

**HOUSE OF REPRESENTATIVES***Monday, July 25, 1994*

The House met at 1.50 p.m.

**PRAYERS**[Madam Speaker *in the Chair*]**ORAL ANSWERS TO QUESTIONS***The following questions stood on the Order Paper:***Sewer Systems  
(Tobago)**

- 130.** (i) Is the Minister of Public Utilities aware that:
- (a) Through WASA two public sewer systems were designed by the engineering firm ADeB Consultants for Tobago?
  - (b) One system was to cover the town of Scarborough and environs and the other to cater for the hotel corridor between Plymouth and Crown Point?
  - (c) A contract was awarded to Dive Masters for the construction of the Scarborough Sewer System in 1989 and the plant was commissioned in 1991 but to date remains non-functional?
  - (d) An Interim Package Treatment Plant was constructed at Sangster's Hill to treat sewage from the Scarborough Public Library, Scarborough Shopping Mall and First Citizens Bank, pending permanent connection to the Scarborough Public Sewer System?
  - (e) The Interim Package Treatment Plant at Sangster's Hill has been non-functional for quite some time and that raw sewage flows into Rockly Bay, thus posing a serious health hazard to unsuspecting bathers?
- (ii) Would the Minister tell this House what are his plans to deal with this critical problem? (*Miss P. Nicholson*)

**Sewer Treatment Plant  
(Tobago)**

- 131.** (a) Is the hon. Minister of Public Utilities aware that because of a serious threat to the marine environment along the south-western

coast of Tobago—posed by a string of poorly functioning or non-functioning package treatment plants at Crown Point Airport, Crown Point Hotel, Tropikist Hotel, Sandy Point Condominiums, Bon Accord and Buccoo Housing Developments and Mt. Irvine Bay Hotel—the Government of Trinidad and Tobago signed an agreement with the IADB in December 1988, which provided funds for:

- (i) A central collective system and tertiary treatment plant for south west Tobago?
- (ii) Completion of the Scarborough Sewer System?
- (b) If the answer is in the affirmative, can the Minister tell this House:
  - (i) What was the total amount of funds available under this agreement?
  - (ii) How much has been accessed to date?
  - (iii) How much has been allocated to the two sewer systems that were designed by the engineering firm ADeB Consultants for Tobago, and how has it been utilized? [*Miss P. Nicholson*]

**Solomon Hochoy Highway  
(Non-functioning Street Lights)**

**132.** Could the Minister of Public Utilities state:

- (a) What machinery is used to determine that street lights have stopped functioning?
- (b) Whether he is aware that the street lights along the Solomon Hochoy Highway, especially between the Couva and Claxton Bay area, have not been functioning for months now?
- (c) What steps are being taken to ensure that this problem is addressed expeditiously? [*Mr. M. Haniff*]

**Penal Waterworks  
(Adequate Water Supply)**

**133.** Would the hon. Minister of Public Utilities state:

- (a) What plans have been put in place by WASA to ensure that the following areas receive an adequate supply of water:

Ramai Trace, Boodoo Trace, Laltoo Trace, Dicity Village, Transfer Village, Siew Trace, Ramsingh Trace, Seebalack Trace, Penal Rock Road, Seemungal Trace, July Trace, Moolchan Trace, Sinanan Street, Bhupsingh Park, Batchyia Village, Old San Fernando Road, Addie Trace and Sunrees Road?

- (b) How soon are these plans to be implemented?
- (c) What plans does WASA have for improving the supply at the Penal Waterworks and how soon will these plans be implemented? [*Mr. S. Hosein*]

**Petrotrin  
(Pension Plans)**

**134.** Could the hon. Minister of Finance state:

- (a) How many pension plans there are at Petrotrin?
- (b) The origin of each plan?
- (c) Whether any previous owner left without settling the liabilities to these plans?

If the answer is in the affirmative, could the Minister give details as to why not?

- (d) Whether any company settle its liabilities by means of a non-cash settlement, that is via the transfer of assets? If the answer is in the affirmative, could the Minister state what was its value and have these assets been re-transferred to the relevant pension fund?
- (e) Whether these plans are under-funded?

If the answer is in the affirmative, could the Minister state the reason, and could the Minister further state how does Petrotrin intend to deal with these liabilities? [*Mr. S. Hosein*]

**Petrotrin  
(Pension Plans Registration and Provision)**

**135.** Could the Minister of Finance state:

- (a) Whether the pension plans at Petrotrin are registered with the Registrar General?

If the answer is in the negative:

- (i) Can the Minister say why not, and what are the legal implications?
- (ii) Can the Minister state who or what is the regulatory body for these plans?
- (b) What are the implications of Petrotrin's Voluntary Retirement Programme for these pension funds. Can the funds adequately meet the future requirements of all the pensioners?
- (c) Do the Trust Deed Rules of the various pension plans provide for low cost housing loans?

If the answer is in the negative, could the Minister state under what rules are Housing Loans being provided?

- (i) Can the Minister indicate if the provision for Housing Loans to workers as provided for by Act No. 22 of 1993 is contrary to the rules of pension plans with specific reference to the clause that deals with assignability?
- (ii) Have these rules been deleted to provide for these loans, or does the Act supersede these rules? [*Mr. S. Hosein*]

**La Fortune/Pluck Road  
(Dust Nuisance)**

**136.** Could the hon. Minister of Works and Transport state:

- (a) If he is aware that base material, spread over two months ago on the La Fortune/Pluck Road between the 1 m.m. and 2 m.m. has not been sealed either with oil sand or hot mix, and is creating an intolerable dust nuisance to the residents, and a traffic hazard to motorists?
- (b) If the Minister is so aware, could he explain why this situation has been permitted to exist and what his ministry intends to do about it, if anything? [*Mr. T. Sudama*]

**Street Lights  
(Rural Areas)**

**137.** Could the hon. Minister of Finance state, in view of the commitment given in the 1994 Budget Speech that part of the proceeds from the divestment of state enterprises will be allocated to the provision of street lights in rural areas—

- (a) whether any funds have thus far been released for the provision of street lighting?

- (b) to which agency/agencies such funds have been released?
- (c) if no funds have yet been released, to which agency/agencies it is intended to release funds when they become available? [*Mr. T. Sudama*]

**The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley):** Madam Speaker, we would like to request that the questions on the Order Paper be deferred to next Friday's sitting. [*Interruption*]. We have two answers today, Nos. 134 and 135 that we can give if the Member so wishes, but we thought that since this is a special sitting of the Parliament we would go into the business of the day, since the Order Paper is already rather crowded.

*Questions, by leave, deferred.*

#### ORDER OF BUSINESS

**Hon. K. Valley:** Madam Speaker, I beg to move that the House now consider Bill No. 2 on the Order Paper before Motions.

*Assent indicated*

**Mr. B. Panday:** Congratulations to you, Sir.

#### UNIVERSITY STUDENTS (GUARANTEE FUND) BILL

*Order for second reading read.*

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

That a Bill to establish a Guarantee Fund for the purpose of facilitating certain loans to University Students, and for matters incidental thereto, be now read a second time.

The Bill before us seeks to establish a loan guarantee fund. The subject arose back in 1993, upon the implementation of a new fee structure at the University of the West Indies and actual increases in fees, virtually across the board in all departments of the university.

It became apparent to us that this would, in fact, be a long-term trend, that especially as university education became more and more scientific and technical, it would become increasingly expensive; and that we needed to put in place outside the normal scholarship provisions, a loan scheme whereby the process of

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democratization of university education would be continued. Also, not only the highest scholars, through scholarships, would continue to have access to university training in spite of expected increases, particularly in the technical aspects of university training.

Through this process that Trinidad and Tobago has been travelling, whereby there is now universal secondary school education but not yet the capacity of the state to deal with free university education, it was felt that we needed to put in place solutions whereby deserving students could access university education.

We have had an experience of a similar nature whereby we had set up in anticipation of this very requirement, the Students' Revolving Loan Fund. The experience worldwide is that revolving loan funds, especially such funds that are seen to be close to Government, are not well repaid. That is, especially after a history of free secondary education, students do not feel a particular onus, in many instances, to repay borrowings made from the Government-sponsored Students' Revolving Loan Fund. That is a universal experience.

In 1979 when that fund was established, there had been disbursed \$63,010,486, but only received repayments of \$34,191,430. In other words the revolving aspect of the fund has not been working because of significant defaults.

The applications received by the fund from inception to 1994, total 3,669. Applications approved to date are 1,816, this is all to the Students' Revolving Loan Fund. Outstanding arrears at June 30, 1994 were \$14,228,487.91. Number of beneficiaries over six months in arrears, 478. Number of beneficiaries under six months in arrears 315. The number of beneficiaries who have made absolutely no payments at all, 59.

Therefore, in trying to resolve the problem of continuing to have funds available to deserving students, we appointed a committee to look into, and make recommendations for a similar loan provision, which did not suffer from the ill-effects of the ill-fated Students' Revolving Loan Fund. That committee reported—it was appointed in June, 1993—and by August 26, 1993 Cabinet had agreed to the implementation, from the 1993/1994 academic year, of a new loan scheme for Trinidad and Tobago nationals who are registered at the University of the West Indies.

Basically, the terms of the new loan scheme sought to put some distance between the borrower student and the Government which ultimately still had responsibility for the scheme. There were several discreet mechanisms put in place under the new scheme to separate the borrower from the Government.

Basically, eligibility for the scheme was much the same as the old scheme, that is, all nationals of Trinidad and Tobago registered in certificate, undergraduate, diploma, post graduate and professional courses at the University, the Law School and the Institute of International Relations would be eligible to borrow from this scheme. There is a qualifying income, that is, the family ceiling to qualify for loans would be \$150,000 per annum for normal courses, but because of the much higher fees at the medical school, the qualifying income would be as much as \$250,000.

Most importantly students would be required to provide at least one guarantor, as well as providing other securities such as mortgages on real estate and so forth. The scheme would provide loans for up to 90 per cent of the tuition.

**2.00 p.m.**

There were other provisions that I need not get into here. In terms of moratorium, there would be a one-year moratorium between the final disbursement year and the commencement of the amortized period. The loan repayments were all outlined in the details of the scheme, and most important, the loans were to be administered not, as in the past by the CPO, but by all the leading commercial banks in Trinidad and Tobago; namely, Republic Bank Limited, the Bank of Nova Scotia, the National Commercial Bank of Trinidad and Tobago, the Royal Bank, the Trinidad Co-operative Bank, Workers' Bank and Citibank.

