects: (i) secondary recovery of oil onshore; (ii) secondary recovery of oil offshore; and (iii) modernization of the refinery at Pointe-a-Pierre.

A. Sub-Project A: Secondary Recovery of Oil Onshore:

This sub-project shall consist of the secondary recovery on land of proven reserves of approximately 13.2 million barrels of heavy crude oils, using proven techniques of steam injection, to be transferred to the refinery at Pointe-a-Pierre for processing, while assuring that the new installations involved shall not have a negative environmental impact. The works involved in this sub-project shall include, but not necessarily be limited to, the following:

- (1) At the Forest Reserve Oilfield:
 - (a) Drilling of, and procurement of extraction equipment for, approximately 17 wells;
 - (b) Construction of appropriate interconnections with existing steam generation installations and of additional petroleum collection stations; and
 - (c) Modernization of the effluent treatment system at the Bernstein site, to minimize the environmental impact.
- (2) At the Point Fortin-Cruse E Oilfield:
 - (a) Drilling of, and procurement of extraction equipment for, approximately 89 wells; and

- (b) Installation of new facilities for steam generation, collection stations and transfer systems and improvement of the environmental protection facilities.

6.00 p.m.

"B. Sub-project B: Secondary Recovery of Oil Offshore:

This sub-project shall consist of the secondary recovery offshore of proven reserves of approximately 16.8 million barrels of medium density crude oils, using proven techniques of water injection, to be transferred to the refinery at Pointe-a-Pierre for processing, while assuring that the new installations involved, as well as existing installations to be remodelled, shall not have a negative environmental impact. The works involved in this sub-project shall include, but not necessarily be limited to, the following:

- (1) Construction of an installation for treatment and injection of seawater into approximately 35 existing wells;
- (2) Construction of a gas compression installation to inject high pressure gas into approximately 28 existing wells;
- (3) Installation of injection water and injection gas distribution pipelines;
- (4) Reconditioning of the approximately 63 wells referred to in items (1) and (2), to adapt them to the new extraction system; and
- (5) Improving the offshore and onshore fluid treatment installations, to minimize the environmental impact of the effluents."

Sir, there is another part with respect to the refinery. All these things are here, and the Government is not making any reference—at least it has not made reference to this document or to this programme. It ought to explain why it has not made this known to the Parliament or, if this is not important and if this is not part of the programme with respect to reconditioning of wells; with respect to the sidetracking and what not; with respect to secondary methods to retrieve some of the oil that would not normally flow from the wells and to tell us, in that scenario how—

Mr. Valley: Mr. Deputy Speaker, I wonder if the hon. Member would inform us whether that document was ever laid in this House.

Mr. Palackdharrysingh: Mr. Deputy Speaker, that is how I got it. What is the problem? Why did you not talk about the projects in it?

Sir, can you tell me what is their objection? When you are talking about oil, and forgoing what you have in order to get something more down the line, there must be some measure of quantification of the number of wells, the number of jobs and the amount of money to be spent. Critical to all of this is the fact that employment must be created. Not a single thing has been said about employment—how much employment is going to be created—except to say that some measure of economic activity is going to happen in the South land. In the South land are some of the worst roads. I said, in Barrackpore, my friend says also in La Brea.

Sometimes I wonder whether the Member for San Fernando East is the Prime Minister. He seems not to be able to make simple linkages. Because if he knows what I am talking about—In Barrackpore there is an oilfield where much oil is produced but nothing is put back into the community for roads or for infrastructure. He knows that. And he wants to win Naparima. I could imagine this man. It is the same thing in La Brea.

You do not undertake an activity without looking at the sort of spin-off effects that it would have. If the spin-off effects are not important then as the Member for St. Augustine says, you could very well surrender the country to North America and let us go ahead like that. If there is investment, you want to know what is the spin-off effect with respect to employment, especially in areas where unemployment is critical. That has not been said. No costing. We have to be careful with that because when investments are being made, you want to know what you are going to get on your investments in terms of employment, in terms of infrastructure. Will infrastructure be improved? Will it only be improvement where rigs and heavy equipment have to pass?

This has been one of the causes of concern for a long time. Everywhere you have multinationals and other people operating, side by side there are communities of desperation and underdevelopment. It is critical to answer these things. I hope that when the hon. Member for St. Ann's East replies, he would be able, to say not only that we are going to give up \$153 million, but also for the next two, to five years we are likely to receive revenues in the quantum., of x, y billion, whatever it is, and that that would lead in some measure to the creation of jobs. Tell us about

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direct employment; then what might be the secondary and tertiary consequences with respect to employment? That is the type of thing we ought to be interested in.

