HOUSE OF REPRESENTATIVES

Friday, November 26, 1993

The House met at 2.05 p.m.

PRAYERS

[MADAM SPEAKER *in the Chair*]

LEAVE OF ABSENCE

Madam Speaker: Hon. Members, I have granted leave of absence from today's sitting to the Member for Laventille West *(Hon. Morris Marshall).*

PAPERS LAID

1. Draft Estimates of Expenditure for the year 1994. *[The Minister of Finance, (Hon. Wendell Mottley)]*
2. Draft Estimates – Details of Estimates of Recurrent Expenditure for the year 1994. *[Hon. W. Mottley]*
3. Draft Estimates of the Revenue and Expenditure of the Statutory Boards and similar bodies and of the Tobago House of Assembly for the year 1994. *[Hon. W. Mottley]*
4. Draft Estimates of Development Programme for the year 1994. *[Hon. W. Mottley]*
5. Public Sector Investment Programme, 1994. *[Hon. W. Mottley]*
6. Draft Estimates of Revenue for the year 1994. *[Hon. W. Mottley]*

APPROPRIATION BILL (BUDGET)

Bill to provide for the service of Trinidad and Tobago for the year ending on the 31st day of December, 1994. *[The Minister of Finance];* read the first time.

The Minister of Finance (Hon. Wendell Mottley): Madam Speaker, I beg to move,

That the Appropriation Bill, 1994, be now read a second time.

Sir, the theme of the 1994 budget presentation is: "Our shared vision: An invitation to participate."

[HON. W. MOTTLEY]

I invite Members of this honourable House, as well as all our countrymen out there viewing and listening, to reflect on the appropriateness of this year's budget theme.

During 1993, we had to focus the bulk of our energies on continued stabilization of the economy while preparing for growth by implementing vigorous macro-economic measures: enhanced fiscal discipline, tight monetary policy, floating the Trinidad and Tobago dollar, and divestment of state enterprises. These measures were required to balance our budget and rebuild our foreign exchange reserves and were executed within the very narrow parameters that bind every structural adjustment programme.

However, as we near the plateau in such efforts and sacrifice we must re-examine several profound questions:

Why have we had to make these difficult sacrifices?

How is life in Trinidad and Tobago going to improve as a result of sound financial management?

What are we as a nation striving to become in this new globalized world economy?

How will the budget help us to get there?

In the course of this presentation, I shall touch on these questions. For the moment, it is sufficient to say that careful financial management and fiscal discipline are bringing us to the point where we can see that Trinidad and Tobago, in the near future, would have increased its level of savings and be generating sufficient foreign exchange reserves to give us the flexibility to stimulate more investment activity with the resulting increase in employment and incomes.

It has now therefore become more possible, because of our more optimistic outlook, to hone in on a vision for Trinidad and Tobago to which we should all commit. And so, from the young man in Laventille who has been looking for a job for months, to the single mother in St. Ann's; from the chairman of the largest conglomerate, to the doubles vendor in Curepe; from the agricultural worker in Debe to the fisherman in Charlotteville—we must all think, imagine and project where we as a nation should be as the millennium approaches.

We began to articulate this vision in our 1991 manifesto, which stated in part that we would strive for a nation where everyone can realize fulfilment, both as an individual and as a member of the national community, with a large, vibrant and growing private sector involving individual entrepreneurs and small, medium and large firms with strong linkages between manufacturing, agro-industrial and services sectors in an integrated competitive market economy with a heavy export bias.

I suggest that we must develop together this common vision of our future by sharing generously our talents and ideas—cultural and economic. It is only such a shared vision that can give coherence and consistency to our plans and produce measurable progress. We should have the patience to realize that achievement would be spread over generations. The knowledge that each of us is contributing to the best of his or her abilities in the construction of a modernized and prosperous Trinidad and Tobago would unleash the energy and innovation, and instil the discipline and care essential to our task.

We the Government are dedicated to inclusion. Therefore, we have urged you to "Let us all go down the road together." But we in Government also have the responsibility to lead. The question is, lead where? The answer is, to become the global city of the Caribbean.

As the concept of the world as a global village becomes a reality through associations such as the European Economic Community, the North American Free Trade Agreement (NAFTA) and co-operation between the Pacific Rim countries, our small island economies must seek their places in the sun, or be condemned to the periphery. What is Trinidad and Tobago's place in the sun? What are the prerequisites to becoming the hub of the Caribbean?

The prerequisites are easy to identify. For any country seeking a role in the world of international commerce, regardless of how small, there must exist in that country;

(i) Excellent Infrastructure:

- road, sea and air transport;
- ample and reliable electricity;
- adequate good quality water and waste water treatment;
- world-class telecommunications;
- strong educational and health systems.

(ii) A bureaucracy that is international in outlook, efficient and responsible;

(iii) A people living in harmony and welcoming to visitors.

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(iv) A work force that is skilled, productive, flexible and willing to accept and embrace new technologies and practices;

(v) An atmosphere of relative security and stability;

(vi) A sensitivity to the protection of the environment.

Fortunately, we are already possessed of and blessed with many of these requirements, and Government is addressing those deficiencies that continue to exist. But the realization of our vision will require all segments of the society to participate.

One major ingredient for success, however, is new investment. This we require urgently. We already discerned some resurgence of confidence among domestic investors, but domestic capital will not be sufficient and foreign investors are simply not waiting to flock here now that their macro-economics are back in shape. The world has changed from the seventies, the potential investors now await our call among many—calls from Far East nations with their booming economies and vast markets; calls from Middle East countries seeking to benefit from whispers of peace and stability and add value to their vast oil resources; calls from a liberated Eastern Europe and from a resurgent Latin America. Very soon, and at our own doorstep, calls from a modernizing Cuba.

How does this Trinidad and Tobago, this speck on the edge of the South American bulge, come to the attention of international capital? Our geography and our people hold the key. Trinidad and Tobago will seek to be the most accessible and efficient regional, business, financial and manufacturing centre.

To get there we must be capable of easily handling international financial transactions. There must be movement of goods quickly, easily and cheaply, and the availability of key services that support business and commercial activities. We must become a premier centre for energy information south of Houston and New York, and develop telecommunications systems that bridge NAFTA with the rest of Latin America. Trinidad and Tobago has a good head start.

There are already several major foreign companies profitably doing business here as part of the energy network. We need to extend that network into the non-energy areas, enlisting the co-operation of these active corporate citizens. Trinidad and Tobago has a friendly, articulate, intelligent and well-educated people. We must strive to project that image as the best competitive edge we have, and we must rise above our national weaknesses—a tendency to negativism and disputation. Such is our challenge!

I propose now to review briefly those international economic developments, some of which I have already alluded to, and which are of major significance to us. Then I shall turn to the performance of the domestic economy in 1993 in relation to the targets which we had set ourselves at the start of the year. Finally, I shall press on to deal with the Policy Framework for 1994 and the specific policy measures we propose to pursue during the year.

The Global Economy

Moreso this year than in any previous year, it is extremely important to provide a perspective on developments in the global economy so that the national community might appreciate the forces which continue to impact our small economy and against which we must prevail in the global race for growth and prosperity. It is not possible in this presentation to describe all of these forces, their complex interaction and how they affect us. However, the major ones can be identified as:

(i) The increasing globalization of financial flows which is gaining momentum with the liberalization of more and more developing countries;

(ii) Developments in information and communication technologies and the deployment of these technologies to achieve or maintain competitive advantage;

(iii) Developments in world trading arrangements, including the prospects for a successful conclusion of the Uruguay Round, the European Union and the passage of NAFTA.

2.20 p.m.

Global financial flows are increasing even faster than world trade, and, in fact, a significant proportion of these flows is unrelated to trade. Some are the result of the design of complex new financial products which are based on the futures markets which have developed for commodities and currencies. These products, known as derivatives, have drawn the attention of supervisory authorities in the industrial countries who have become concerned about the risk these products may represent to the financial institutions which have developed them.

Of immediate interest to Trinidad and Tobago is the rapid growth and expansion of the Eurobond market over the last five years and the resumption of capital flows to Latin America by means of these types of instruments, as well as portfolio and direct investment capital.

Much of the impetus for the far-reaching changes we are seeing in global production and trade, and in financial markets, is coming from developments in information and communications technologies. These technologies are now being married so as to leverage the use f information in the production and distribution of goods and services.

Geographical distance is becoming increasingly less important as a factor in the location of economic activity—though still maintaining a marked degree of importance—as these technologies allow firms to organize production and to serve markets with a degree of flexibility hitherto unknown. In the United States, it would appear that the present administration is prepared to support a national information infrastructure which would parallel the role played by the railways in that country's development in the last century. Other countries, like Singapore, are already well along in the establishment of such an infrastructure. If we do not follow suit we would be left behind.

Protectionist sentiment in the developed countries, and particularly virulent in respect of trade in agricultural products, continues to frustrate the conclusion of the Uruguay Round of trade negotiations. The conflict over subsidies to agriculture has direct implications for Trinidad and Tobago where, in the formulation of our own trade policies, we need to keep in full view the fact that a great many of our agricultural imports, most notably milk, are subsidized in their source countries.

The recent passage of the North American Free Trade Agreement by the United States Congress is a major development with implications for this country and our Caricom neighbours. It signals the intensification of the trend towards the greater regionalization of trade flows. In other words, much of the rapid growth in world trade over the last several years has been reflected in growth in intra-regional trade, and this is likely to continue into this medium-term future. Countries which are outside these regional trading arrangements are likely to find themselves marginalized, unless they bring something special to the global trade table.

While the rules and procedures for accession to NAFTA have not been comprehensively defined, it is well known that other Latin American countries are queuing to accede, creating the prospect of a hemispheric free trade area by the turn of the century. Exports of certain products such as apparel are likely to be first affected by NAFTA as US imports shift towards Mexico, and this process of trade diversion will spread to other industries. It is developments like NAFTA which reinforce our determination to define and refine clearly our competitive advantage, so that we too can prosper within these new trading arrangements.