There was also the provision, as was stated in response to a question posed by the hon. Member for Oropouche, whereby these loans would be tax-free; interest on loans made to these students will not incur taxes at the loan institutions. Again, through this mechanism the interest rates will be lower than normal market rates. There is also provision under the scheme for a review of interest rates every February of the year, and a committee to monitor the whole administration of the scheme.

The most important aspect of this scheme which is now before this House is that the Government keeps at arm's length; the transaction is between the bank and the student and the third party which is the Government, bearing in mind, that once the Government is too near the transaction, the incidence of defaults goes up considerably. Therefore, this committee has stipulated that the bank is the one that the student approaches and the bank deals with the obtaining of the security and all other aspects of the guarantee of the loan, and then the bank makes the loan, and administers it.

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But most importantly, even so, there is a worldwide history where students, young people, sometimes go to universities and do not complete the courses, and therefore the expected income is not realized to service the loan.

In other instances, especially in countries like Trinidad and Tobago, they may migrate and not be easily available for collection of the loans. The security provided, under those circumstances, may not always be easily realizable and in a very real situation in Trinidad and Tobago, there are high rates of unemployment and students do not always find an easy transition from completion of their degree into the world of work whereby they can service these loans.

Therefore, the banks being commercial organizations, recognize that even though there is the major problem of a Government being too close to the borrower, there is still the real possibility of somewhat higher default rates on student loans than there might be for normal banking transactions.

The Government has sought therefore, to set up a fund that the banks can access if, after all the normal commercial efforts, they still fail to collect on these loans. I stress that point, Madam Speaker. If the banks, after carrying through all the due processes in the normal commercial mode, at the end of the day fail to collect on some of these loans, then they will be able, on production of certain documents and so forth, to access the repayment of the loan from this guarantee fund which we are now seeking to set up.

This guarantee fund is supposed to represent about 50 per cent of the value of loans outstanding and is to be funded by the Government, but the whole administration of this fund will be removed from direct Government and especially political intervention. So that the participating lending institutions have that comfort of knowing that upon passage of this Bill, the whole funding of the scheme is going to be put in place, and that the terms for the administration of the fund are clearly set out.

In advance of this legislation being approved, the banks have seen the draft Bill, they have seen the Act to amend the Corporation Tax Act, so as to allow them to have the interest earned tax exempt, and they have accepted those provisions. They have also seen the provision for the Auditor General to audit the fund and other related financial matters, and they have agreed.

On that understanding the banks have actually issued letters of intent to the university—after they have processed university students—stating that upon completion of this legislation and its passage and so forth, they will, in fact, disburse funds in accordance with the letters that they have provided the

university. So that the university at this stage, so to speak, is holding accounts receivable from the banks.

The whole project has been one which we on this side consider to be exemplary. We have had co-operation from the university and especially the banking community, and Government is extremely optimistic that this device will work. The co-operation of the banks in implementing it will assure a degree of transparency and cause a degree of confidence to be instilled in the process whereby students can approach a bank of their choice and upon providing assurance of their eligibility and taking the responsible steps of providing the minimum security that is required, will, in fact, have access to these loans, as already they have been accessing them as I have just pointed out.

With these words, Madam Speaker, I beg to move.

*Question proposed.*

**2.10 p.m.**

**Mr. Raymond Palackdharrysingh** (*Caroni Central*): Madam Speaker, after listening to the Minister of Finance, one gets the impression that the Government has finally come to the rescue of university students; and that the heart of the Government has changed with respect to some of the harsh conditions operating at the university. One gets the impression, too, that students will now be able to repay loans much more easily, but I got the distinct impression that the Students' Revolving Loan Fund having failed, the Government was now in the process of privatizing student loans and, therefore, was bringing the banks in.

It is very clear to me that with this measure one should not expect any significant change with respect to students accessing loans and completing their courses at the university. Why has the Students' Revolving Loan Fund failed? Has it really failed? Has it? Because there seem to be different views on this matter; and the Minister insinuated that it is good to distance matters like these from the Government. He is saying that he has no trust in his own Government, because he is afraid of the sort of political interference that normally goes along with any government administered agency.

When we look at these matters today, we are not satisfied that the loans mechanism put in place will do much to alleviate the problems of students at the university. The Government has laid on the Table two draft documents, one is the Loan Agreement and the other is the Trust Deed. In those documents one sees clearly some of the conditions stipulated and I want to know whether that draft

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which has been laid in the Parliament is, basically, the document that is going to be used in setting the mechanisms and processes for student loans.

That is important because this Government has to indicate whether or not the type of loans which are going to be extended to students and the conditions imposed upon those loans would be realistic to meet the needs of students.

It must be pointed out that while students would have accessed loans, there is going to be a  $5\frac{1}{4}$  per cent concessional rate lower than the prime rate. But if the prime rate is about  $15\frac{1}{4}$ - $15\frac{3}{4}$  per cent today, a student loan at  $10\frac{1}{2}$  per cent is still a tremendous burden upon a student.

That has to be clarified because I got the distinct impression—and I ought to be corrected if I am wrong—that this  $10\frac{1}{2}$  per cent would apply while the student is studying, and there would be a moratorium of, perhaps a year after studies, that is to say, that condition would not apply during that year, but after that you go back to what is called, in their terms, the capitalization rate, which now means the student is going to revert to that  $15\frac{1}{4}$  per cent, or even more—you do not know.

**Mr. Valley:** Or even lower.

**Mr. R. Palackdharrysingh:** If that is the case, the Minister has not worked out for us any examples of how students would benefit from that loan.

The tuition fees being charged by the Engineering faculty start at \$22,200; and I feel that the rate of interest is going to be compounded, I do not think it is going to be simple interest. If that interest is compounded for three years at  $10\frac{1}{2}$  per cent, it is going to be in the vicinity of \$8,000. After that you see what happens! That is why we should have an example here. But these things have not been worked out and that has always been a problem, not only for students, but also the lending institutions.

The lending institutions in this country would make one believe that 10 per cent or 15 per cent is merely a small sum for borrowing its capital; but later on it becomes very obvious that this is not so. When you have started to repay, there seems to be no end to repayment. In fact, the end result is that the repayment figure seems even more than the capital that had been borrowed.

That situation is of concern to us. While the Minister has indicated that a number of students did not repay moneys to the Students' Revolving Loan Fund, did he say why? Today we have a system of education in this country where students go to school, get their degrees, and come back out into the workforce to find that they cannot get a job. What happens? The Government has not said that

it has a commitment, somehow or other, to assist students to find work upon graduation. Given the current situation with respect to employment, it would be extremely difficult for students to find work to start the repayment of loans.

In years gone by, the majority of students who graduated from the university found work in the public service. Within recent years that pattern has changed and many students have found work in the private enterprise sector. In that situation one begins to understand that there were many students who wanted to stay here, but could not; they had to leave our shores. The percentage of students who could not be located after graduation in this country is exceedingly high.

In that scenario would it make a difference if the loans are now administered by the banks' trust committees, and so forth? If there is the same pattern emerging in the society, would that make a difference as to the repayment? Finally, if one understands what is happening, if the banks take the necessary measures and cannot find the students, or those who were their sponsors, then the Government, through the guarantee fund, would have to repay.

That is the case, Madam Speaker.

**2.20 p.m.**

What mechanisms are now in place to tell us that the new arrangements would ensure that student loans will be paid back on a more regular and committed basis? That has to be answered because one gets the impression that the problem with university students might really be in some mechanism not working, but all in all, the problem is far greater than that. The problem has to do with the type of training at the university. If the university programmes cannot be tailored to meet the needs of the country today, many of those students would come back, and as we read in the newspapers from time to time, and walk around looking for all kinds of odd jobs which they cannot find.

It is one of the weaknesses of the university system today that the society is going in one direction, the economy is moving apace in another direction and the education system is not informing the economy, so there is a preponderance of liberal arts graduates, but graduates in science, technology, engineering and so forth, are not being produced.

Would making loans available to students today solve the crisis that we are in? I am submitting that it will not solve the crisis at all and, as a matter of fact, I do not have any hope for an improved repayment position unless the way in

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which students are trained is related to the needs of the society and they can find jobs when they graduate. Otherwise, we might have to put chains around the students' feet and tell them they cannot leave the country until the loans are repaid. Where are they going to find jobs? That is the problem.

As we look at some of the comparative studies, we see, for example, in Barbados there was a loan scheme in 1990 that confirmed a pattern where, of the 250 students receiving loans, 64 per cent studied overseas, with 28 per cent at UWI and 8 per cent in other Caribbean institutions. Again, one of the reasons that so many people study abroad was the ability of students to supplement student loan schemes by depending on relatives in the United States, Canada and the United Kingdom. Then, of course, there was easier admission to these schools and a system whereby students were able to find some form of employment on a part-time basis or during the summer.

Look at what is happening today with our students—hundreds of them are looking for university summer-jobs which are not available any more. Students at university who want to make it through depend a lot upon their pocket change, and when they cannot find jobs it is hopeless for them. I myself had to depend on this when I was doing my studies and I know how handy these pittances come in. But today in this country, even that has dried up. They are going to rush for the loans; they are not going to find the summer jobs; they are not going to find employment and I wonder what mechanism would really facilitate any measure for having this system work.

The other thing that we ought to look at, as I said before, is whether or not something could be done at the university itself. We are told that there is not what is called the proper use of resources at the university in that the way the other staff operates as against the supporting staff, the ratio seems to be very high.

A study has indicated that the number of supporting staff seems to take up too much of the funding of the university. That is posing a problem and therefore, there might be need to look at some of these areas whereby the resources at the university could be used more optimally. It is also felt that the business community and other people are not making use of lecturers and consultants at the university, because, for some reason, the university does not seem to reach out to that community.

When these situations exist, as often as the cost of running the university increases, more and more it is going to become obvious that the students are going to have to find more money to pay. I remember in 1988 when the PNM was

in Opposition, that the Member for Diego Martin Central supported the Member for San Fernando East when that Member called on university students to demonstrate against the imposition of a cess at UWI. It was only 10 per cent. Today, it has gone to 15 per cent.