Sir, I could not understand why there was no attempt to give us that sort of information. I also want to make the point, in spite of the fact that it has already been made by my colleague, that these pieces of legislation would be retroactive. Is it to say that already there are investors, people who are working in the oil fields with their plants operating, and it is just a matter of coming to the Parliament for us to rubber stamp these peeces of legislation? If that is the case, it is merely another effort, to abuse the parliamentary system. You see, radioactivity—sorry, Mr. Deputy Speaker, retroactivity; I am thinking so much about plutonium because I have a motion on plutonium. Retroactivity would indicate that certain things have been put in place and works are going on full scale in that respect. I am a bit concerned why, as a matter of fact, these things must happen.

There are a few minor points I wish to raise coming out of the bill itself.

6.10 p.m.

The Petroleum Production Levy and Subsidy (Amdt.) Bill, states at clause 4:

"Section 9 of the Act is amended by deleting from subsection (1), the words "to be computed in accordance with section 11 (1), and substituting therefor the words "of either an amount equal to three per cent of the gross income from the production of crude oil, or the amount computed in accordance with section 11 (1), whichever is the lesser."

Section 11 (1) Chap. 62.02 states:

"The levy payable under section 9(1) shall be computed monthly in accordance with the following formula: $\frac{PI \times S}{PT} = L$,

PT

where—

- PI. represents the production of petroleum by the production business of any person for the month immediately preceding the month for which the levy is to be computed;
- PT. represents the total production of petroleum by all persons carrying on production business in Trinidad and Tobago for the month immediately preceding the month for which the levy is to be computed;

- S. represents the total subsidy to be paid to marketing businesses in Trinidad and Tobago for the month for which the levy is to be computed; and
- L. represents the levy to be imposed on the production business of a person for the month for which the levy is to be computed."

Having replaced this formula, I want the Minister of Finance to tell us what was the quantum of levy under this formula which has been forgone and what would be the estimates to replace this levy. You have to work some maths, hon. Minister of Finance. If we had time to consult I might have asked a mathematician or a geologist to work that out, I do not know.

Clause 5 of the Income Tax (In Aid of Industry) (Amdt.) Bill states:

"After section 16 of the Act, insert the following section:

Initial and first year allowances	16A Where on or after January 1, 1992, a person carrying on production business incurs expenditure on provision of machinery or plant for the purposes of the trade, there shall be made to him in the financial year in which the expenditure was incurred, an intital allowances and a first year allowances of twenty per cent each, of the expenditure incurred.
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My point on this is, what is the justification for 20 per cent? This must be explained to us: What obtained in the past and why now 20 per cent. We must know. These are some of the pertinent matters arising from the bill on which we need some clarification because, we have two geologists on the other side, one from Diego Martin West and the other from San Fernando East, a Minister of Finance (the Member for St. Ann's East) who is reputed to be a good economist and a mathematician from Diego Martin East who would be willing to make contributions.

Now I come to the Petroleum Taxes (Amdt.) Bill. In the Explanatory Note, it states:

"Clause 7 would extend the heavy oil allowance which may be claimed in computing taxable profits for the purposes of assessing petroleum profits tax, to capital expenditure on heavy oil projects on land."

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With respect to heavy oil, I should like to know the amount of oil produced previously, and why there is now the additional incentive for heavy oil. Is there a market or a new use for it? If there is a market for that sort of heavy oil, where is the market and who is seeing about the marketing arrangements?

I came across an interesting article at page 9 of the *Trinidad Guardian* dated Friday, February 8, 1991. It states:

"A 1990 'killing' by oil companies. Did TT lose out in windfall?"

The writer is one Colm Imbert. I do not want to quote the whole thing but in one of the paragraphs he said:

"And on top of this we have the peculiar situation where foreign oil companies do not have to do their own public relations exercises in order to escape from paying higher taxes. Instead, for some strange reason our very own Trinidad and Tobago Government has taken the lead, and has downplayed the extra earnings that oil companies made here in Trinidad in the last quarter of 1990."

The question has to be answered, "Will there be any mechanism in the proposals in the case of windfalls?"

6.20 p.m.