Moreover, there were elements of the debate and subsequent vote on NAFTA in the US Congress that have other special significance for us. In that vote the American Labour Lobby suffered a humiliating defeat. That outcome tells us that inefficient, non-productive or overly expensive labour cannot be protected as the world economy becomes increasingly integrated. If the world's largest economy can no longer afford to pamper such workers in sectors where they have no competitive edge, it is even more critical for a small vulnerable economy like ours to determine quickly how to prepare our workforce, at T&TEC, Caroni, WASA, Petrotrin, or wherever, for the next century.

This Government is going to make a special effort in this watershed year 1994—and I want it in the record—to again reach out to organized labour and encourage their constructive participation. The labour movement has been key to this country's participation. The labour movement has been key to this country's development. Traditionally a constructive partner with business and Government in the search for timely solutions to improve the lives of working people, our labour unions have recently been fighting the inexorable changes in the industrial fabric of our society.

I personally do not want to see the energies of some of our best organizers, the talents of excellent human resource developers, go to waste fighting for a system that almost everywhere else in the world has been reformed, when they could be assisting in the formidable task of planning for Trinidad and Tobago's new industries by developing a world-class workforce. Who can better develop training and retraining programmes for new and displaced workers by reconfiguring membership benefits and goals to meet the needs of the co-operatives and small businesses that will necessarily develop as the state divests? Who better to do it than the organizers and formers of the Cipriani Labour College?

Government is willing to work with labour to establish transitional and preparatory periods so that currently productive workers do not drop out. For example, we may be able to offer significant preferences to former workers who form companies or co-operatives to bid on Government contracts to perform services for which they qualify.

Government is also willing to work with the multilateral agencies to seek special funds which trade unions might use to rethink and restructure their role much in the same way as businesses use World Bank loans to restructure in the changed environment. The Inter-American Development Bank has already

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indicated serious interest in such efforts and funding may be available through the Multilateral Investment Fund.

I make these points to underline the fact that global economic and political relations are undergoing major changes as we approach the dawn of the 21st century. How countries, societies, communities and institutions will fare in the global economic order which is emerging will depend on how they position themselves now to deal with these changes.

And time is short, though the Government does not believe that it is too late. We have been criticized for moving too quickly with our plans for the transformation of our economy and society and with the many institutional reforms which are under way. However, we all simply have to move quickly or we risk being marginalized by those forces which are at work in the global economy.

These changes are taking place against the background of a world economy which seems to be limping along. Growth of the world economy seems to have stalled at around two per cent for the fourth year in succession and indications of a resumption of stronger growth in 1994 are, at best, very tentative. In the major industrialized countries, economic performance has been even slower, at one per cent, and has tended to fuel protectionist sentiments in these countries in response to rising unemployment levels and increasing pressures on living standards and social conditions.

This rate of progress reflects in part the structural changes occurring in production, trade, finance and technology, which are impacting the markets for goods, labour and money, disrupting traditional relationships and adversely affecting growth in the short run.

There is, however, some reason for cautious optimism that global economic performance will strengthen gradually. It has been recognized that the large fiscal imbalances in North America and Europe are unsustainable and need to be substantially reduced over the medium term. The adoption of deficit reduction measures in the US already has been favourably received by financial markets, and in Europe several countries have strengthened their commitment to medium-term fiscal consolidation. This has contributed to a lowering of long-term interest rates, and should facilitate a further easing of short-term interest rates in the months to come. In Japan, implementation of the fiscal stimulus package announced in September 1993 should help to support activity in 1994.

Notwithstanding the foregoing we are aware that the impending re-entry of Iraq into the international oil market with a potential production of 500,000 barrels of reparation crude, initially, per day, is cause for much concern. We have consulted with Venezuela, the International Monetary Fund, and with our own experts in the field.

The consensus is that oil prices will remain volatile in 1994. Prices of West Texas intermediate over the first nine months of this year ranged between US $20.35 and US $17.48 per barrel. However, based on advice with respect to the forecast for oil prices from our international financial advisers, and the expected pick-up in economic activity in the United States, oil prices should improve marginally in 1994. Accordingly, our 1994 budget estimates are based on an oil price of US $19 per barrel.

I turn now to a review of the domestic economy. I shall give only a brief review of current economic conditions, and draw the attention of hon. Members to the more detailed analysis contained in the *Review of the Economy, 1993* which was laid in this House previously.

The performance of the economy was weaker than originally projected. Overall output in the domestic economy is now forecast to contract by one per cent, in contrast with the targetted growth of one per cent.

This disappointing overall performance reflects a further decline of some 6.6 per cent in the petroleum sector, occasioned by the continuing decline in domestic crude production, the softening of international oil prices and the slowdown in project implementation in the sector. Overall economic performance was also constrained by the need to maintain a relatively tight monetary policy, particularly in the first half of the year, as well as continued fiscal discipline by Government, and the consequential impact these policies have had on aggregate demand.

Developments in the petroleum sector continue to impact our economy adversely; its influence in terms of export revenues and tax contributions has declined, so we need to look increasingly to developments in the non-oil sector to make a realistic assessment of how the overall economy is evolving.

Activity in the non-oil economy is expected to expand further by just under one per cent in 1993, as the sector begins to take advantage of the opportunities created by the implementation of far-reaching trade reform measures and the enhanced external competitiveness facilitated by a fully liberalized exchange regime. This growth is reflected primarily in export agriculture where output

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increased by 71 per cent; miscellaneous manufacturing by over 29 per cent, and the hotel and guest houses subsector by 17 per cent.

While other sectors showed smaller increases in output, others did not fare as well. As firms and industries seek to adjust to the new economic environment there will be winners and losers, and the overall growth of output will appear to stagnate. I believe we are beginning to see this within our own non-oil sector. Some of the industries which appear to be winning at this time, and developing their competitive edge, included printing, breweries, furniture, pharmaceuticals, food processing, cement and glass.

We continue to make significant progress in the key areas of trade reform, public enterprise reform, and the exchange regime, which together with the continuing pursuit of fiscal consolidation, has served to reduce the disequilibrium in both the domestic and external sectors. Government removed exchange controls and floated the exchange rate on April 13.

Notwithstanding the effective depreciation of the Trinidad and Tobago dollar by some 26 per cent, the rate of inflation is projected to average just under 10 per cent, reflecting the impact of the 1993 budgetary measures and the full pass-through of the initial effects of the depreciation of the exchange rate. The underlying rate of inflation, however, is estimated to remain at about three to four per cent per annum reflecting mainly inflationary levels in our trading partner countries.

2.35 p.m.

Our gross official international reserves fell to US $204 million at the end of December, 1992. They fell further to US $161 million by March, 1993 and to US $142 million by the end of June, 1993 owing mainly to high debt service, lower receipts from crude oil exports, and increased imports associated with the speculative build-up in inventory. Concomitant with these developments, our balance of payments recorded a deficit of US $33 million on the current account.

Notwithstanding this mid-year performance on the current account, we expect to realize a substantial improvement in the overall balance-of-payments position by the end of the year, mainly as a result of the significant increase in direct investment, execution of the divestment programme, and a reflow of capital. Our revised forecasts for the end of 1993 indicate that gross official international reserves should increase to US $282 million, the equivalent of just under three months of import cover, while out net reserves will be positive at US $121 million, the first positive level since the last quarter of 1990.

What is even more encouraging about these developments is the fact that the commercial banks are also increasing their foreign currency assets. In respect of foreign currency deposits, there has been an increase in these deposits in the local banking system from US $65.6 million in April to US $112.2 million at October 27, 1993. As at the end of October, gross foreign reserves held by the banking sector stood at US $174.7 million, up from US $108.4 million at the end of December, 1992. These developments have been the direct result of our elimination of exchange controls and the floating of the Trinidad and Tobago dollar. Simultaneously, we allowed residents of this country to maintain foreign currency deposits in local banks.

These changes, perhaps the most significant made in our foreign exchange arrangement since independence, have been successfully implemented and clearly also helped to boost the foreign exchange reserves which now stand at their highest levels since 1990 when they were influenced by happenings in the Middle East.

It is important to recognize that the improvement in our reserves position is taking place while we continue to meet higher external debt service obligations and reduce the country's external indebtedness. By the end of September this country paid US $474.9 million in debt service obligations, on schedule, and by the end of December the amount would have reached US $636.5 million. The net result would be a reduction in our external debt obligations from US $2,216 million at the end of 1992 to approximately US $2,010 million by the end of 1993, while simultaneously adding US $74 million to our gross official international reserves and US $203 million to our net reserves.

We would not have been able to meet our heavy debt service obligations and generate the needed increase in foreign exchange reserves without some cost. This cost is reflected in part in the high levels of unemployment, which averaged 20.4 per cent this year, and remains concentrated among our young people. As it becomes more possible to relax our tight fiscal and monetary policies, particularly as out debt burden is reduced and our foreign exchange reserves are rebuilt, the growth process will accelerate in the short tem and unemployment will decline.

However, for the longer term we need to address the underlying causes, which are a lack of national competitiveness contributed to in part by inflexible labour markets, excessive cost and outmoded technology. All too often in the past, when faced with these realities the temptations have been to avoid the difficult measures to confront them. Attempts to find seemingly painless solutions may appear to offer short-term relief, but in the longer term they merely postpone the inevitable. I turn now to a review of the fiscal performance.

Review of Fiscal Performance

For my 1993 Budget my target was to achieve a balanced budget, based on an anticipated oil price of US $21 per barrel and a domestic crude production level of 47.6 million barrels. Suffice it to say that our expectations were not realized. Oil prices are now expected to average US $18 per barrel, some US $3.00 per barrel lower than budgeted, while crude production slipped by a further 6.6 per cent. This meant that Government lost approximately TT $168 million in much needed revenue from the oil sector.

Fortunately, various policy initiatives launched in 1992 and strengthened in 1993, have begun to bear fruit. Non-oil revenues are estimated to be approximately $51 million higher than budgeted with the greater part of this performance being accounted for by VAT—$128 million; taxes on international trade—$52 million, and PAYE—$76 million. These reflect our success in improving tax administration and enforcement, but were also facilitated by the depreciation of the Trinidad and Tobago dollar in the earlier part of the year. Nevertheless, given the shortfall in other areas of revenue, total revenue collections fell short of the budgeted level by $79 million.