**Mr. Valley:** There is no cess.

**Mr. R. Palackdharrysingh:** He says there is no cess, but the point is, education has become much more expensive. That is the point. He sits there as though he was not part of that. It is a pity the Member for San Fernando East is not here because I have a copy of his speech and if one reads that speech, one would not believe that the Member for San Fernando East was the one who was agitating that it was morally and functionally wrong to raise the price of education beyond affordability. That is the situation today. We look at what is happening and that is the situation.

Again, what I want to indicate is that this new arrangement leaves much to be desired. The Government has not spelt out the fine points. The Bill does not indicate the extent of burdens that would be imposed on students who access those loans, and it does not guarantee jobs for the students whereby they could begin to repay.

I feel such an arrangement must include the linking of repayment by students with work that is found for them, rather than leave it open. If it is going to be left open, the Government has not stated what legal or other processes will be followed in order to retrieve some of these loans. It is going to be the same story as the Students' Revolving Loan Fund, except that the banks would have been the beneficiaries through this arrangement because they would have Government to pick up the tab for them.

It seems to me that it would have been much wiser for the Government to look at the Students' Revolving Loan Fund, find the weaknesses and correct them rather than end up in this scenario. I believe they have really given the banks a stick to beat students at some time and when that fails, they would just fall back on the Government. That is all it is. I cannot see any significant difference.

**2.30 p.m.**

One has to look at this scenario in the context of what is happening in the national economy. The poverty ratio of our citizens is increasing and with that ratio increasing, it means that one is less optimistic that students are going to find jobs and repay their loans. What is going to happen? These are some matters that the Government ought to address.

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I want to look at another area which is called postgraduate. I think the academic community has condemned the approach of the Government to introduce increased tuition fees for postgraduate studies. For the simple reason that the Research Department of our university seems to be pretty weak in all fields, and a number of students who do postgraduate work do so on their own time and expense, but the university benefits from the work of those graduates. Since the numbers were small, the university really was the beneficiary.

It would now seem that even the research by students who were motivated to do graduate or postgraduate work would now be at its lowest since there is no incentive whatsoever. Apart from that, it would seem that many students who might want to go on to do post graduate work when they are motivated, would have the burden of repaying loans from their undergraduate work or first degrees. In this scenario, I believe that the imposition of tuition fees for postgraduate students is morally wrong since the number of students at the university doing postgraduate work is very small indeed. So, it is a disincentive and I believe it ought to be removed.

What about the unit cost of higher education? While the Government is saying that it is extremely expensive to be educated today—the Minister and Member for St. Ann's East did not make any bones about it when he said that education is going to become much more expensive, meaning that it is going to be much more elitist in the future, and in that respect the majority of people who are poor would have to be out of that privileged group. The unit cost of education is touted as being very high. There are many developing countries in the world today where the unit cost of education per student is not as high. Therefore, one has to ask: Why? *[Interruption]* Do you want that information? That contention comes from many universities in Latin America, Asia and Africa.

**Mr. Eckstein:** Give an example.

**Mr. Sobion:** Name one.

**Mr. R. Palackdharrysingh:** Those are the unit costs.

**Mr. Sobion:** Name one. Any one.

**Mr. R. Palackdharrysingh:** Madam Speaker, that is the case. Our cost of tertiary education is rising and we do not seem to be really thinking about this very much.

Education is not a luxury. One ought to realize that the more literate and talented a population, the greater would be the productivity of our people in every field. Therefore, it is important that we try to reduce the cost of education. Prof.

Max Richards has indicated that there must be support for higher education. There has been a call to make education available to all. But there are other mechanisms not being used to make education much more available, especially to people in rural areas. And the Government has been most delinquent in paying up all its fees to the university. That makes university life difficult.

I hope that the Minister would say what is the current status of the debt owed to the university by the Trinidad and Tobago Government when he is replying, and how much of the \$222 million it has repaid. In that scenario, one needs to understand that when the Government does not meet its commitment to the university it has a spiralling effect to the detriment of the students.

Students are now anxious for loans because they want to get through with their work, but the burden of this fee for the loan is going to be extremely difficult in the end.

I am not optimistic that this would do much to improve the plight of students at the university. I am not hopeful that the loan system now introduced would provide the sort of equal opportunity for everybody. Particularly, one would still need the collateral, and one is going to see more and more talented students not being able to get the loans because of the collateral which is required to satisfy the banks. Therefore, the Government has merely passed on its responsibility for taking the moral duty to educate the population at large to the banks, in the hope of getting away from some of these measures.

We feel that there is very little to commend the Government on this Bill. It is merely to hoodwink students that something would be done, but given time, one would see the difficulties. In this respect, we do not feel that the Government has come up with the right approach to assist students in meeting their ambitions and fulfilling their dreams of being educated at a realistic cost.

Therefore, the Government must assist in finding softer loans. It must ensure that there are jobs for students on completion of their courses; that the university is so restructured as to give students the opportunity for part-time jobs, make them employable and to streamline some of the other practices at the university. I am sure that it is only when one looks at it from this point of view that one would see the sense in having university education. This loan scheme poses the wider problem of expensive education in Trinidad and Tobago and our education system is now moving into an elitist system. The majority of our students would suffer as a consequence of these punitive conditions.

Thank you very much.

**Mrs. Eulalie James:** (*Laventille West*): Madam Speaker, I would like to thank you for your very kind welcome when I first came to this House. I would also like to thank all my colleagues on this side of the House, and those opposite for the way they have treated me so far. I promise to abide by all the rules of the Parliament and as long as I am here, to try to make positive contributions to the proceedings. I now seek your leave, Madam Speaker, to read my presentation.

**Madam Speaker:** Leave granted. [*Interruption*] Would the hon. Member like the lectern provided by the Tobago House of Assembly? Could the lectern be placed for the Member please?

[*Lectern placed*]

**Mrs. E. James:** Thank you, Madam Speaker. It has been said that to educate is to emancipate, but I wish to go even further by saying "To educate is to redeem." The People's National Movement has always placed considerable emphasis on education at all levels, and education has always been viewed as a vehicle for upward social movement for all citizens.

#### **2.40 p.m.**

In the formation of the early People's National Movement's education policy, it was noted that the principal features of the education system then had been:

1. The uncritical imposition of alien standards and curricula unrelated to local needs, developed in a different climate for people with a different history and different traditions, and as an inevitable consequence of this, the disparagement of the local culture, standards and traditions.
2. Concentration on the small group needed for the positions opened to them in the imperialist structure, and subordination of the needs of the masses.

In contrast, the education system needed today is one which is designed:

- (a) to satisfy the legitimate demand of the people for education as their democratic right;
- (b) to relate education to the local environment and local needs;
- (c) to provide highly trained workers and responsible citizens needed in the age of self-government.

Here we are in 1994, preparing young people for the challenges of the 21st century and the important role of the university in preparing them for the part they

must play in the society is even more evident. It is in this context, therefore, that a caring Government must seek to put in place any mechanism which would facilitate the acquisition of the necessary skills by all people of talent. This is precisely what this Bill is seeking to do in order that funding will be made available when it is most needed, so that students and parents would not be placed under the stress brought about by the inability to have an adequate flow of funds. This will ensure that students will be better able to concentrate on studying and passing examinations.

In my attempt to make a positive contribution to this Bill, which I fully endorse, and which I believe will make a tremendous difference in the lives of many of our young, talented citizens, I took the opportunity to do some research on the facts leading up to the present need for this Bill.

I state most emphatically that during my own recent election campaign, I promised the young people of my constituency, Laventille West, and by extension, all young people of Trinidad and Tobago, that I would give support to any measure which in my considered view would assist in creating opportunities for young people to develop their talents and abilities, and which would give them the opportunity to channel their energies into worthwhile avenues of endeavour that would not only be a credit to themselves, but would also help to create a balance in a society which is crying out for young achievers with positive thoughts and creative ideas.

I am certain that most right-thinking persons would agree that such achievements would stem the tide of negativism that is presently associated with the attitude and behaviour of some of our young citizens. It is in this regard that I rise today convinced in my spirit, and satisfied in my mind that the Bill before this honourable House deserves not only my support, but also the support of every other concerned and right-thinking parliamentarian who has carefully considered the options available to Government in dealing with a difficult financial situation overall.

As a result of my research on the subject, I got the impression that in its historical context the University of the West Indies, in similar fashion with most universities which follow the British tradition, and which mirrored the thinking of our early colonial heritage, set out to provide tertiary education to a privileged few who had the opportunity to qualify for such training at minimum cost to those students. In more recent history, we saw the initiative taken by previous PNM governments towards liberalization of education at all levels so that equal

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opportunities could be provided for all, regardless of colour, creed or race. This, in fact, was one of the true manifestations of the intention of our national anthem: "Here every creed and race find an equal place."

It was felt that one of the best means by which equality could be achieved was through the medium of education. The opening of this flood-gate of opportunity as desirable as it was, led to a situation which caused a tremendous increase in the administrative and operative costs of the university. In addition, I got the impression that there was also a change in the allocation of the cost, through a change in policy of the university and, as a result, each country was made responsible for the operating cost of the campus located in its territory. In other words, the Government of Trinidad and Tobago was given the responsibility for meeting the operating deficit of the St. Augustine Campus. That was not all. Money also had to be provided to cover some percentage of the combined administrative overheads.

In light of the realities of the increasing inability of Government to meet the substantial deficits, a type of levy was placed on students to assist in meeting those costs. There appeared to have been good reason to disagree with the method in which this levy or cess was imposed, as it seemed adequate provisions were not put in place to properly manage the change in a manner that would have provided comfort both to the students involved, and to the lending agencies whose responsibility it was to provide the funds for those students.

**2.50 p.m.**

It is in this general context that I see this Bill today—as an attempt to streamline the existing situation, and also to provide the necessary checks and balances that will ensure proper management of and accountability for the funds to be provided for this worthwhile endeavour.

In closing, I wish to state once more that I fully support the Bill. As is said in racing circles, this is a fitting race in which I feel quite comfortable to turn in my maiden certificate.

**Mr. Gideon Hanoomansingh** (*Pointe-a-Pierre*): Madam Speaker, I take this opportunity to offer my congratulations to the Member for Laventille West on her maiden contribution. I know how difficult it was for me when I made mine; how nerve wracking it was, as is the case for most individuals who have to make a contribution in this House. Congratulations to the Member for Laventille West!

I participate in the debate with a measure of anticipation because I subscribe to the view that any measure which brings relief to students must be a welcome

move in the process of education and the development of the society. That is why any criticism of the Bill, I believe, seeks merely to bring to the attention of the Government the need to put in place systems that are designed to take into consideration the plight of the student and the responsibility of the state.