I have another one entitled, "Contradictions on Oil Revenue", again written by Colm Imbert. I am wondering if he would say that he wrote this when he was a lecturer at the university but now he is a politician and it is subject to change. Once again, I quote from page 9 of the *Trinidad Guardian* of Friday March 1, 1991:

"Lo and behold however, when the actual figures for Government revenue in 1990 were published, an amazing \$672 million in extra oil revenue (more than 10 per cent of all Government revenue for 1990) popped up out of nowhere. And from all reports, there may still be even more oil revenue available to the Government from 1990 that has not been publicized, since the state oil companies, Trintoc and Trintopec, have been allowed, temporarily, to keep the windfall profits that accrued to them in 1990 from the Trinmar operations (it is estimated that Trinmar made in excess of TT \$100 million in windfall profits in 1990, and the Government can call in its shares at any time.

Here we have a situation in late 1990 where Government spokesmen, on the one hand, were vociferously denying that Government received

considerable extra revenue from oil as a result of the Gulf Crisis, while the published figure indicated the opposite."

Mr. Deputy Speaker: The hon. Member's speaking time has expired.

Motion made, That the hon. Member's speaking time be extended by 30 minutes. [*Hon. K. Rowley*]

Mr. Palackdharrysingh: Let me thank the Government for moving the extension of my time. I promise not to disappoint them.

We have to understand in Trinidad and Tobago today that the oil industry is of extreme importance. If the Government did not find it reasonable and justified to consult, then some of us have to speak out against the kind of roughshod method employed by them. What is the workforce in the oil industry today? It is quite high. I can recall that when I was involved in the oil industry for a short time, we used to have over 10,000 people. That industry is one where there is production, transportation and refinery of oil, and the total industry, in a way, signified that the petroleum industry was the mainstay of the economy with respect to the amount of revenues generated for the Government of Trinidad and Tobago. What the Government has to understand in this matter is that any movement in the industry one way or another is going to be most critical to all the people of this country.

As a matter of fact, today the oil industry is shaking because the Government has lacked the will to deal with an industrial issue and, in that matter, you see what is happening. The Minister of Finance, himself, only yesterday or the day before, said that it was becoming important to look at what is happening in the oil industry today because of the strike. I do not know if he is going to call out the army, but if he does, somebody's jack will "get hang".

The other thing is that we cannot speak in this Parliament about the petroleum industry without speaking about what is going to happen to our environment. I want to make that absolutely clear. If you go to Pointe-a-Pierre, that Pointe-a-Pierre river has been dead for many years, pollution has overtaken it, and we have made no effort to legislate and enforce environmental laws. People who operate in the oil industry do so with a free hand to despoil the vegetation of the environment and of our country. If you go to the fields, like Forest Reserve, you would see all the streams with either oil or barytes or something flowing through them, so that all normal life in the rivers and streams is destroyed. We also see that lines can be broken in the industry and large quantities of crude oil flow out to the land. There

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is hardly any sort of miscible solution to mesh with the oil particles to clean them up.

6.30 p.m.

That is the situation we have today. Despite our saying we must workover and recondition our wells and whatnot, we have not enunciated a policy vis-a-vis the environment. That is important.

I recall, Mr. Deputy Speaker, in 1987 I had cause in this Parliament one afternoon to get up and move a motion on a definite matter of urgent public importance with respect to the blow-up of a well at Cunjal Road in which many of the residents, their produce, their houses and so on were contaminated with the oil.

At that session, even the Member for San Fernando East made a contribution and agreed that we did not have anything in place. He was in Opposition then. It is so pathetic that he says nothing now about what ought to happen. Mr. Deputy Speaker, those are some of the other matters we have to look at within respect of the vegetation.

I want, again, to make this point—that I rise to speak today with the greatest regret that the wider community did not have an opportunity to look at the bills and to make their contribution. I am totally disappointed with the approach, bringing these bills and then trying to get us to pass them today.

Sir, I am saying that I did not have time to properly evaluate whether the measures enunciated would redound to the benefit of the country. In that respect, I am at a loss to say either yes or no to the measures in the bill.

I have pointed out some of my concerns. I have not yet been convinced why I must support these bills because we did not have the input of other interest groups in this country.

Mr. Deputy Speaker, I want to thank you for bearing with me in this contribution letting the Government know how I feel on this entire matter.

Motion made, That this House do now adjourn to Wednesday, October 21, 1992 at 1.30 p.m. [Hon. K. Valley]

Question put agreed to.

House adjourned accordingly.

Adjourned at 6.32 p.m.