Faced with this shortfall and bearing in mind the need to keep within the constraints of our *Medium Term policy Framework*, it became necessary to reduce our planned expenditure. This was one of the reasons for the sacrifices. Total expenditure is now expected to be $90 million lower than budgeted with the capital programme falling by $215 million.

On the other hand, recurrent outlays are projected to increase by $125 million over the budgeted level mainly on account of higher interest payments on the public debt, particularly the domestic debt; transfers to households, as Government attempted to mitigate the effects of the depreciated exchange rate on the more vulnerable groups in our society; and transfers to the utilities, namely: WASA, the Port Authority and Public Transport Service Corporation.

It is important to note that the necessary adjustment to the shortfall in revenue was borne primarily by a reduction in capital expenditure. There are two main reasons for this adjustment: Firstly, the capacity of line ministries and agencies to implement development projects is not yet up to the desired level, thereby resulting in a lower level of loan drawdowns from the multilateral lending agencies.

Secondly, given our statutory fiscal obligations, it is extremely difficult to make unilateral reductions in recurrent outlays in mid-year. However, the recurrent side of the expenditure account must now begin to bear its full share of adjustment since, if we are to achieve the investment level required to sustain the growth process over the medium term, the Public Sector Investment Programme must make an appropriate contribution. This is in part how the 1994 Budget will assist in carrying us to our long-term goal.

Government sourced $401.3 million in new funds on the domestic market including $300 million through an issue of long-term floating rate bonds, while borrowings on the external market totalled TT $1,226.6 million including US $125 million on the Eurobond market. In the case of our borrowings on the local market, we had budgeted to raise $104 million in long-term bonds. However, the attempt by the utilities to finance their restructuring exercise through borrowings on the domestic market saw the Central Bank buying approximately $100 million of that issue.

In order to neutralize the potentially adverse impact of this situation on monetary policy, Government floated an issue of $205 million, which was oversubscribed. Similarly, our approach to the international market in October with an issue of US $100 million in Eurobond notes was oversubscribed. When the issue closed on November 3, subscriptions totalled US $170 million; $70 million above what we had anticipated. We accepted US $125 million. In addition, we sourced US $25 million by way of issue of three-year notes through a domestic bank. These resources were supplemented by US $110 million from the proceeds of divestment on the external market.

Our reception in the international capital markets and the success of the divestment effort reflect increasing investor confidence in Trinidad and Tobago, arising from our bold initiatives in liberalizing the economy and the expected increases in foreign investment in petroleum, gas and petrochemicals. Of particular importance to investors was our demonstrated commitment to meet our debt service obligations as they became due and the anticipated reduction in the country's external debt service profile.

Let me take this opportunity to reiterate that we are committed to implementing our mandate of a special duty of caring for the more vulnerable segments of our population, including the aged, the unemployed and the otherwise disadvantaged. This is a responsibility which this Government willingly shoulders, seeking always to reach the neediest in larger numbers within the tight limits of our financial situation.

During the course of this year, we increased the amount of social assistance/food subsidy payable on a monthly basis from $61 to $70 to old age pensioners and social assistance recipients. Steps have been taken to expand the School Feeding Programme from 63,000 to 70,370 children and from three days to five days per week. Income tax relief was granted to all taxpayers with annual chargeable income not exceeding $16,000, by providing for an additional tax credit equivalent to 15 per cent of every dollar of chargeable income above $12,000, but not exceeding $16,000. This took effect from January 1, 1993.

In the case of the Unemployment Relief Programme, we expect to spend approximately $122 million, about the same as in 1992 notwithstanding the shortfall in revenue collection. Our commitment towards providing relief from the unemployment situation must be seen not only from the perspective of the resources allocated to the Unemployment Relief programme, but must also take into account the other programmes geared towards providing training and retraining and the resources devoted to such programmes like Civilian Conservative Corps, YTEPP and the National Apprenticeship Programme. The net result of these developments on the fiscal account is the expected realization of a small surplus.

The issue of the projected surplus on Central Government's overall fiscal operations for 1993, and the programme outlined in the *Medium Term Policy Framework* for the generation of even larger surpluses in the period 1994 to 1996, needs to be placed in its appropriate context so that the Parliament and the population understand what Government is seeking to do.

Over the last seven years the country has had to struggle to adjust to a permanently lower level of real income. Part of that adjustment entailed some accumulation of external debt as well as internal debt. The evolution of our external debt is well known and does not bear repeating at this time. However, what is probably less appreciated is the significant increase in the internal debt which occurred over the last seven years. In 1986 this country's domestic debt, including borrowings from the Central Bank stood at $2,555.4 million or 15 per cent of GDP, but by June of 1993, this had climbed to $7,354.4 million or 34 per cent of GDP.

Our debt management strategy must address both our external and internal debts, and seek to establish levels of both which are sustainable and do not put an undue burden on the generations as yet unborn, nor on the private sector.

2.50 p.m.

High levels of government borrowing trend to draw resources away from the private sector and to drive up interest rates. Another undesirable effect is that debt servicing pre-empts a large proportion of Government revenue, in our case an estimated 41 per cent in 1993, thus leaving less resources available for essential public services. So the matter of debt is fundamental.

In the case of our external debt, our strategy is to bring down the actual stock of that debt by ensuring that amortizations exceed new borrowings over the next few years, and also to bring down the debt service ratio to less than 15 per cent by 1996. In the case of the internal debt, it is necessary for Government to work toward reduction of its overdraft borrowing from the Central Bank, which is too large in the context of prudent financial management, in excess of the statutory limit, and too expensive. I gave a commitment to this honourable House in my maiden budget speech in January 1992 that the government would work assiduously to reduce and eliminate this overdraft in the shortest possible time. I am happy to report that this fell from $2,092 million at the end of 1992 to $1,486.8 million at November 23, 1993.

The point is, however, that our fiscal adjustment is still incomplete. It does not end with the achievement of fiscal balance or some sustainable level of deficit, unless and until we significantly reduce our domestic debt. To do this, Government must keep its expenditures below revenue level and use the savings to reduce the domestic debt. Restraint on Government's spending is also beneficial in ensuring that we have a level and structure of aggregate demand that is consistent with exchange rate stability and with the softening of interest rates over the medium term. At the same time, we have taken care not to deny necessary expenditures on health, national security, targeted welfare programmes and so on, merely to achieve a surplus. But the "surplus," far from being extra available resources, is necessary to retire debts incurred for excessive expenditures which were made long ago.

There is no gainsaying that 1993 has been another difficult year. However, we have made some significant strides forward. Progress has been made in reducing our external debt, in attracting significant inflows of foreign direct investment, and in enhancing the country's foreign reserves position. We must now preserve these gains and resolve to capitalize on them to achieve our objective of stable, non-inflationary growth with rising employment.

Policy Framework of the 1994 Budget

I now turn to the policy framework of the 1994 Budget. Over the last decade or so, economic policy of this country, as in many developing countries, has been pre-occupied with stabilization and structural adjustment. This Government is determined to move beyond these pre-occupations to the questions of growth, improvement in the quality of life of the citizens of this country and the reduction of unemployment and poverty.

In effecting this shift we are extremely mindful of the fact that fiscal adjustment is as yet incomplete, that we are still subject, though increasingly less so, to the vagaries of the international petroleum market, and that there will be a continuing need to maintain a focus on sound macro-economic management since without that, growth will neither be strong nor, much more likely, sustainable.

I do not propose to detail our macro-economic objectives which are outlined in the revised *Medium-Term Policy Framework* 1994-1996 and which in any event, remain essentially the same as last year. This is a document that we circulated. Instead, I shall address those sectoral and industry policies which Government believes will encourage growth and reduce unemployment.

In shifting the attention of the national community to the sectoral level, I am also signalling that it is impossible for Government to attempt to address equally and simultaneously all of the issues and problems which we face. We have to set priorities. We have to adopt a sequencing of initiatives and interventions based on those priorities, and direct our scarce resources in support of those initiatives. To attempt to do otherwise would result in too few resources being allocated in support of the initiatives chosen.

Government has identified the following as priorities for action and implementation in 1994:

(i) Institutional reform and encouragement of enterprise;

(ii) Investments in energy and tourism;

(iii) Innovation and efficiency in Government;

(iv) A tight and comprehensive social safety net.

Institutional Reform

Let me turn to the first one, institutional reform and encouragement of enterprise. This Government has been in office for barely two years. Yet in that short period it has initiated far-reaching changes in several major areas of national life. This is a process to which we are deeply committed since we are convinced that the structures in institutions which were formed in the post-colonial period and which have served us reasonably well, are becoming increasingly outdated and will not carry this country forward into the next century.

I refer in particular to the whole complex of structures and institutions surrounding banking, insurance, the money and capital markets and finance generally, the formation, management and regulation of companies, and the conduct of business investments. We need as well to address urgently the institutions and machinery for the conduct of industrial relations and the administration of justice. This is a tall order, requiring in all cases new and often times complex legislation being brought before this honourable House.

I do not propose to address all of these areas on which we have embarked in the process of institutional change and reform. Instead, I will restrict my comments and references to those institutional reforms related to business activity and encouragement of enterprise.

This year we brought to this honourable House new legislation for the regulation and supervision of financial institutions. The regulations which will be implemented in this area conform to the highest international standards agreed to by the Basic Committee on Bank Supervision, and which are now being implemented throughout the world. We will also bring to Parliament early next year amendments to the Central Bank Act. This will be followed quickly by the revisions to the Securities Industries Act, which will provide *inter alia*, for the establishment of the Securities and Exchange Commission.

Then will also come amendments to the Insurance Act which will provide among other things, for minimum capitalization, solvency margins, expedition of payment of claims and the winding up of a company; and revisions to the Foreign Investment Act to provide for a more easily accessible and transparent investment climate. The new Companies Act is already before this honourable House. This particular piece of legislation seeks to modernize our company law which is currently based on the UK legislation of 1929 and which has long ceased to serve this country adequately.