Though the Member for Laventille West was very much to the point, precise in what she was saying, I wondered whether there was any measure of reality between what she was presenting and the facts of the matter.

When the Member for St. Ann's East made his presentation, he talked about the democratization of university training which he felt this measure would allow, and the technical aspect of training in Trinidad and Tobago. I could not help but make the point in my own mind—when I heard the Minister say that for medical students, the family income must be \$250,000 per year—whether there was some measure of class barrier as far as this is concerned. In fact, if a family in this country earns \$250,000 per year, and there is a facility that is being made available to a member of that family, then we have to consider what is going to be the position of the student of this country who wants to pursue medicine as a career, but whose parents do not work for \$250,000 per year.

There is a growing economic constraint where a number of people now fall under the poverty line, as alluded to by the Member for Caroni Central. There are people who, of necessity, are occupying lands illegally in this country in the squatting communities, and these are people who, like other families in the country, produce students who have great academic potential. Where would these parents find the collateral to give to the banks to satisfy the needs of these students?

**Mr. Mottley:** Madam Speaker, just for clarification. There are two qualifications. One is the normal \$150,000 which is the maximum level; if your income level exceeds that, you cannot access this scheme. However, for medical students, the maximum family income is \$250,000. The reason for the disparity is that the cost of medical education is higher. Therefore, we are saying that we would allow families of a higher income to access this scheme. It is just the maximum level of cut off.

**Mr. G. Hanoomansingh:** I do not think that is an acceptable explanation by the hon. Minister. The point remains that we are looking at two sets of families: one which wants to engage in medical pursuits and the other one with a \$150,000 limit, but yet the ambition is there.

**Dr. Baboolal:** What is wrong with that?

**Mr. G. Hanoomansingh:** What is wrong with that is the fact that it definitely provides a class barrier in the society. If we had to consider all the aspects of education we would see that it is a very expensive pursuit in Trinidad and Tobago.

**Dr. Baboolal:** Worldwide.

**Mr. G. Hanoomansingh:** We often make reference to other countries but we do not live in other countries. We live in Trinidad and Tobago; therefore, it is absolutely necessary for us to look at the situation in this country.

Let us look at some of the social factors of education in Trinidad and Tobago. The hon. Minister talked about the Students Revolving Loan Fund and the fact that it has failed. He admitted to some extent why it has failed, but he did not say in specific terms that it failed because of poor management. That is a fact of life. It failed because of poor management of the facility. He talked about the arrears and said that while the fund disbursed \$63 million, \$34 million has been recovered and that, in fact, represents a significant number of defaulters. He said that 59 persons have not repaid one cent.

One is tempted to ask the question: What is the Government doing about that, or can the Government do anything about that? If we did not monitor the situation from the beginning and we allowed it to go through to the stage where it became unmanageable, then what happens? How can we at any point recover the cost? And the cost is to the people of Trinidad and Tobago: What guarantee is there that this new facility would not fall prey to the system that applied before?

It is being administered by the banks according to the Minister because, he said quite categorically, that there is going to be a distance between the Government and the facility. The Minister made the point that it is for very good reasons. He said that because of the involvement of the banks in this facility there is more transparency. In other words, if I am to understand the Minister clearly, he is saying that we can see all aspects of this new facility and we could not have seen all aspects of the previous facility. The Minister was quite clear in making that point.

When we consider the difficulties experienced by students in our system of education, especially at university level, and the high cost of that facility, what happens after the students have graduated? There are cases in this country, where after five and six years, there are graduates who cannot find jobs.

**3.00 p.m.**

Let us look at a few examples. There is one man I know who pursued studies in the social sciences. He graduated six years ago and the only job he can get is that of a part-time postman in Central Trinidad. There is a young lady who did linguistics at the University of the West Indies and after five years all she can find is a job as an accounts clerk at a firm in Mount Lambert. There are university graduates in this country who are on the verge of getting involved in the illegal economy of Trinidad and Tobago, and if we sit in this Parliament, as supposedly responsible people to the nation, and we cannot feel the pains of students who go through the process of education, then we ought not to be in this august Chamber.

I wonder to what extent the facility takes into account the needs of the society. I wonder to what extent the proposals of the Bill take into account the issues of infrastructural development, the economy, growth and stability. I have a document here from Niherst which lists skills required in Trinidad and Tobago. What are we talking about? We are talking about the Institute of International Relations, agriculture, the medical faculty and engineering.

This list talks about the need for providing nurses, radiologists, medical laboratory technicians and computer technicians in the country. It talks about computer software engineering, project management, translating and manufacturing skills which are required in the country. This is where we will get involved in what the Institute of International Relations is all about. These are the skills which are lacking in Trinidad and Tobago. If we cannot provide the training for these people even at that level, then my colleague the Member for Caroni Central is correct: university training is going one way and the economy the other. There is no question about that.

The Member for Barataria/San Juan said that the cost of education is high all over the world. I agree with that, but my point always is that we live in Trinidad and Tobago and we must look at the situation in this country first before we go elsewhere. We do not want to be caught up in this colonial hangover as we are today experiencing. This is a fact of life. The Minister studied in one of those countries and she would know what I am talking about.

We make reference so very often to a tiny nation called Singapore, a country without natural resources, but very successful in that today that country is in line with the G7 nations. *[Interruption]* I think you are misinterpreting the geography we are talking about. It is the border country Malaysia you are referring to. But you see, the Pacific Rim countries are based on management and business. These

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countries have developed exceedingly good economies because of the involvement of the people at the business level—China, Hong Kong, Korea, India. These are countries which have been very, very successful; these are countries which have placed their human resources towards development.

Will this facility provide that for the development of this society? Nowhere in the Bill are we seeing that at all, and I feel that it is important that we on this side question that. We are questioning it, not because we want to oppose the proposal, but because we are interested in the development of the society—the nation of Trinidad and Tobago—and the criticism must be seen in that light.

I am very surprised that in a proposal like this, the hon. Member for Laventille West just missed her opportunity to make even passing observations on the real needs of the society; needs that will even help her constituents, as much as she is very concerned about the youths and the constituents all over Trinidad and Tobago.

Venture capital funding is a skill that is needed in Trinidad and Tobago—entrepreneurial development. This is not a point that I am making glibly. It is one that is recorded by the people of Trinidad and Tobago. If one reads the *West Indian Commission Report*, one would see that there is a crying need for entrepreneurial development in the Caribbean. That point is made very eloquently in that report. As a matter of fact the report states categorically that within five years, at least, there will be an enormous need for managers in the Caribbean, and that is based on the research that they have done, and the fact that they have been speaking with people at the grassroots level.

Not only that, the Member for Caroni Central made reference to the number of people who leave Trinidad and Tobago—the brain-drain that continues to take place in this society. I do not know, but I am sure you are very much aware of something called Internet, which is a facility that is accessed by TSTT. It is an international directory which gives all kinds of information about job opportunities abroad. That, I would like to submit, would have serious implications for Trinidad and Tobago.

As the economy declines there will be opportunities available, as we saw with our nurses who found themselves in Saudi Arabia. If we do not take stock and produce the kind of skills which are required, this country would be left with nothing. All the finest minds of this country will have gone and the industrialized economies of the world would benefit from the skills of Trinidad and Tobago.

I do not think we can allow that to happen. We have abroad, in Canada, in the United States, in England and even in some Caribbean nations, very brilliant sons and daughters of this country, and one has to ask the question again: Is the Government doing anything about attracting these people back home to assist in the developmental process?

Let us look at some of the tuition fees. In relation to what is going to happen at the end of this facility. We are looking at the full economic cost.

Law	\$33,000—\$40,000
Agriculture	\$50,000—\$60,000
Arts and General Studies	\$26,000—\$32,000
Education	\$26,000—\$31,000
Engineering	\$49,000—\$59,000

Of course, I do not think I should talk about the medical aspect of this. I am seeing figures here that will create panic—if I should say that—\$455,000—\$535,000.

**Dr. Rowley:** Did I hear the Member correctly when he said he is looking at the tuition fees? You are looking at the economic costs? Thank you. Tuition fees are different from economic costs.

**Mr. G. Hanoomansingh:** Madam Speaker, as I was saying, \$455,000-\$535,000; \$530,000—\$640,000.

### 3.10 p.m.

Let us just imagine that one of these persons in the squatting communities of the country had someone to provide the collateral, or the child of a vendor happens to be fortunate enough to pursue studies here, what happens at the end of the life of that facility when repayment becomes due?

**Hon. W. Mottley:** The hon. Member is misleading the House because there is a difference between economic cost and the tuition fees. The state subsidizes the university; the university does not seek to get all its income by tuition fees. Therefore by aligning the full cost to the university, with repayments and the burdens on parents is not a fair allocation. *[Interruption]*

**Mr. G. Hanoomansingh:** Madam Speaker, it is not intentional to mislead the House. When I spoke about tuition fees I merely meant to make reference to the

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point I was going to make about the full economic cost. In any event if we had to look at university education, is it not high?

**Dr. K. Rowley:** We said so already. *[Interruption]*

**Mr. G. Hanoomansingh:** I do not see the point, Madam Speaker. I have the conviction to stand in this honourable House to make the contribution that the Government has to rethink its position and do a complete overhaul of the education system in Trinidad and Tobago, based on the fact that we need in this country all the skills that I alluded to earlier, and there is doubt whether this new facility will satisfy the needs of the society. The points are being made in reference to those issues.

From time to time we continue to see what happens in a society like ours. This is a society in which there is tremendous frustration, especially among those people whom I talked about earlier on, who have graduated and cannot find jobs. These are the things the hon. Members opposite must look at if they want to make meaningful contributions, or criticisms of points we are making on this side.

We must not deviate from the facts; we have to deal with the reality of the day. The reality of the day is that when young people cannot have satisfaction after years of sacrifice—and we know what endurance there must be in pursuing education, especially university education, all the denials of life that one has to go through—at some point we all would have gone through these things—we must take into consideration, Madam Speaker *[Interruption]*

**Madam Speaker:** The Member is having a little difficulty making his contribution! Please!

**Miss Nicholson:** The Members on the other side.

**Madam Speaker:** Both sides are interrupting the Member.

**Mr. G. Hanoomansingh:** Madam Speaker, what is education? Sometimes I get the feeling that we believe that education is accessing degrees, or completing a course at an institution of study, or amassing high grades in academic performance. While I would agree that that is absolutely necessary, it is important to understand the general norms and developmental process which must inform any policy towards educational development. And, having looked at the proposal, I am not satisfied that the facility will be to the developmental process of Trinidad and Tobago.