All these changes taken together will see a fundamental reform of the legal framework for the conduct of business in this country, a framework which will not only be friendlier to the investor, local and foreign, but will also provide for the better regulation of business practices. We propose to go even further. We will shortly seek parliamentary approval for the establishment of venture capital companies which will facilitate equity investments in ventures which are considered high risk, but which promise high rates of return if successful. The proposed legislation will provide tax and other incentives and regulate the activities of these companies.

In keeping with our vision for making Trinidad and Tobago the business and financial centre of the Caribbean, a hub for the movement of people, goods, information and money, we need to develop a package of incentives within an appropriate framework for businesses wishing to locate here, and negotiate investment protection agreements and double taxation treaties wherever necessary.

The time has come to move quickly and decisively from concept to articulation of an action plan to achieve this objective. We need to develop a reputation for responsiveness, reliability and quality of service. This is a highly competitive business, and only those who can consistently provide the best service and anticipate the needs of the market will maintain an advantage.

We must take advantage of the opportunities that will arise from the major developments planned for eastern Venezuela. The initiatives to develop Piarco International Airport, the plans now being developed for the port facilities in Port of Spain, and the improvement and expansion of our telecommunications infrastructure will be an integral part of our strategy for making this vision a reality. This will require close collaboration among the private sector, labour unions, and Government, in order to explore and develop these action plans in these areas. I cannot stress that often enough.

In this connection, I am pleased to report that as part of our on-going efforts to encourage profitable partnerships between our private sector, our workforce and the international business community, the Multilateral Investment Guarantee Agency, part of the World Bank Group, has agreed to organize an investor forum in Trinidad and Tobago next year. This mission represents a major breakthrough for Trinidad and Tobago and will assemble potential investors from around the globe in those sectors where it is perceived that we hold a competitive edge. Government, business and labour will need to co-operate in presenting a coherent strategy that will convince these potential investors of the merit of a long-term collaboration with our country.

Investments in Energy and Tourism

I turn now to investments in energy and tourism. As I indicated earlier, it is simply not possible for Government to address all of the initiatives required to foster growth across all sectors at the same time. Each sector needs interventions tailored to suit its emerging circumstances. Some industries require no intervention at all, and should be left alone so that entrepreneurs can do what they do best. Some need more careful regulation. Others require certain incentives or subsidies. Yet others require the provision of specialized infrastructure.

When this Government came into office, we selected the energy and energy-related industries for early attention since we were of the view that this area could have the greatest impact in terms of growth and foreign exchange earnings over the medium term. We were aware that the exploration and development effort had been inadequate over the last decade, and that there was a need to address the impending natural gas shortage.

We moved quickly to reform and modernize the petroleum taxation regime so as to encourage exploration and development, and took steps to resolve the gas crisis by the exploitation of Amoco's Flamboyant Field and by the inclusion of Enron in the SECC block. Amoco also drilled Deep Samaan this year, regrettably without success.

Unocal signed for an exploration and production licence for Block 89/3 earlier this year and its first exploration well is scheduled for 1944; Enron is expected to develop the Keskidee, Oilbird and Ibis fields over the next five years, while British Gas and Texaco will begin development of the Dolphin Field, although gas delivery is not expected until 1996. Amoco is expected to begin production of gas and condensate from the Immortelle Field in 1994.

The Southern Basin Consortium will drill its second exploration well in early 1994, while the Northern Basin Consortium is expected to begin geophysical survey work in 1994. The Heavy Oil Recovery Project and the Trinmar Waterflood Project will also continue in 1994. Both these projects are proceeding smoothly and will help to stem the decline in oil production, pending results of the extensive exploration programme. Work has started on the second phase of the IDB funded refinery upgrading project involving the hydrogen unit and the sulphur recovery unit.

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3.05 p.m.

The major developments in the petrochemical sector in 1993 were the divestment of Fertrin/Urea, the start of construction of the Nucor iron carbide plant, and the start up of the Caribbean Methanol Company's plant at Point Lisas, which has a rated capacity of 500,000 tonnes per annum. The Nucor plant should be completed in late 1994, and we expect the start of construction of another methanol plant to be owned by TTMC and its investment partner, Ferrostaal. The national community has also been made aware that active consideration is being given to the construction of an LNG facility to be located at Brighton, La Brea. An investment decision on this project, which will cost about US $1 billion, should be made in 1994. At peak, this facility could provide 3,000 jobs in construction, and on completion 300 direct permanent jobs.

I draw reference to the number of permanent jobs relative to the magnitude of the investment, since this is a characteristic of all of the investments in the oil, petrochemicals and energy-related industries. These investments are strategically important in terms of enhancing our exports and tax revenues, but do not help much in terms of reducing our high levels of unemployment. It is for this reason that Government is encouraging the development of the tourism industry in both Tobago and Trinidad.

This is an industry which the Government can support with appropriate incentives and by ensuring that the infrastructure—roads, water and sewerage, electricity, ports and airports—is adequate, but which will not receive direct Government equity participation in normal circumstances. Government also has a responsibility to ensure the protection and preservation of the environment and in this regard will source a loan of about US $50 million from the IDB to finance tourism-related infrastructure development work.

I am happy to report that we can expect to see some forward momentum in the development of the tourism industry in Tobago during 1994. The Government is aware that a major hotel chain is favourably disposed towards an equity position in, and management of a 250-room hotel in Tobago subject to a feasibility study and agreement on a particular site. Government intends to give every possible support to this initiative since its establishment is likely to galvanize further investment in the tourism sector in that island. In addition, infrastructure work on the Lowlands project will continue in 1994, as well as the expansion of one hotel. While the Government acknowledges the importance, indeed the imperative of ensuring that our tourism thrust is properly planned, it is equally convinced that the greatest impetus to the development of tourism in the sister island would be to implement, as quickly as we can, these major projects.

We are still at the stage of developing the overall plans and the strategy for Trinidad, though it seems that development will centre on resort-type projects on the north and north-east coasts, as well as convention and event-type tourism which showcase the cultural and sporting life of the country. In addition, Government is currently reviewing proposals from consultants on the development of the IDB-funded Tourism Master Plan.

Innovation and Efficiency in Government

I turn now to innovation and efficiency in government. While this Government intends to do all that it can to stimulate and encourage the private sector, it is also strongly committed to promoting innovation and efficiency in the public sector, which will continue to play a key role in this country's economic and social development. Efficiency in government is also necessary because citizens deserve prompt, efficient and courteous service from Government and its agencies. There is little to be said about taxpayers making the sacrifices imposed on them by the state, merely to support activities which produce no valuable services for them, or do so only with great travail for the taxpayer. Our citizens must obtain value for their tax dollars, and we have set about the task of reforming the provision of public services to ensure that they get it.

An important element of this process is the divestment programme which is intended to remove from the public sector those activities which do not properly belong there and which often entail considerable government expenditure and higher cost of goods and services to the consuming public. The progress made in 1993 confirms the appropriateness of Government's divestment policy and programmes. In addition to easing the burden of our external debt service obligations by raising the equivalent of TT $589 in 1993, the transfers to private ownership have invariably been accompanied by rehabilitation of ailing enterprises and the expansion of healthy ones.

The 1994 divestment programme will continue along the very successful lines already established. In addition to its existing dual role as an integral part of the debt management strategy and as a catalyst for new investment, Government intends to add several new and important dimensions to the divestment programme.

The establishment of the Securities and Exchange Commission is, we believe, the appropriate time to bring some of the Government's existing equity on to the local stock market, consistent with our objectives of widening the ownership of shares in the country. Accordingly, the allocation of these shares to be divested will give priority to non-institutional investors. In addition, planned new issues such as TSTT and National Flour Mills, will give a much needed fillip to the stock market which has been in the doldrums in recent times.

When a country is seeking to establish a firm foothold, and maximize its competitive edge in the new world economic order, the existence of solid and dependable infrastructure becomes of paramount importance. In this regard, the deterioration of our existing road network is of great concern, not only to the people of Trinidad and Tobago, but also to their Government. We simply cannot allow such deterioration to continue. We cannot afford to wait on loans from multilateral funding agencies in order to carry out our road repair programme, but rather we must find new and innovative ways to finance the rebuilding and maintenance of our road network.

However, our emphasis on infrastructural development does not end with the establishment of a rehabilitated road system, but extends to the development of our port and airport facilities, as well as the reformation of our public utilities. As hon. Members are well aware, we have moved with dispatch to correct the inefficiencies existing at the port at Port of Spain, and despite some setbacks and delays, we are now moving forward with the Pride Project to develop and enhance our main gateway to the world.

In respect of the public utilities, the inefficiencies and problems of our water distribution and electricity generation systems are also well known. Government is fully sensitized to the chronic water shortages in certain parts of the country, the problem of leaking mains and distribution pipes, as well as the heavy demand being made on the limited generating capacity of the electricity company. Government is committed to the restructuring and upgrading of the public utilities so as to enable them in the near future to deliver an efficient and reliable high quality service to all customers at affordable rates.

In respect of the Water and Sewerage Authority, greater attention will be paid to the expansion of WASA's revenue base, the reduction of its accounts receivable to below 120 days, the validating and updating of the customer base, the installation of 8,000 industrial and commercial meters and 80,000 domestic meters and the utilization of private contractors on its maintenance programme. In addition, Government has appointed a Water Task Force to review the possible participation of the private sector in the management of water production and distribution.

The Trinidad and Tobago Electricity Commission will also intensify efforts to improve operational efficiency, while at the same time ensuring economic tariff levels and a highly reliable service. The possibility of encouraging foreign private sector investment in the generation of electricity is being examined, and the relevant legislation will be amended to facilitate the process, as well as allow T&TEC to form companies, to hold shares and to differentiate between the operations of the transmission and the distribution subdivision.

Social Safety Net

I turn now to the social safety net. I have explained in great detail the key initiatives that are intended to enhance the growth of the national economy. However, as I carefully stated at the outset of this presentation, our society will not prosper without the participation of all of its people. This Government is painfully cognizant of unemployment, homelessness and inadequate health, nutritional and educational services among certain segments of the population, the despair and hopelessness that breed in desperate conditions, and which have resulted in wanton criminal activity.