The Minister said that in the final analysis, after the breakdown between the lender and the borrower, the Government would get involved—if I am to

understand him correctly. Obviously, the Minister is anticipating a problem, and if so, then one has to ask what is the position with the student who has taken a loan and who cannot find a job after five years? Is there going to be forfeiture of the property or the collateral that was given on receiving the loan? I hope that the hon. Minister answer that question. It would be a sad day, and the intent of this provision would have lost its flavour, if at the end of the student's studies, property has to be taken away to satisfy the needs of the bank. We know what difficulty there is for even A level graduates to find jobs in this society today.

I need to reinforce the point that this country is saturated with graduates, in the normal educational pursuits from a university point of view. What should be reflected would be courses that would assist in the whole infrastructural development of the society, economic and otherwise. I feel when the hon. Minister is winding-up the debate he should make some statement that makes that point quite clearly: that the Government would at least take into consideration the needs of the society. We have to look at all this in the social context, and I wish that we would hear something about this from the Minister.

I am sure, as I said at the beginning, that we shall not have difficulty in endorsing any programme that looks after the educational development of Trinidad and Tobago. We know that it is an uphill task for many students. The meaning, intent and purpose of the legislation must be fairplay, it must be honest, it must be clearer to us on this side of the House, because I believe if the management of the facility is not carefully studied and monitored, then it could end up in the same situation as the Students Revolving Loan Fund. Of course, the point has been made, that there is a kind of safety device that will protect the interest of the state.

The responsibility has to begin with the Government of Trinidad and Tobago, and that is a grave responsibility for this society. We do not want to end up in a situation where people who accessed loans under the Students' Revolving Loan Fund find themselves in a position, or a mind-thought later on, that because it happened then, it could happen again. Not only that, but sometimes I am sure that even those students will ask themselves if there is a fundamental difference between accessing loans under this fund and the repayment of it, and the Students' Revolving Loan Fund?

All of this falls under the responsibility of the Government to lead the way. It is not only a question of wanting to repay a facility, because if, as leaders of this nation, there are people who can ask to have their facilities reduced or whatever,

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then the students would do the same. I have no doubt in my mind that this is going to be the case.

In conclusion, I want to say again, that I hope the hon. Minister in his reply to the debate, would have some proposal that would signify the Government's intention to respond to the reality of the society today as far as education is concerned, and as far as it relates to the development of the society.

**3.20 p.m.**

**The Minister of Works and Transport and Minister of Local Government (Hon. Colm Imbert):** Madam Speaker, I have joined this debate for two reasons: one is to support this Bill, and the other is that I must correct some of the tremendous misinformation that has been perpetrated on this Parliament this afternoon.

Let me deal first with the contribution of the Member for Pointe-a-Pierre who, I regret, appeared to be very confused throughout his contribution. In particular, he made reference to a class barrier where there are certain limits with regard to ceiling on incomes of \$250,000 and \$150,000. It is necessary to set the record straight.

Is the Member saying that it is wrong to put a limit of an average monthly income of \$20,000.00 per month, as the upper limit for someone accessing a loan to do medicine? How can \$20,000 per month be a class barrier? We are allowing everybody with income up to \$20,000 per month to access this facility, from \$1.00 per month to \$20,000 a month; there cannot be any question of a class barrier here. Therefore, the Member for Pointe-a-Pierre just did not understand what that ceiling was all about.

The Member also called some fantastic numbers, \$500,000, \$630,000 and sought to draw a link between those fantastic numbers, and the inability of somebody in the squatting community to access university education through the provisions of this Bill and the arrangements being put in place by the Government generally.

Let me put the correct figures into the record. It is very regrettable that the Member for Pointe-a-Pierre, who has been in this House for only a short while, has already acquired the characteristics of some of the other Members who have been here for many years, and make a habit of coming to this House with bogus and inaccurate information to put into the record.

Tuition fees—I shall come to the meaning of tuition fees in a little while—for a student doing law is, \$5,340.00 per year. Over a three-year period, that person will have to pay \$16,000. The cost for an engineering student, \$7,800 per year; over a three-year period, as the Member for Caroni Central pointed out, the cost will be approximately \$22,000.

In the Faculty of Arts and General Studies, the cost is \$4,340 per year, a little over \$13,000 for a three-year period of study. There is no relationship, whatsoever, between those figures that I have just called and the fantastic half million dollar sums that the Member for Pointe-a-Pierre called in this House this afternoon.

I do not know where the Member got those figures from, but they have no relationship whatsoever to the tuition fees at the University of the West Indies that I went to. Maybe in some other part of the world, but not the University of the West Indies in this Caribbean region. The tuition fees are between \$13,000 and \$22,000 for the Faculties of Arts, Law and Engineering.

While listening to the Member for Caroni Central, I made some quick calculations. I determined that an engineering student who has a total loan of \$22,000 with interest accumulation over the three years of his study and a one-year moratorium would have to repay a total amount of \$600.00 per month, if one discounts the interest on a sliding scale over the seven-year period of repayment. A student in the Faculty of Arts, the Faculty of Social Sciences, would have monthly repayments varying between \$300.00 and \$400.00 a month for a university degree.

I have said it in this House before, but it is worth repeating: in 1981, when I went to the United Kingdom to do my Master's degree, it cost me £8,000. At today's rates that would be \$72,000; in those days it was about \$40,000. I went to do my Master's degree after having worked for a few years as a consulting engineer, and 50 per cent of my salary was put aside for a period of two years. I saved approximately \$24,000.00, and I got a loan for the balance and that is how I did my Master's degree.

I heard the Member for Caroni Central talk about people doing postgraduate degrees and the tremendous burden on them and so forth. If a student were to do the same degree that I did, it would cost him between £16,000 and £20,000 at the present time. That is \$180,000 for a twelve-month course. There are equivalent degrees available at the University of the West Indies now, in the Faculty of Engineering for \$4,000. You pay \$180,000 if you go to England, \$4,000

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if you go to the University of the West Indies at St. Augustine, Trinidad and Tobago. I cannot accept that that is a harsh burden for somebody to bear, to repay that small sum of money over a seven-year period. I cannot accept that.

**3.30 p.m.**

There is another point which needs to be made. The Member for Caroni Central referred to the Cess Act of 1989 and neglected (as is the usual fashion of Members on the other side) to point out that the cess was a tax unilaterally imposed by the former administration on students attending the University of the West Indies.

Over the years, the University on all its three campuses—Barbados, Jamaica and Trinidad and Tobago had been reviewing the economic cost of university education, the general change in the economic environment in the world and in the Caribbean region, and the university came to a decision to raise its tuition fees to between approximately 12 1/2 per cent and 15 per cent of the economic cost. That was a decision taken by the University of the West Indies, as opposed to the cess, which was a unilateral tax on people of this country. There is a complete difference!

**Miss Nicholson:** That is not information from the university—you too "lie."

**Hon. C. Imbert:** Let me lead off from that point, Madam Speaker.

**Miss Nicholson:** Too dishonest.

**Hon. C. Imbert:** If \$7,000 is 13 per cent or 14 per cent of the economic cost to educate an engineering student, then the economic cost to the university and the Government, by extension, of educating one engineering student is over \$100,000. It costs the University of the West Indies \$100,000 per year to educate an engineering student; and I therefore submit that in today's changed times and economic circumstances, and after years of global recession, it is not too much to ask an engineering student to pay \$7,000 out of \$100,000. I submit it is not too much to ask.

The Government and taxpayers of this country fund the university. And that is the point the Members continuously miss! Yes, free education is ideal—we would all like to have free university education, but must the taxpayers of this country pay for it? Is that the option that they are putting down? It is either the students pay a part, or the taxpayers pay all. Are you saying that the students must not pay for a course of university education which increases their annual earnings by a tremendous amount? I come now to the engineering student.

An engineering graduate over the 30-year period of his useful occupation will earn over \$1 million more than an A level graduate. If one pegs an A level graduate's salary somewhere between \$1,500 and \$2,000 per month over the 30-year period of his occupation, and one pegs the average earnings of an engineer over a 30-year period at \$5,000 to \$6,000 per month, the difference is one and a half million dollars! And you are telling me that person cannot afford to repay \$600.00 a month? I do not accept that!

It is necessary to put this debate into perspective. I regret that, for yet another time, Members opposite have come here unprepared. I heard the Member for Caroni Central say that the cost of university education in some developing countries is less expensive than in Trinidad and Tobago and the wider Caribbean region. But he could not name a single university—not one. He mentioned Latin America, Africa and Asia. I want to know the name of the university. Name one! I submit, Madam Speaker, he cannot name any internationally recognized university in the developing world where the cost of education is cheaper than in Trinidad and Tobago.

I have some knowledge of this matter, having taught at the University of the West Indies for a period of six years and having researched the cost of university education, myself, in various parts of the world. I might also say that it is not logical. What are the components that go into the cost of university education? Salaries and wages, goods and services, equipment, supplies, buildings and facilities of the required standard. Why should the cost of all these things be any cheaper anywhere else in the developing world than in Trinidad and Tobago? Why should they be cheaper? I submit that they are not.

One of the greatest problems the University of the West Indies has, at this time, is attracting staff of the calibre that is required to maintain its standards. Do you know why, Madam Speaker? Because the salaries at the University of the West Indies—and again, I speak with authority, having been the General Secretary of the University Teachers' Trade Union for a period of four years, and having led the West Indies Group of University Teachers with my other trade union colleagues to several negotiations with the university executive—are way below the norm in the rest of the university world.

So if the salaries are lower and the equipment costs the same, how is it possible for equivalent and comparable university education to be cheaper in other parts of the world? It is not possible. Madam Speaker—Johns Hopkins University, US \$20,000 is the annual tuition fee—TT \$120,000. Offshore in Grenada US \$15,000—US \$20,000.

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They know not what they speak of, and they come here every Friday with no information, no research, bogus information, trying to confuse us, but confusing themselves in the process. And on Mondays, too.