This Government has determined that our human resources are indeed our most precious asset, and consequently we are allocating $1.1 billion to social programmes in 1994. This represents a 48 per cent increase over last year's levels and is 14 per cent of total budgeted expenditure in 1994.

Permit me to outline some of the programmes where this significant increase in social service funding will be used:

	$ Million
Old Age Pensions	$211.3
Unemployment Relief Programme	$130.0
Food Subsidy	$89.5
School Feeding Programme	$79.0
Social Assistance	$54.3
Free Medicine	$43.0
Grants to Schools and Colleges	$24.5
Apprenticeship Schemes	$22.0
Orphanages	$11.5
Civilian Conservation Corps	$10.0

	$ Million
Servol	$5.5
Feeding programmes for the Needy	$3.5

This allocation is designed to reach the most vulnerable members of our community.

Let me say a word about the delivery of social services. It is not sufficient simply to throw money at the social problems. For this reason we have reviewed the system and institutional arrangements by which social services are currently delivered and we have noted that there are often overlap, duplication and waste. Unfortunately, more emphasis seems to be placed on income transfers than on rehabilitative assistance. In 1994, we will begin to reform the systems for the dispensing of social services based on greater involvement of non-governmental organizations.

The IDB sponsored study led by Sir Alister McIntyre, Vice-Chancellor of the University of the West Indies, has provided many useful ideas and recommendations which are now receiving the attention of Government. However, it would be useless and even counter-productive to demonstrate our caring by pursuing and spending taxpayers' money on activities which are not carefully targeted and effectively delivered. We have decided to establish a Community Development Enterprises Fund to finance programmes targeted for implementation.

Given our limited resources, we must seek to ensure that the selected programmes are not just funded, but that there is no tendency to divert resources from these worthwhile projects to fund activities that will not necessarily enhance the quality of life of the needy. We propose to fund these programmes at great expense from our own resources in 1994, and anticipate assistance from the IDB in continuing and expanding the programmes thereafter.

I would like to use this opportunity to thank publicly all the non-governmental organizations whose unstinting efforts with limited resources have helped to alleviate the plight of so many of our citizens. Their daily labour of love in the face of the difficulties of our society provides a shining beacon of hope for all of us.

Given Government's limited resources, we propose to reform the process by which allocations are made to NGOs so as to ensure greater effectiveness and better accountability. In this connection, as part and parcel of our emphasis on programmes for youth development, hon. Members will recall that we had intended to bring to Parliament legislation to give effect to the National Apprenticeship Training Programme. Owing to the packed legislative agenda, this legislation is still not ready. Work is well advanced, however, and it will be brought to this honourable House early in the new year.

3.20 p.m.

The full effect of the expanded School Feeding Programme will be realized in 1994. In 1994, the programme will cover about 33 per cent of the target population, up from 30 per cent this year, while increasing the frequency of provision of meals from three days to five days per week, as well as catering for needy children in government pre-schools. We propose to spend $72 million in 1994 on this programme in Trinidad and $7 million in Tobago. We consider the expansion of the School Feeding Programme to be important, not only to ensure that minimal nutritional standards are maintained in our school age population, but also because of the potential for beneficial linkages between this programme and the agricultural sector.

We have increased our funding to the Civilian Conservation Corps. This is in recognition of the success of this programme and the beneficial effects the programme has had in developing discipline among our young people and in offering service to communities. We salute the work of the defence force in executing this programme. Together with the National Apprenticeship Programme, these programmes are succeeding in building up a cadre of young people with skills, commitment and dedication, so that they too can participate in the achievement of the vision for the future.

Another important element in the provision of a comprehensive social safety net is the rationalization and expansion of housing services. A continuing problem in the area of housing is the regularization of squatter settlements in certain parts of the country. In this regard, $15.6 million will be spent on squatter regularization in 1994, an increase of $10.5 million over the 1993 figure.

Further, Government has decided to replace the fixed mortgage interest rate cap of approved mortgage companies by a flexible rate as a support mechanism to the Approved Mortgage Company Programme. The interest rate on such mortgages would be linked to the average residential mortgage interest rate. In addition, the range of the value of mortgage loans under the Approved Mortgage Company Programme will be widened to reflect the increase in market prices.

We also point out that the Trinidad and Tobago Mortgage Finance Company has had to curtail severely its lending operations on the approved mortgage market. As a result, prospective homeowners in the middle and lower income brackets have been placed at a disadvantage. In order to enable the TTMF to resume lending, it is proposed that the company access the domestic capital market. As a means of enhancing the company's debt instrument, I propose to introduce a tax credit equivalent to 50 per cent of the interest payable on bonds issued to individuals and corporations by the TTMF where the proceeds are designated for lending in the approved mortgage market.

Another initiative we have already taken in the area of mortgage finance is the increase in the aggregate value of tax-free bonds which the Home Mortgage Bank can issue from $300 million to $600 million, which will enhance the availability and affordability of mortgage credit. In 1994, the Ministry of Finance and the Ministry of Housing and Settlement will move towards the establishment of a National Mortgage Insurance Scheme. We expect this initiative to lead to the standardization of mortgage documentation and a lower cost of closing mortgage transactions. The proposed computerization of the land registry will also assist in bringing down these costs to the homeowner. Members would also recall that legislation was enacted earlier in the year to allow first time homeowners to access their pension plans to meet the downpayment on their purchases.

Given the potential of the construction sector in facilitating the creation of short-term employment, as well as the importance of increasing the housing stock of the nation, Government will continue to provide further incentives to encourage and increase construction activity. In particular, due to the sometimes long gestation periods involved in some construction activities, the Government will seek to tailor its incentive package to take cognizance of this fact.

Our best efforts at the amelioration of social conditions during this transition to growth and employment will be frustrated unless the problem of crime is aggressively controlled. There is no doubt that the problem is bound up with the high level of unemployment, substance abuse and the drug trade, and the strains of life in our crowded urban centres. The violence in our society has taken on a wanton dimension which is alien to the character of the people of this country.

Government is determined to arrest and reverse this trend and to create conditions where, as before, parents could feel safe in allowing their children to walk the streets of their communities and to take public transportation, where our population no longer finds it necessary to make fortresses of their homes and where we would not have become inured to scenes of grisly violence portrayed in our media.

The detailed measures which will be implemented to deal with crimes will be articulated during the course of the debate. Suffice it to say that our approach to this scourge rests on two complementary pillars. The first is the development of an efficient, disciplined, well-equipped and professionally-managed police service and an equally well equipped defence force providing support as needed. In this regard, Government will, within the constraints of available resources, seek to improve accommodation for the protective services and to increase their mobility. The provision of equipment needed for crime detection, including computers, will also be addressed.

The second pillar is the forging of a strong partnership between the public and the police in the fight against crime. In no country is it possible for crime to be defeated without the active co-operation of citizens with the police. The departments responsible for dealing with illegal drugs, organized crime and money laundering will be given special attention. In addition, the amendments to the Dangerous Drugs Act will be brought as soon as possible before this honourable House.

I think we all appreciate that ultimately the amelioration of our current social conditions will arise from the restoration of sustained growth across a wide range of industries and sectors and the reduction in unemployment and underemployment to acceptable levels. The Government is confident that we will soon see a resumption of growth as the investments now being made and the institutional reforms undertaken begin to bear fruit. The depreciation of the Trinidad and Tobago dollar in the context of the elimination of exchange controls in April gave a tremendous boost to export manufacturing.

By July 1993 exports of manufactured products increased by 21 per cent over their July 1992 level and are expected to show further expansion as the benefits of the depreciation are fully exploited. Our manufacturers have become more aggressive in their search for markets and these efforts, including a recent trade visit to Colombia, are apparently having success. While Government has heard the call of the export manufacturers for the elimination of the five per cent duty on raw materials, it is not able to respond to this call, but is committed to instituting the rebate which will be retroactive to January 1, 1993.

As our exporters begin to penetrate the global market it will become increasingly necessary for them to be able to provide credit to their customers. Indeed, export credit is an important element in the competitiveness of the exports of the most successful exporting countries. Accordingly, Government is giving

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active consideration to the conversion of the Export Credit Insurance Company into an export-import Bank.

Fiscal Measures 1994

Having described in summary the policy framework of the 1994 Budget, I will now turn to the specific fiscal measures I propose to introduce in 1994.

I will first address the expenditure measures the Government proposes to pursue.

Expenditure

Recurrent Expenditure

Recurrent expenditure for 1994 will amount to $7.131 billion, 11.1 per cent higher than the revised estimates for 1993. Recurrent expenditure is broken down as follows:

Personnel expenditure $2.6 billion or 37 per cent of total recurrent expenditure. And you hear that, that is 37 per cent of total recurrent expenditure to personnel expenditure.

Goods and Services, $682.8 million or 9 per cent of recurrent expenditure. Transfers and subsidies $2.146 billion or 30.1 per cent of recurrent expenditure. Interest payments, $1.667 billion or 23.4 per cent of recurrent expenditure.

We have sought to contain expenditure on personnel emoluments, and we are holding the line on transfers to state enterprises and statutory authorities, although in keeping with the expansion of the social safety net, we propose to increase expenditure on transfers to households and other social programmes.

It would be wholly inappropriate at this stage to stimulate the economy artificially by increasing government recurrent expenditure in an unsustainable fashion, and so we are seeking to constrain this category of expenditure.

Capital Expenditure

In contrast, I propose to allocate $678.1 million to capital expenditure. This is $170.3 million or 33.5 per cent more than the 1993 revised estimates. This provision does not take into account $826.4 million which is the drawdown on the IDB loan for the upgrading of the Pointe-a-Pierre refinery. The Public Sector Investment Programme accounts for $647.8 million and other capital expenditures account for $32.6 million, mainly capital transfers to state enterprises to meet debt repayment obligations. The increased provision for the Public Sector Investment

Programme is necessary to ensure that we raise the level of investment in the economy and that we maintain and improve our infrastructure.

The major programmes and projects under the Public Sector Investment Programme are now highlighted:

Housing

In 1994, Government will spend $57 million on a number of land developments and housing projects. In addition, we expect to stimulate housing construction by a number of measures which I have already alluded to.