**Mr. Maraj:** Heavy roller, man!

**Hon. C. Imbert:** Madam Speaker, I thought when the Member for Pointe-a-Pierre started his contribution that he was going to support this Bill. He said he is always happy to see moves and measures that will assist in alleviating financial situations of people, and I thought he would continue along that very meritorious opening and go on to support the Bill. But I am sorry, he is taking training from the Member for Couva South and coming here with bogus information. *[Interruption]* I am not getting into that.

But, what is the purpose of this Bill? It seeks to legalize a trust fund to allow students to access loans from the commercial banks. That leads me to another very important point. Why are we doing it in this way? The history of the Students' Revolving Loan Fund is one of failure on the part of the students to repay the money that was borrowed to improve their education.

There are some students who have borrowed thousands of dollars from the state and repaid nothing. Do you know why? Because in all the agencies of the state, for example, the National Housing Authority, there is a culture that once you get a loan from the state, you do not have to repay it. That is the fact of the matter.

The other question is: Why should the state be a collection agency? That is not the business of the state. It does not have the machinery or the personnel. The commercial banks are best suited to recover the loans from the students. They have their systems, loan departments, and a long history of expertise to deal with this matter. This is why we are moving to put some distance between the state and the students. That is how it should be in every aspect of state involvement. The state, as I said, should not be a collector of loan repayments, because the culture and practice in this country is, once you get something from the Government, you get it free!

**Mr. Palackdharrysingh:** That is what you perpetuated in the past 30 years!

**Hon. C. Imbert:** Madam Speaker, I hope that clears up why the commercial banks are involved. I hope it also clears up why the Students' Revolving Loan Fund failed—because people felt they did not have to repay because they got it from the state. It is as simple as that.

**Dr. Baboolal:** It is like housing.

**Hon. C. Imbert:** Let me close now by dealing with the other aspect of the Member for Pointe-a-Pierre's contribution. The Member pointed quite correctly to the education needs of this country. He referred to the need for nurses, computer technicians, and so forth. But in so doing, he displayed a classic misunderstanding and appalling ignorance of the education system of this country.

**3.40 p.m.**

The university is a place of higher learning. It is a place of tertiary education. One goes to the university to get a degree. One does not go to a university to become a nurse. One does not go to a university to become a computer technician. If one wants to get a Bachelor's degree in nursing science, nursing education or something like that, then one goes to university—

**Mr. Palackdharrysingh:** You do not understand.

**Hon. C. Imbert:** —but these vocational skills are not taught at universities and institutes of higher learning. They are taught at technical institutes and at other institutes of vocational training.

**Mr. Sudama:** What are you talking about? You go to America and you get a degree in nursing! Illiterate!

**Hon. C. Imbert:** Madam Speaker, one does not become a practising nurse by going to the University of the West Indies. One does not become a computer technician by going to the University of the West Indies. One goes to the John S. Donaldson Technical Institute, or to the School of Nursing, or to Niherst or one of these places—San Fernando Technical—or any of these technical schools. That is where one is trained in technical and vocational skills.

If the Member for Pointe-a-Pierre wants to enlarge his understanding of the education process, I would refer him to the task force and the Green Paper on education, a landmark document prepared under the leadership of the Member for St. Joseph, the Minister of Education. I would advise the Member for Pointe-a-Pierre to read that document to get a better understanding of where nurses are trained and where computer technicians are trained and should be trained and so forth—not at the University of the West Indies. It is a centre for higher learning.

I hope I have been able to debunk the myths perpetuated by the Members on the other side. This is not a Bill about university education; it is a Bill about guaranteeing loans for students. That is what this Bill is about. It is a Bill to assist

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students, and I should have thought that any measure to assist students in furthering their education would get the unanimous support of this House. I should have thought so, but it seems not.

It is the intention of the Members on the other side to come here, throw up red herrings, mislead the public, bring all sorts of irrelevancies into the argument, bring all sorts of false information, bogus numbers, half a million dollars for the cost of university education, squatters and so forth. All sorts of emotive things thrown into the debate at random with no connection—a hodgepodge, a higgledy-piggledy.

**Mr. Maharaj:** That is the PNM, a higgledy-piggledy.

**Hon. C. Imbert:** As the American Cabinet in the eighteenth century was once referred to by Edmund Burke—a higgledy-piggledy, a hodgepodge, a collection, a hopscotch.

Madam Speaker, I would close by advising Members on the other side to do proper research before coming to this House and embarrassing themselves and the rest of the Parliament. If the Member for Pointe-a-Pierre wishes to be the shadow Minister for Foreign Affairs, I suggest he find out the difference between the G-7 and the G-77 group of countries. The G-7 are developed countries—USA, Canada, Japan, UK, France, Germany and Italy. The G-77 are the developing countries of the world. It is just one more seven but it makes a big difference.

I commend this Bill to the House.

**Mr. Trevor Sudama** (*Oropouche*): Madam Speaker, I really had no intention to— [*Laughter*] I had no intention—

**Miss Nicholson:** Let them know you were out there, too.

**Mr. T. Sudama:** —but having listened to the Member for Diego Martin East, I think it is my duty in this House to say something in opposition to the outpourings of a reactionary mind. As I listened to him, this is a Member—

**Mr. Humphrey:** Extreme right wing mind.

**Mr. T. Sudama:** Totally reactionary mind. This is the same Member who stood up a couple years ago in this House and said there ought to be no welfare. They should bring an end to the welfare state.

**Mr. Imbert:** Madam Speaker, on a point of order.

**Mr. T. Sudama:** We see that kind of mind coming out in here.

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**Madam Speaker:** Point of order.

**Mr. Imbert:** He is misleading the House.

**Mr. T. Sudama:** Sit down and take your blows! Sit down!

**Madam Speaker:** Point of order. Member for Oropouche, let me hear the—

**Mr. T. Sudama:** I am not giving way to him, Madam Speaker.

**Madam Speaker:** It is a point of order! Will the hon. Member for Oropouche please take his seat?

**Mr. Valley:** It is a point of order. Sit down!

**Mr. T. Sudama:** I rise on a point of order and you do not ask the others to give way.

**Madam Speaker:** No. I want to hear the point of order whether or not it is a valid point of order.

**Mr. Valley:** Sit down!

**Madam Speaker:** Will the hon. Member [*Interruption*] Order!

**Mr. T. Sudama:** You shut up! I do not want to raise racism.

**3.46 p.m.:** *Madam Speaker walks out of Chamber.*

**3.53 p.m.:** *Madam Speaker returns to Chamber*

**Madam Speaker:** Did the Member for Diego Martin East wish to make a point of order?

**Mr. Imbert:** Madam Speaker, the Member for Oropouche made a categorical statement that I said we should abolish welfare. I made no such statement, and I am calling on the Member to withdraw the accusation. I made no such statement!

**Madam Speaker:** Would the Member for Oropouche please take note.

**Mr. T. Sudama:** Madam Speaker, the Member said that the days of the welfare state are over—

**Mr. Humphrey:** Those were his words.

**Miss Nicholson:** Same thing!

**Mr. T. Sudama:** —which I interpreted to mean that we ought not to have elements of welfare in the operations of this state. The point I was making is that

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the whole tone of his presentation this afternoon was the expression of a reactionary mind.

**Mr. Imbert:** Madam Speaker, what I said was that the classical welfare state of the 1940s is no longer relevant in today's society and that new forms have evolved over the last 50 years.

**Madam Speaker:** All I can say, hon. Member, is that it is a question of interpretation. If that is how the Member interprets it, I cannot help that. I just asked the Member to please take note that the Member for Diego Martin East has said that he said no such thing. Will the Member for Oropouche continue.

**Mr. T. Sudama:** Madam Speaker, before I continue, let me offer an apology to you for being on my feet while you were on your feet.

**Mr. B. Panday:** Do you see what civility is?

**Madam Speaker:** I do not believe the hon. Member really meant any disrespect to the Chair, but I think Members get carried away in the heat of the debate and do not seem to understand that the Chair is in charge.

**Mr. Maharaj:** Encouraged by both sides.

**Mr. T. Sudama:** Particularly, when I have the Member for Diego Martin East rising, because it raises my blood pressure.

**Mr. Humphrey:** It lowers mine.

**Mr. T. Sudama:** Madam Speaker, we have had a debate ensuing—particularly on the other side—focusing on money, cost and dollars and cents. As my Friend the Member for San Fernando East would say, "It is a dollars and cents mentality." *[Interruption]* I am referring to his statement when he was the Leader of the Opposition.

**Mr. Maharaj:** That was a different time.

**Mr. T. Sudama:** Week after week he regaled this House by attacking the then government about its dollars and cents mentality—bottom line, dollars and cents.

I am afraid that university education is about cost, but it should not only be about cost. I think that is the point the Member for Diego Martin East has missed completely. As I proceed, I shall indicate how he tried to mislead this House with his quotation of costs and figures—a complete attempt to befuddle us with his so-called knowledge of university affairs and his research. That goes to show the

quality of the research the Member did; his capacity for research. I am sure the university must have been very delighted to get rid of him from its quarters and have him dumped elsewhere.

At another level the debate really is about the role of university education in the whole scheme of things and more importantly, access to university education. We are here debating access being determined on a financial basis—the whole question of the class categories, those who have access to tertiary education and the class from which they come.

Whether a ceiling is placed at \$250,000 in order to access this loan or whether it is placed at a lower figure of \$150,000, what is happening in the society is that despite the availability of primary education to all and despite the availability of secondary education to a significant portion of the society, when it comes to accessing university education, it seems that that access is by and large restricted to the middle and upper classes of the society.

This is because the process of weeding out takes place from the primary level. If one looks at the those who gain access to the better secondary institutions of the society, at their class background, one will see the pattern emerging. When one takes it from the secondary level and sees the class background, by and large, of those who can gain access to tertiary education, one will understand that in-built in the system is a class bias.

Now, how do we deal with this? If there is talent and potential in the people of lower income groups in the society, how does the system enable their talent and potential to be fully realized? So, it is a much larger issue than how much you pay and whether what you pay is cost effective; how much is re-couped or how much is tuition; how much is the contribution of taxpayers.

Once someone makes a purchase in this country—and everyone has to buy something—that person is a taxpayer. The low income groups whose children do not have access to higher education are, in fact, supporting the other groups which have access to that education.

The point I am making is that we are dealing with a class problem. The Government is saying that because it makes loans available it is, in a way, opening up that system; my contention here is that the Government is not. The people who are accessing the loans are people who come from a certain class. How do we broaden that access? This is a problem that has to be dealt with but which cannot be dealt with within the context of this Bill.

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This is a party that came into power on the promise that it was going to open up the system of education, and mobility in the society would be via education. As a result of the new philosophy adopted by this regime in which the market decides—it is the market cost of university education which is a critical consideration, not the group to which that education is available or what that education does for the society—we are limited in our focus as to cost and must meet the market determinants.

I think this is a rather limited focus. While we have to look at the cost of things, we have also to look at the larger contribution that tertiary education makes to the society and the quality of that education.

The Member for Diego Martin East made the point that when somebody graduates as an engineer over the 30-year span of his work-life, he earns or has the capacity to earn \$1.5 million.

*Mr. Imbert rose.*

**4.05 p.m.**

**Madam Speaker:** Are you willing to give way?

**Mr. B. Panday:** Give way.

**Mr. Imbert:** Madam Speaker, if the Member is going to quote me, I wish he would quote me correctly. I said the difference in earnings between an A level graduate and an engineering graduate over a 30-year work period was \$1.5 million.

**Mr. T. Sudama:** I have understated that. So that their total earning capacity is well in excess of \$1.5 million. I am saying that the only way you can make a proper judgment is if you have an idea of the contribution which that engineering graduate makes to the GNP or to the society by his work, not necessarily by what he earns.

**Mr. Imbert:** It is his ability to pay.

**Mr. T. Sudama:** Here we come back to the ability to pay. If you do not have the ability to pay, you are out of the system. If one is not able to obtain a job, one will not have the ability to pay; then the system excludes you. If you come from a low-income family, even though you may have the possibility of accessing a loan but you cannot provide the guarantee for it, then the system excludes you. If the parents of the students cannot have those additional things in order to give them the wherewithal to attend university and the capacity to pay, the system excludes

them. This is what Members opposite are championing here through the arguments they have advanced. It is just not a question of dollars and cents. It is just not a question of cost. There should be larger considerations to deal with this problem of access to university education—a very serious issue.

I am afraid the manner in which it is dealt with here, it is the views of people like the Member for Diego Martin East which will carry the day: capacity to pay. The days of the welfare state are over, they suggest. This is a very limited view of welfare. If tertiary education is subsidized, what you would be doing is giving people something for free, they claim. A very limited view when the contribution that tertiary education makes to the society is not taken into account. We all pay.

**Mr. Imbert:** We are taxpayers.

**Mr. T. Sudama:** Who are the taxpayers? Everybody in the country is a taxpayer.

**Mr. Imbert:** Increase tax.

**Mr. T. Sudama:** If you get rid of the corruption in the Ministry of Works there would be more money to pay for tertiary education. When issues of corruption in the present Road Improvement Fund—its expenditure, the quality of materials delivered and the short delivery of materials—were brought privately to your attention, your response was "How would the fellas live?"

**Mr. Imbert:** Madam Speaker, I am asking that you rule that the Member withdraw that remark which is totally false, and is typical of that Member.

**Madam Speaker:** What remark?

**Mr. Imbert:** Madam Speaker, he is alleging that I made a certain statement, "How would the fellas live?" That is what he just said. I made no such remark or any similar remark.

**Madam Speaker:** Will the Member withdraw.

**Mr. T. Sudama:** That statement was made to me.

**Hon. Members:** By whom?

**Mr. T. Sudama:** I do not have to tell you by whom.

**Madam Speaker:** If that is so, then that is hearsay. Will the Member withdraw it.

**Mr. T. Sudama:** It was made to me. We raised this issue on the amount of material that was delivered and the quality—

**Madam Speaker:** No, no, I am asking: Did the Member tell you that?

**Mr. T. Sudama:** No.

**Madam Speaker:** Please withdraw it.

**Mr. T. Sudama:** By another person who came—*[Interruption]*

**Madam Speaker:** Will the hon. Member please withdraw the statement and move on.

**Mr. Imbert:** Madam Speaker, I insist that the hon. Member withdraw that statement.

**Madam Speaker:** Will the Member withdraw the statement.

**Mr. T. Sudama:** Will the hon. Member categorically tell this House that he made no such statement?

**Madam Speaker:** He said that. That is why I am asking you to withdraw it. Later on, if you can prove it, you can raise it again. At this point will you withdraw the statement!

**Mr. T. Sudama:** Madam Speaker, I withdraw the statement. I am saying he has come to this House to lie.

**Madam Speaker:** Hon. Member, you are an experienced Member of Parliament. Words such as "lie", are insulting language—

**Mr. B. Panday:** On a point of order, Madam Speaker. I must rise now. It seems that you operate one rule for them and one rule for us. They have called us hypocrites and used words such as dishonest, accused people of murder—and you have sat there and we have said nothing. We wanted it to appear as though the rule applies on both sides. That is why we said nothing. You said the other day we must object. No Madam Speaker! As I understand the rules, if you are controlling this House, you must apply the rules equally. Not one rule for them and one rule for us.

**Madam Speaker:** All right. The word "lie" is certainly not parliamentary. Can I ask Members to desist in the future from using unparliamentary language, please. Members on both sides. *[Interruption]* That is what I am saying. The Members on both sides use unparliamentary language. It is so uncalled for. The Member may continue.

**Mr. T. Sudama:** Madam Speaker, certain misrepresentations have been made by the Member which I cannot allow to pass. He gave the impression to this

House that he is so knowledgeable about universities and university administration and costs. He talks about £16,000 being the cost of one year of university education in the United Kingdom. Sixteen thousand pounds which by some magic he works out to be TT \$180,000. Twenty thousand pounds equals \$180,000 in our currency?

**Mr. Imbert:** Today.

**Mr. T. Sudama:** That is what is paid by a foreign student. If you are going to compare like with like, you have to compare what a Trinidad and Tobago national pays to the University of the West Indies as against what a UK national pays in a United Kingdom university. This Member was a university lecturer, I am told. Does he understand our difficulties at the tertiary level of education in Trinidad? When you are comparing, you must compare like with like.

Secondly, he mentioned Johns Hopkins University—US \$20,000. You have to compare context with context. In the United States the average student who attends university has open to him so many grants and bursaries; you name it. All sorts of financial facilities are available to enable him to attend university. Therefore, the US\$20,000 the Minister talks about, very little of that comes directly out of the pockets of the parents of these university students.

**4.15 p.m.**

When I was in the United Kingdom, in those days one could have obtained a county grant to go to university. Although we were from the colonies, until such time as we obtained independence, even people from Trinidad and Tobago who went to the United Kingdom could have accessed such grants. No money came from the parents or students themselves.

In Canada, where I attended university as well, one could have obtained a grant from the government in order to attend university. In the United States of America there is less welfare in the system, yet through the system of grants, bursaries and scholarships, many people are able to access university education without having recourse to the financial resources of their families.

What is the situation in Trinidad and Tobago? To come here and talk glibly about US \$20,000 is the cost of one year of education; US \$20,000 multiplied by six is TT \$120,000, and comparing that with how much it costs to go to university in Trinidad and Tobago the man is a disaster for tertiary education in this country. He comes up with that kind of conclusion, abusing the basic element of research: that is, when one is researching, one compares like with like. One does not

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compare a situation in a different context with the situation in Trinidad and Tobago.

For example, I would never compare the cost of university education in Trinidad and Tobago with that of India. When the rate of exchange is applied, it is far cheaper for a person from Trinidad and Tobago to go a university in India. It is cheaper to go to the University of Delhi, Patna or Madras. What you compare in India is the access that the Indian students have: their access to university education on their income levels in India, as against the access that we have here to the University of the West Indies. If the Member for Caroni Central wanted to respond to him, when they asked where it is cheaper, he could have said it is cheaper in India for a Trinidadian student.

He has integrity in making representation; therefore, he would never attempt to mislead the House. He would not have responded and said that university education in India is cheaper than it is in Trinidad. It is not cheaper in relative terms for the Indian student when you compare like with like.

He comes here to befuddle and hoodwink this House on his assumed knowledge of university administration, education and costs.

**Mr. Humphrey:** He has turned his back on the working class. He was secretary to the—

**Mr. T. Sudama:** He became a unionist at the university. Do you know why? To try to get more money at the taxpayers' expense. Who do you think pays the most of tuition fees? It is the taxpayers. I have no problem with people trying to get money with justification.

**Mr. Manning:** I see!

**Mr. T. Sudama:** He cannot use that argument in one instance to say that taxpayers are paying, when he is asking for higher salaries as if the taxpayers do not come into this at all. It is in that context that I raised the question.

I have been a trade unionist of long standing myself.

**Mr. B. Panday:** But never to argue for wages for yourself. That is the difference.

**Mr. T. Sudama:** As the Member pointed out, never to argue unjustifiably.

**Mr. B. Panday:** I want to give you a job, but Dr. Saith has to release you.

**Mr. T. Sudama:** Here we have another expression of a reactionary mind. He said that the state must not be a collector. But the state collects taxes. The state must not be an intermediary to facilitate people to have higher levels of education. That is not the role of the state—they say.

As I said, when he spoke in this House earlier on and he defined the role of the state one could see a certain kind of mind operating. That, of course, may be determined by the class from which he comes. I do not know.

**Mr. Valley:** What class is that?

**Mr. Maharaj:** He means the upper class.

**Hon. Member:** That is racism.

**Mr. T. Sudama:** You are talking about racism? Were you here when the Member for Diego Martin Central spoke last week?

**Mr. B. Panday:** As opposed to the lagoon.

**Madam Speaker:** Hon. Member, you were proceeding very well. Would you please continue with the debate and not deviate. Do not let the Members cause you to deviate.

**Mr. T. Sudama:** Madam Speaker, I do not know if you heard. The Member for San Fernando East said I was racist. I do not think you heard that. But the Member for Diego Martin Central is not racist when he said that the only thing that comes from the Oropouche Lagoon is filth.

**Madam Speaker:** We are not going to embark on a debate on racism now. Are we!

**Mr. Humphrey:** He might be racist, but the Minister is fascist.

**Madam Speaker:** Please continue with the debate.

**Mr. T. Sudama:** I would defer to the Member for St. Augustine and say there is an expression of fascism that we have been hearing in this House coming from the Member for Diego Martin East week after week.

**Mr. Humphrey:** An example set by the Member for San Fernando East.

**Mr. Maharaj:** Withdraw the allegation of Lagoon and filth!

**Mr. B. Panday:** Have you withdrawn the one about Lagoon and filth? I referred to it over the weekend.

**Mr. Valley:** I withdraw.

**Mr. Manning:** I withdraw.

**Mr. T. Sudama:** I referred to it as well on Sunday. I have to refer to these things because they show you how their minds work. The Member for San Fernando East would be surprised at the amount of information I have on him.