Health

A sum of $97.7 million has been allocated for capital projects in the health sector. Of this amount, $35 million will be allocated for the completion of rehabilitation of the San Fernando Hospital and procurement of equipment. A sum of $12.7 million will be allocated for the completion of construction of a 4-block building to provide a 10-bed accident and emergency centre, a 16-bed maternity unit and general medical care; completion of external works and purchase and installation of equipment at the Arima Health Facility.

The sum of $36 million is provided for upgrading and refurbishing works at various health facilities, including the Port of Spain General Hospital, St. Ann's Hospital and Mayaro District Hospital. In addition to the projects mentioned above, a sum of $12.8 million is provided for a number of activities in the health sector including institutional strengthening of the Ministry of Health and the formulation of the National Health Insurance Scheme.

Tobago House of Assembly

Government proposes to spend $26.5 million in implementing a number of projects in Tobago; of this sum $6.3 million will be utilized in providing water and sewerage facilities; $6.4 million for improving the physical infrastructure in education both at the primary and secondary levels and to provide library services; $3.8 million for upgrading a number of roads throughout the sister island; $1.8 million for upgrading the health facilities and $1.6 million provided under Housing and Settlement to facilitate land development at Signal Hill and implementation of a settlement project at Belle Garden.

Public Utilities

The sum of $25.4 million has been allocated to the Ministry of Public Utilities. Included in this sum is $6 million for a water and sewerage project which will facililitate a programme of mains replacement and rehabilitation of water treatment plants. An allocation of $12 million is for the completion of pipe laying from San Francique to Cape-de-Ville; that is, the St. Patrick Waterworks. A further sum of $6 million is provided for the transmission and distribution of a special electrification programme for the extension of supplies to rural areas.

National Security

The Development Programme sees an allocation to the ministry in the amount of $16.8 million. Of this sum $5.8 million is for the development of a computer system for the police service and the establishment of a radio communication system for the Ministry of National Security. The fire services will receive $6.5 million to improve physical infrastructure and to purchase equipment. A sum of $14 million is to be spent on the prisons service to effect improvement works and $2.8 million will be spent on improvement works in the defence force.

3.35 p.m.

In 1993 we used the US dollar proceeds of divestment largely to settle some of our external obligations. In 1994 we expect to realize significant amounts of $TT from divestments as we accelerate the divestment programme. We have decided, therefore, to set aside an amount of $25 million in the first instance, funded from such local divestments, to spend on projects of great significance to the national community. Earmarked are street lighting programmes; the construction of post primary centres; the restoration of Whitehall, the purchase of vehicles for the police service and the restoration of the Queen’s Park Savannah. *[Interruption]* We cannot be the global centre of the Caribbean and not fix the Savannah.

Let me assure this honourable House that, again, Tobago will not be left out of this programme. The capital expenditure programme is funded as follows:

	$ Million
Grants	$67.7
Foreign Loans	$186.8
Domestic Loans	$110.1
Consolidated Funds	$238.5
Divestment	$75.0
Total	$678.1

Total capital expenditure will, therefore, amount to 2.5 per cent of GDP.

I now turn to the revenue measures for 1994.

Revenue Measures

The measures I will propose to this honourable House may be classified into the following broad categories:

(i) Measures designed to strengthen and protect the revenue base of the country;

(ii) Measures designed to stimulate economic activity, savings and increase employment opportunities;

(iii) Measures designed to provide relief to the more disadvantaged in the society; and

(iv) Other measures.

Measures to strengthen and protect the revenue base

Transaction Tax on Financial Services

Financial services are presently exempted from the payment of value added tax. Given the inherent difficulties of the imposition of a VAT on such services, I propose to impose a transaction tax at the rate of 15 per cent on a number of financial services which will be specified in the Provisional Collection of Taxes Order. These services will include the provision of statements, orders, bills, bonds and guarantees.

This measure will come into effect from January 1, 1994 and is expected to yield $9.3 million.

Transfer Tax on Change of Ownership of used vehicles

Currently, the sale of used vehicles by registered dealers is subject to 15 per cent VAT; however, on all other transfers of used vehicles no VAT is paid. Accordingly, I propose to implement a transfer tax on the registration of change of ownership of used motor vehicles at the following rates:

Vehicles over 5 years old	$2,000
Vehicles between 2 and 5 years old	$3,000
Vehicles under 2 years old	$4,000

Since the sale of motor vehicles by used-car dealers registered under the Value Added Tax Act attracts VAT, the transfer tax will not apply to the purchase and sale of motor vehicles by used-car dealers who are registered for purposes of VAT.

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Appropriate regulations embracing procedures and penalties will be detailed to deal with avoidance and to facilitate transfers in unusual circumstances.

This measure will be implemented from the date of publication of the Provisional Collection of Taxes Order, and is expected to yield $50 million in revenue.

Business Levy

I propose to widen the coverage of the business levy, now applicable only to companies, to include self-employed persons and sole traders.

This measure will come into effect from January 1, 1994, and is expected to yield $3 million.

Property Taxation

Compliance with the payment of property taxes is less than satisfactory in this country and it is proposed that the following measures be implemented for increasing compliance:

(i) Proof of payment of lands and buildings taxes and house rates will be required to be provided to the Board of Inland Revenue before claims are allowed for mortgage interest deductions in the case of individuals, and in the case of companies, deductions or allowances for depreciation with respect to industrial buildings, plant and equipment and mortgage interest;

(ii) The payment of lands and buildings taxes or house rates in a subsequent year of income will not be taken into account in revising any assessment in relation to the deductions that are disallowed because of failure to pay such taxes within the year of income;

(iii) The penalty rate of interest on late payment of lands and buildings taxes will be 15 per cent per annum. This will be applied to the unpaid taxes together with the 10 per cent penalty imposed on such taxes. The interest will apply to all outstanding arrears.

These measures will be introduced in the Finance Act 1994.

Tax Appeals in relation to Income Tax, Corporation Tax, Petroleum Taxes and Lands and Buildings Taxes

The procedure relating to objections and appeals in relation to income tax and lands and buildings taxes is being reviewed in the light of delays being experienced in finalizing these matters with consequential delays in the payment of taxes in dispute. Government proposes to introduce legislation in the 1994 Finance Act to expedite the process of finalizing these tax disputes.

There are, at present, over one thousand cases before the Tax Appeal Board. In order to minimize delays in finalizing tax disputes, we propose to amend the legislation relating to objections and appeals in the 1994 Finance Act to provide that:

(i) A person who has disputed his assessment by notice of objection and who is dissatisfied with the decision of the Board of Inland Revenue, will not be able to appeal unless any amount required by the assessment to be paid has been paid to the Board of Inland Revenue or such security has been given for the payment of that amount as is acceptable to the Board;

(ii) Where the appeal is finally determined by the Tax Appeal Board or any court of superior jurisdiction and the taxpayer is entitled to a refund of tax, the refund shall bear interest at the rate of 6 per cent per annum from the day after payment was made by the taxpayer for the purpose of instituting the appeal to the date of payment of the refund of tax by the Board of Inland Revenue.

In the case of lands and buildings taxes, any owner of any lands or buildings assessed under the Lands and Buildings Taxes Act who objects to such assessment may appeal against such assessment to the District Revenue Officer. The process is subject to delays due to the failure of some taxpayers to provide relevant information.

It is proposed to amend the legislation relating to appeals against assessments of lands and buildings taxes to provide that:

(i) Where any owner of lands or buildings assessed under the Lands and Buildings Taxes Act, Chap. 74:04, objects to such assessment, an appeal against such assessment by the District Revenue Officer may not be made unless any amount required by the assessment to be paid has been paid to the District Revenue Officer or such security has been given for the payment of that amount as is acceptable to the District Revenue Officer;

(ii) Where the appeal is finally determined by the District Revenue Officer, again, as similarly provided, interest will be paid.

It is proposed that this measure would be included in the Finance Act, 1994, and would come into effect on the enactment of the legislation.

Tax Exemption on Meal Vouchers

This measure was introduced originally to assist low income persons; however, it is now subject to great abuse. The Income Tax Act currently exempts from income tax meal vouchers valued at up to $10.00 per work day, which are utilized by employees for the purchase of a meal at a cafeteria, restaurant, fast food outlet or other eating establishment. These vouchers are tax-free for all employees, irrespective of salary earned. An amendment is proposed to the Income Tax Act to limit this benefit to employees earning $36,000 per year or less. This measure will take effect on January 1, 1994

Tobacco Tax

It is proposed that the Tobacco Tax imposed under the Miscellaneous Taxes Act on imported cigarettes be increased from the current levels of $62.50 per thousand cigarettes to $105.00 per thousand cigarettes. That is only on imported cigarettes. This measure is intended to equate the tax on imported cigarettes to that of the excise tax on domestically produced cigarettes. This measure is estimated to yield a mere $0.2 million in revenue.

In-bond Sales Tax

It is estimated that at present 60 per cent of local consumption of foreign alcohol as accounted for by the importation of duty-free alcohol.

It is proposed that in light of the high level of in-bond sales to arriving passengers, an in-bond sales tax of 5 per cent be imposed on all in-bond sales from January 1, 1994. This measure is expected to yield $2 million.

Establishment of a Regime of Mutual Funds and the treatment of Trinidad and Tobago Unit Trust Corporation.

The Government is of the view that in order to further the development of the domestic capital market and to promote Trinidad and Tobago as a financial centre, as outlined in our Vision, it is now necessary to open the field to other mutual funds. The continued existence of a monopolistic, highly protected and supported investment institution, is a deterrent to the development of an efficient capital market system which is fully responsive to market forces. In addition, the existence of other mutual funds in the market place would provide savers and investors with a wider choice of instruments, and should serve also to be more attractive to foreign investors.

We therefore propose:

(i) That the tax credit given to purchasers of units in the second scheme of the Unit Trust be discontinued with effect from January 1, 1994, and shall not be applied to any other similar scheme of the Unit Trust or any other mutual funds which may be established;

(ii) All other benefits of the Unit Trust Scheme will remain;

(iii) The income of other mutual funds, which would be registered with the proposed Securities and Exchange Commission, shall be tax exempt and dividends in the hands of unit holders shall be treated in the same manner as interest on commercial bank deposits, while income or profits of the managers of the mutual funds, other than the Unit Trust Corporation, should not be tax exempt.

Motor Vehicle Tax

It is proposed that the motor vehicle tax regime be restructured to revise the rate of motor vehicle tax to compensate for the loss of revenues on vehicles resulting from the forthcoming reduction in stamp duty and import surcharge.

The rates of motor vehicle tax for private cars priced under $200,000 with engine size between 999 cc and 1499 cc will be increased by 100 per cent. For those vehicles with engine sizes between 1499 and 1799 cc, the tax will be increased by 60 per cent.

For vehicles with engine sizes between 1799 cc and 2499 cc which now attract motor vehicles tax based on the cc rating, we now propose *ad valorem* rates on showroom prices and the division of the band into two categories:

(i) From 1799 cc to 1999 cc to which an *ad valorem* rate of 10 per cent is proposed; and

(ii) From 1999 cc to 2499 cc for which an *ad valorem* rate of 25 per cent is proposed.

3.50 p.m.

Vehicles with engine sizes between 2499 cc and 3499 cc will be subject to a new *ad valorem* rate of 35 per cent. Vehicles with engine size exceeding 3499 cc will be subject to a new *ad valorem* rate of 50 per cent. For passenger vehicles with showroom prices exceeding $200,000 we propose to increase the *ad valorem* rate from 45 per cent to 50 per cent of the showroom price.

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Taxis and maxi-taxis now both attract motor vehicle tax at 25 per cent of the rates applicable to private motor vehicles. They will now be taxed at different rates. Taxis will bear a rate equivalent to 75 per cent of the rate proposed for private motor cars. Maxis will be taxed at 12.5 per cent of the showroom price.

Goods vehicles at present are not subject to motor vehicle tax. The rate of five per cent of the showroom price will now be imposed on goods vehicles.

Ad valorem rates are now based on market price. It is now proposed to use showroom price which will be defined in the same or similar terms as market price, so that the *ad valorem* basis remains the same.

These measures will take effect from January 1, 1994. *[Interruption]* You have time.

Measures designed to stimulate economic activity, Savings and increase employment opportunities

Corporation Tax

The Government agrees that strong growth, which is our goal for this year, requires reduction of corporate taxes. Unfortunately, our fiscal situation does not permit a reduction at this stage. Instead, it is proposed that the Corporation Tax Act be amended to include an incremental profit tax for companies falling within the purview of that Act. Chargeable profits exceeding the level of profits in the base year will be taxed at a lower rate. The base year of a company will be the financial year that ends within the period November 1, 1992 to October 31, 1993.

Where in a year of income a company makes chargeable profits in excess of its base year chargeable profits, it will be entitled to have such excess profits taxed at the incremental profits tax rate which is only 30 per cent, instead of the prevailing corporate tax rate of 45 per cent. Chargeable profits up to the level of the base year chargeable profits will be taxed at the prevailing rate. For new corporations the base year will be the year of incorporation.

An anti-avoidance provision will be included to ensure that companies formed by the splitting or reconstruction of existing companies with a view to reducing their tax liability will not so benefit.

Given the change in the corporation tax structure, the dividend income allowance will be amended to provide for the computation of the dividend income allowance based on a corporate rate of 30 per cent, which is clearly where we are trending.

Approved companies under section 16(A) of the Corporation Tax Act will not qualify for this benefit because they are already entitled to a tax credit of 15 per cent of chargeable profits.

Revenue losses from this measure are difficult to estimate. However, this measure speaks to the budget theme: "Our Shared Vision: An invitation To Participate," which encourages our corporate citizens to invest and reap a greater share of their incremental profits.

It is proposed that this measure will be implemented in the Finance Act, 1994 for the year of income 1994.

Tax on interest on Foreign Currency Accounts held in the Domestic Financial Sector

Under the Income Tax Act, interest income earned on savings held in the domestic financial system is subject to a rate of tax of 15 per cent, whether the money is held in an account in TT dollars or a foreign currency account.

In order to encourage citizens to deposit savings which are now held abroad in the domestic financial system, we propose to amend the Income Tax Act to exempt from tax the income earned on foreign currency accounts held in the domestic financial sector. This measure is designed to facilitate capital inflows.

It is proposed that this measure will take effect from January 1, 1994.

Reduction in Import Surcharge and Stamp

Duty on Bills of Entry

In accordance with the Government's commitment over the medium term to reduce tariffs on imports as part of our trade liberalization process, stamp duties on imported goods are to be reduced by an additional 50 per cent on all categories of goods, from January 1, 1994. In addition, import surcharge rates on all categories of goods will be reduced either 5, 10 or 15 per cent as specified in the Provisional Collection of Taxes Order.

The expected revenue loss is estimated to be $109 million in the case of stamp duty and $19 million in the case of import surcharge.

These amendments will be included in the Finance Act, 1994 and will come into effect from the year of income, 1994.

Small Business Sector

In 1988 the Corporation Tax Act was amended to create a category of approved small companies. These are companies approved by the Minister after consultation with the Industrial Development Corporation. I propose a number of less restrictive amendments to the definition of such approved companies.

Furthermore, financial institutions which lend money to approved small companies shall receive a tax deduction of 10 per cent of the net increase for the year of income in loans made to approved small companies.

Financial institutions shall be exempt from corporation tax on 50 per cent of the interest earned on transactions to approved small companies.

These measures should assist in accelerating the development of small businesses particularly through the improved availability of funding.

These measures will take effect, again, from January 1, 1994.

Manufacturing Section

The Corporation Tax Act makes provision for the deduction of 150 per cent of promotional expenses incurred in promoting the expansion of existing foreign markets for the export of goods produced in Trinidad and Tobago and shipped in commercial quantities.

In order to encourage manufacturers to expand exports, a further provision would be introduced to allow deduction of 150 per cent of promotional expenses which the Board of Inland Revenue is satisfied have been incurred for the creation of new markets for the export of goods produced in Trinidad and Tobago.

It is also proposed that the benefit be extended to sole traders.

This measure is expected to take effect from January 1, 1994.

Rebate on Customs Duty on Exports

Hon. Members will recall that the Finance Act, 1993 included amendments to the Customs Act Chap. 78:01 in order to implement a system of rebates of customs duty for exporters of goods. Notwithstanding the fact that the amendments were made, the system was not implemented, because manufacturers expressed great dissatisfaction with the proposed scheme, and regulations in relation to the scheme were not finalized.

We propose to amend the scheme as follows:

(1) To include the agriculture and service sectors;

(2) To change the method of calculating the rebate to one and a half per cent of export sales FOB;

(3) To enable the percentage rate applicable to export sales to be varied by Order of the President (that is, the one and a half per cent can be varied by the President);

(4) To provide that exporters who exported goods or services during 1993 will be entitled after January 1, 1994 to claim a rebate in respect of their 1993 exports, so that they lose nothing.

We intend to publish regulations for the implementation of this scheme before January 1, 1994.

Agriculture Sector

It is imperative that we do not neglect the development of the agriculture sector. It continues to employ six per cent of our labour force, and although it accounts for only 3.4 per cent of our GDP, it has been one of the few sectors to grow fairly consistently over the last few years. Given the potential contribution of the sector to economic growth, agriculture will be provided with the necessary legislative and infrastructural support required to ensure that the sector attains a competitive level of production. In the context of our trade liberalization policy, and bearing in mind that a significant amount of our agricultural imports are subsidized at source, the Government recognizes the need to continue to protect those domestic agricultural products which are not presently in a position to compete with such imports.

Government currently subsidizes the domestic dairy industry to the amount of approximately $12 million annually. However, since 1992 Government has had difficulty in meeting these payments because of fiscal constraints. The arrears owed to farmers at the end of September 1993 stood at $6.5 million. Farmers cannot survive without the subsidy, since imported dairy products are heavily subsidized in their source countries.

It is crucial that the support for the domestic dairy industry be maintained as it provides employment for approximately 8,000 persons. Therefore, in an effort to continue the financial support to the farmers and provide payment on a timely basis, consideration has been given to alternative sources of funding for the subsidy payment. Fair is fair.

In this regard, we propose that a customs duty of five per cent be imposed on imported powered milk, excluding baby formula, and that the customs duty on imports of frozen and chilled beef be increased from five to 15 per cent.

To further stimulate investment in agriculture, it is proposed as follows:

(i) Fifty per cent of the interest earned by financial institutions on loans made to approved agricultural holdings should be exempt from tax;

(ii) The promotional expense deduction under the Corporation Tax Act will also be applicable to persons engaged in agriculture.

These measures will take effect from January 1, 1994.

Tourism

In keeping with the renewed tourism thrust and the prior necessity to encourage the construction of hotel rooms, it is proposed that local investors who participate by way of equity investment in approved hotel and tourism development projects, will be allowed to claim a proportion of their equity investment as a tax-deductible expense. Local investors will include both individuals and corporations. The investor will be allowed to claim 25 per cent of the capital subscription.

This measure will be introduced during 1994.

Construction

In the 1993 Budget we proposed a number of measures designed to stimulate economic activity in the construction industry. One such important measure sought to exempt from personal and corporate taxes up to the year 2000:

(i) All rental income accruing from residential, industrial and commercial properties, the construction of which commenced after January 1, 1993 and completed by December 31, 1994; and

(ii) All capital gains and profits derived from the sale of such properties.

I now propose to extend these measures by an additional year from December 31, 1994 to December 31, 1995.

Import Surcharge on Tyres

In 1992 the import surcharge was imposed on imported tyres in order to afford local manufacturers a degree of protection against imports. The application of the surcharge was limited to specific sizes of tyres which correspond to those which were manufactured locally. However, the legislation did not refer to the rim size. During 1992 and 1993 a wide range of substitute tyres of the same rim size as those manufactured locally but of different specifications from those identified in the legislation were imported into the country without attracting the import surcharge. As a result, sales of locally manufactured tyres on the domestic market have been adversely affected. In order to correct this, we now propose to amend the specifications in the legislation to refer to rim sizes. This will have the effect of protecting local manufacturers of tyres from competing foreign importers. This measure will come into effect on publication of the Provisional Collection of Taxes Order.

4.05 p.m.

Measures designed to provide relief to the more disadvantaged in the society

Pensions Tax Credit

Currently retirees and pensioners whose chargeable incomes do not exceed $16,000 per annum do not pay income tax. However, many pensioners whose chargeable incomes exceed this amount, complain that their monthly expenses, for example, their medical expenses, are greater than younger persons and their incomes are fixed. In an attempt to reduce their burden, we propose that persons who have attained the age of sixty would be granted a pensioners tax credit of $600. The revenue forgone is estimated at one million dollars.

This measure will take effect from January 1, 1994.

Interest on Immediate Annuity

Where an individual who has attained the age of sixty, purchases an annuity with a lump sum that has been accumulated from after-tax dollars, the full income derived from that annuity is taxed. This income, in reality, represents a return to him of his after-tax earnings plus interest. If the same person were to deposit his savings with a commercial bank where the interest earned on such deposits is currently exempt from tax, he would bear no tax on the same after-tax earning plus interest.

In order to remove this disparity or inequity, we propose to exempt from tax annuities purchased by persons who have attained the age of sixty.

This measure will take effect from January 1, 1994.

Other Measures

Catastrophe Reserve Funds

The Association of Trinidad and Tobago Insurance Companies (ATTIC) has requested that consideration be given to the establishment of catastrophe reserve funds by insurance companies which write property business from which

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withdrawals may only be made to satisfy losses arising from natural catastrophes. As a result of recent natural disasters, local insurance companies have found it increasingly difficult to secure adequate reinsurance cover, due to increases in rates charged by reinsurance companies and the introduction of restrictive conditions in the reinsurance treaties.

The purpose of the funds is to assist insurance companies in providing policyholders with adequate cover on their properties against natural disasters. The funds will act as risk capital to enable insurance companies to retain more risk as well as allowing them greater flexibility in purchasing reinsurance protection. Insurance companies will be allowed a tax deduction in respect of transfers to these funds of not more than 20 per cent of the net premium income from property business during a year of income.

The catastrophe reserve may be set aside annually for a period of five years. The assets in the fund would be held in trust to the order of the Supervisor of Insurance in the same manner as the Statutory Fund and would be invested in assets listed in the Second Schedule to the Insurance Act, 1980.

The proposal will necessitate amendments to the Corporation Tax Act and the Insurance Act and the formulation of appropriate regulations. It is estimated that implementation of the measure in 1994 will result in revenue forgone of $6 million. This proposal will be introduced in the Finance Act for the year of income 1994.

Road Improvement Fund

There is an urgent need to embark on a major road repair and maintenance programme. Over the years, appropriations for road repair and maintenance have been inadequate. Failure to undertake the required repairs now, would result in more costly programmes of rebuilding existing roads. Government is of the view that motorists and the travelling public generally would welcome relief in this area if they were to be assured that for a minimal increase in the price of fuel, the problems were tackled with a dedicated effort, and they are able to travel in relative comfort, reduce expenditure on maintenance and repair of their vehicles, and possibly save lives.

Government therefore proposes to establish a Road Improvement Fund which is to be financed directly by the imposition of a Road Improvement Tax of 5 per cent on motor vehicle fuels. Receipts are estimated at $50 million and will be used solely for road repair, maintenance and improvement. In addition, some $40 million will be provided in 1994 for the construction of access roads and bridges throughout the country.

The public should be assured that a report will be laid in Parliament every six months on how much has been collected and appropriated to the fund, how much has been expended and on what projects. Following discussions with the Tobago House of Assembly, specific projects for Tobago have already been identified—the Chairman has already identified, I believe, the Windward Road for restoration. I am sure this will be well executed.

This measure will take effect on the publication of the Provisional Collection of Taxes Order.

Increases in Fees and Charges

This is my annual in this regard. Members on the other side will know every year we come with fees.

We also propose to increase a number of fees and charges imposed under various legislative provisions. Many of these charges have not been increased for many years and, in some cases, no provision had previously been made for fees to be charged for the services provided. The proposed changes are intended largely to keep pace with the current cost of administration of the services provided. The fees will be detailed in the Provisional Collection of Taxes Order. They include the following:

Under the Ministry of National Security:

Increase in fines for offences committed in contravention of the Fire Service Act;—

Increases in the cost of new security passports, which is a matter we discussed recently.

Under the Judiciary/Magistracy:

Increased fees for bailiff licences and for cinema and exhibitors licences.

Under the Ministry of Public Utilities:

Increases for airmail package rates and stamps (both local and overseas).

Under the Ministry of Works—

One area of concern which the ministry has identified is the licensing of vehicles which have remained unlicensed for more than one year. Previously, vehicles which did not pay license fees in one year were allowed to pay license fees in the following year without paying arrears for the period during which the vehicle remained unlicensed. We propose that persons whose licence fees were unpaid in past years will be required to pay higher licences equivalent to the fee payable in the intervening years since the last payment. We also propose to increase the penalty for driving without a licence from $400 to three times the licence fee which ought to have been paid.

Other increases are in respect of:

Change of route for maxi taxis

Approval for maxi-taxi applications

Conventional taxis—permission to own and operate.

Under the Ministry of Legal Affairs—Fees under:

Registration of Business Name Act

Companies Ordinance

Real Property Ordinance

Under the Ministry of Finance—(Customs)

Fees for processing Bills of Sight:

Details of all of these fees are contained in the Provisional Collection of Taxes Order.

The Estimates of Revenue and Expenditure laid in this honourable House today show that recurrent revenue will amount to $7,695.4 million while capital receipts and grants are targeted to reach $80.3 million, for total revenues of $7,775.7 million. On the other hand, total expenditure is expected to amount to $7,734.6 million, of which $7,131,2 million will comprise recurrent outlays and $667.3 million in capital expenditure excluding net-lending. Based on our estimates for 1994, we expect to realize a surplus of $564.2 million on the recurrent account equivalent to 2.1 per cent of GDP, and a modest overall surplus of $41.1 million.

This small surplus, together with amortization payments of $2,058.4 million will necessitate that Government source $889.1 million in new funds and divest $473.1 million in assets on the foreign market. In addition, we plan to borrow

$461.1 million in new funds on the local market, while raising $194 million through the divestment of shares in a number of public enterprises.

As a result, the country would continue to reduce its external debt stock. In view of the relatively small surplus generated on overall fiscal balance, our borrowings on the domestic market are somewhat higher than desired, with the result that the domestic debt stock will increase in 1994.

Included in the *Development Programme Estimates* under the Ministry of Works and Transport is a sum of $50 million which is targetted to finance the road improvement programme. This sum is to be derived from the road improvement tax on motor fuels. I wish to advise that the receipts from the tax are to be used, as I said, exclusively to fund the road improvement programme.

I propose to move an amendment to the Draft Estimates and the Appropriation Bill in Finance Committee, which will have the effect of reducing the Appropriation Bill by the said $50 million to $10,507,914,868.

Conclusion

This Government has accomplished a great deal in the last year. There may well be a perception that we are moving too quickly, that the transformation of our way of life is occurring too rapidly, that many of the things we take for granted are being swept away. We need to move quickly, simply because the rest of the world is already ahead of us and the pace of change has not slackened. Indeed, it has accelerated. We must not be left behind! We must not fall into the category of "basket case" requiring massive infusion of aid from charitable countries. That is not the vision this Government has for our society.

The vision we are putting before the national community is that of a self-confident people ready and able to compete within a global economy where those who display the most initiative will be the ones who will get ahead. Our vision is that of a country whose small size becomes not a limitation, but a strength; and whose importance in the world will be disproportionate to our smallness. Our vision is that of a peaceful, well-ordered, culturally vibrant, prosperous society, acknowledged by the rest of the world as a paragon of multi-culturalism, tolerance and harmony, a cultural mosaic.

Our vision is not just "pie in the sky." We have identified the elements of our strategy to realize it—Trinidad and Tobago as the hub of and gateway to the Americas, as a major player in world trade in ammonia and methanol, and a new player in LNG, as the newest, and best managed tourism destination in the

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Caribbean, as the business and financial centre of the Caribbean, and as a producer of a range of manufactured exports, including agro-processing products.

We are aware that this will not happen with the outmoded institutional framework we now have, and we have set about dismantling it and erecting new structures to serve us. We have been studying the issues and the problems utilizing local and foreign expertise. But we have eschewed the accumulation of paper plans, and, where we have felt reasonably clear on the direction to proceed, we have moved with dispatch.

None of this has blinded this Government to its duty of caring for the most disadvantaged among us. We have allocated more resources to this goal, and we are seeking to make those expenditures more effective by better targetting of those most in need. We are not blind to the problems of unemployment and crime, and we have sought out and put more resources into youth training programmes. We are alive to the problems of flooding experienced in certain communities in north and central Trinidad, which have been exacerbated by improper use of environmentally sensitive areas, and we are determined to redress this problem.

We do care! Caring always involves doing what is in the best long-term interests of those we care about, even if it is seen to be painful in the short term. Many Trinidadian and Tobagonian citizens have grown up to be highly dependent on Government employment and transfers, and now expect these as a right. Caring means helping those citizens to make the transition to a different way of relating with Government, of altering their expectations of how they are to earn their living, of developing a greater degree of self-reliance, of unlocking the potential inside each and every one of our citizens to be productive, to be creative and innovative, and to give generously to the less fortunate.

This Budget continues the implementation of Government's clear programme of transformation of our economy and society in preparation for the 21st century. As we rally the population "to go down the road together," we are resolute in the pursuit of the goals we have set for the nation, and we are confident that the benefits of our actions will soon be felt by all. We invite every citizen to participate in this national drive of modernization.

Madam Speaker, I wish to name Wednesday, December 1, 1993 at 10.00 a.m. for the resumption of the budget debate.

I beg to move.

Motion made, That this House do now adjourn to Wednesday, December 1, 1993 at 10.00 a.m. *[Hon. K. Valley]*

Question put and agreed to.

House adjourned accordingly.

Adjourned at 4.21 p.m.