The state should be involved in any activity which promotes the welfare of the people of this country. This question about what the state ought to do and not do, this is the neo liberal approach to what the state should be involved in. The state should be involved in those things which can redound to the benefit of all the citizens. The state should not have any area of activity depending on circumstances restricted to it. That is not the role of the state. It has an overview of the society; its intervention in the society and policy prescriptions, and what it does with administration is something which has to be decided, based on the situation which confronts it at any one time.

**4.25 p.m.**

To say that the state ought not to be a collector, is so limited in its perspective. And then you say you ought not to put that burden on the state, but on the banks. Does this Member know how the banks in this country operate? Two people came to me who told me that they had missed one payment on their mortgage and the next thing they knew, their property was advertized in the newspapers. The next payment they made was applied towards legal fees. There is this rapaciousness in the banking sector. And the Government wants to transfer this responsibility to that rapacious element in order to victimize people in the society and assign it functions of the state. *[Interruption]*

We are not against banks which operate in a certain way. These very same banks will forgive loans, you know. If you are a Minister of Government, you will have your loan forgiven, but if an ordinary citizen misses one payment on his mortgage, they will advertize his property, dispossess him and put him out on the streets. That is the institution to which this caring Government wishes to transfer its responsibility.

I do not want to say anything about the Member for Laventille West because she is a new Member, but she must use her words a little more carefully. "Caring Government" was a slogan. Do not come here to sloganeer. Leave that for outside—Laventille West. The last thing anybody in Trinidad and Tobago associates with this PNM Government is caring and sympathy. That is the last

thing they want to associate with the Member for Diego Martin East who broke down shacks and put bulldozers on stalls, when they do not need the road to do road building. This whole question of causing traffic hazard—

**Madam Speaker:** The Member is deviating from the debate.

**Mr. T. Sudama:** No, no. I am talking about caring governments. That issue was raised by the Member for Laventille West. I am showing that a caring government would not take its responsibility and transfer it to the banks knowing the manner in which banks operate. It is not the attitude of a caring Government to demolish shacks of people who have operated this way for 40 years and is their only means of livelihood. The Government cannot provide employment for them, but it goes with the fascist mentality of the Member for Diego Martin East and demolishes their shacks. *[Interruption]* I am not attacking you. Do you want me to leave that Member and attack you instead? Why do you not allow the man to stand on his own feet? *[Interruption]*

**Mr. Manning:** Pick on people your own size.

**Mr. T. Sudama:** I do not know what the Member means by that, Madam Speaker. Am I his size?

**4.30 p.m.:** *Sitting suspended.*

**5.08 p.m.:** *Sitting resumed.*

**Mr. T. Sudama:** I was, Madam Speaker, dealing with some misrepresentations made by the Member for Diego Martin East on the comparisons he was making with respect to the fees payable at foreign universities, and those payable at the University of the West Indies. I thought that I would put on record that the comparisons were not really in order and that he sought to give conclusions which were fallacious.

There was also the question of the role of the state in guaranteeing these loans and, of course, having the banks collect the repayments. I adverted to the fact that there are parents in the society who would not be able to provide the collateral, who would not be able to meet the terms required by the guarantee, but who may have children with the potential to take advantage of higher education.

The system as it operates in Trinidad and Tobago seems to exclude these unfortunate students who may have come from backgrounds with very limited financial resources. I think this is something which the Government has to pay particular attention to and perhaps broaden the scope for scholarships to make tertiary education available to a wider section of the society, rather than having

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cost and the capacity to pay as determinants to restrict the numbers who could take advantage of a university education.

I have come from a liberal background: my whole philosophy has been a liberal one with respect to education. I hear Members on the other side saying that they are carrying on the legacy of Dr. Eric Williams, the founder of the People's National Movement. Well, if he were here today, I think he would have tried to hasten himself to the grave, after hearing the positions taken and the reactionary views expressed with respect to education and other matters by Members on the other side of this House.

Another representation was made that one does not go to university to become a nurse. The Member is ignorant of the fact that in Canada or in the United States one can go to university and get a degree in nursing. The practical aspects of that, of course, are not done at university, but one can go to a university to get all sorts of training in what are considered practical subjects.

What happens here? One has an elitist concept of tertiary education. That is what is being expressed, that tertiary education only has to do with law or medicine or studies of that nature and not with more functional areas of education. I sit here and listen to these concerns and I tell myself if I do not raise my voice, it may appear that I agree and give support to the backward views expressed on the other side. I have risen to make my position clear in a very limited way and rebut some of the misrepresentations that have been made in this House, particularly by the Member for Diego Martin East.

**Mr. Chandresh Sharma** (*Fyzabad*): Thank you very much, Madam Speaker. We have just seen G-77 sending G-7 into oblivion. I propose to be G-10 and present ten good points.

The Member for St Ann's East started off by saying that university education is now going the scientific and technical way; he also spoke about the inability of the state, meaning the Government of Trinidad and Tobago, to provide basic educational needs. He went further to talk about the experience worldwide; the inability of governments to collect moneys which they have lent students. The hon. Member did not indicate where he got the information from.

I disagree with that proposal. In Canada the experience is totally different. More than 90 per cent of full-time students in England and Wales doing their first degree receive some kind of funding. The question is not the inability to collect the money. This PNM administration, as we have seen, administers moneys of this kind, and always runs into that kind of problem. The Member indicated to us very

clearly that from 1979 to June 30, 1994, \$63 million was loaned. One has to ask, how was this done? Who were the recipients? What kind of contacts did some of these people have?

It is very clear that the manner in which these moneys were lent—the correct measures were not put in place. More than that, today they are proposing to put this fund in the hands of the banks, and one has to ask why? The Member for Diego Martin East made the point that tuition fees alone do not run universities. The original concept of universities was that they should be dealing with research to a larger extent. So that, here the Government is saying that is unable to collect the moneys and it is now going to put the collection into the hands of the banks. It seems as if the international funding agencies, and the other agencies that give the universities grants are calling for a different approach: an approach where some degree of accountability will take place.

**5.15 p.m.**

Also, the Minister indicated that students will have to present up to 90 per cent collateral. That point has been raised by my colleagues on this side; where are these people going to get that collateral? The Member for Diego Martin East indicated that tuition fees are between \$5,000 and \$20,000.00, but he did not take into consideration the fact that a student does not only pay tuition fees, he or she has to pay for boarding, lodging, books and other research material.

The Member for St. Ann's East indicated that one of the problems experienced with the repayment of loans was the drop-out rate of students. One has to ask. Why are we having this high degree of drop-outs? It is a simple case of the Government not doing the right thing, in that people are going to the universities, but there is no programme to show what different disciplines are needed. So that students graduate and there are no jobs. The problem of migration could be answered in the same way, in that people migrate, to a large extent, because there are no jobs available here.

Immediately, it brings into focus that the programmes offered at UWI must be in response to the needs of the society. The Member for Pointe-a-Pierre made that point, which was also addressed by the Member for Oropouche.

The Member for Diego Martin East talked about the universities not offering nursing. We heard just now that certainly a number of universities offer degrees in nursing; one can obtain a degree in radiology. Computer studies—the Member for Diego Martin East talked about one being vocational and one being at university level. It does not mean that if one has a degree in computer science that person

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cannot be a technician; the classic case is right here with the Member for Diego Martin East: he has a Master's Degree in engineering but he performs like a technician. There is also project management, as well as engineering and languages.

We need to make sure that before students enter the university, as obtains in the United States and Canada, there is some degree of counselling. A student entering the University of Miami, for instance, would be counselled about future jobs that may be available, and you would be advised to consider them. That student may agree or disagree, or the student may say, "Look, I have come here; I want to do medicine," and the student may be advised as to the area of specialty he should go into.

On page 4 of the Bill, it talks about professional law schools, which means the Hugh Wooding Law School and the Norman Manley Law School. The loans that are going to become available are only for students attending the University of the West Indies.

In recent times, a number of professional courses have become available to students right here in Trinidad and Tobago. For instance, one can now read law right here without going to the University of the West Indies; read for an external degree of the University of London. There is a second university that is also offering the programme. If I am not mistaken, the Member for Tobago East is an external law graduate and so is the Member for Naparima. Students like them who want to do this programme locally must not be discriminated against; they must be able to access these funds.

Also, a number of accredited professional examinations are now locally available. There are five schools offering the ACCA programme, the CIMA programme and there is a great need for accounting professionals. The degree in economics is now available locally and there are three local schools that are offering the MBA programme, and only a few months ago the Member for St. Joseph launched one of those programmes. Are we saying to these students that they cannot access this money, this is only for those students who are going to UWI?

Let us look at the real situation—50 applicants to study law at UWI, there are only places for 25, where do the other 25 go? There are other opportunities for the 25 to go locally but they must be aided in some way. This funding must go for all, it must not be limited only to students at the University of the West Indies.

The other point I want to raise is: should a student fail to pay the loan, the bank having explored all legal avenues available to it, may now charge the fund.

This could be a very dangerous precedent, in that a bank may claim, "Student 'X' owes us \$19,000.00 but we have spent \$25,000.00 trying to recover it"—that is a total of \$44,000—and they are now going to charge this to the fund. If one looks at some of the fees charged by the bank, for instance, a simple bank statement costs \$25.00. The charges laid at the bank are very high, and here they are going to incur legal expenses, and we have seen the kind of retainer fees the Government pays to attorneys—large sums of money. One has to be very careful.

I want to suggest that there must be a ceiling on the quantum that the bank can claim in seeking repayment.

Why is this fund going to be revised in 1998? It says that in the Bill—June 30, 1998. Why can it not be revised every year from the time it starts? Why are we waiting until 1998? On page 6, clause 5 states:

"Notwithstanding section 4, (1), on June 30, 1998, and every year there after,..."

So we are talking about monitoring this funding in 1998. I want to suggest that it start one year after the implementation of the fund, so that the errors of the Students' Revolving Loan would not be repeated.

The Member for Pointe-a-Pierre indicated that there was a shortage in a number of critical areas that are of significant need in Trinidad and Tobago at this time. While some of these courses may or may not be obtainable at the university, if the Member for Diego Martin East is saying that persons who want to go there and do a diploma programme may not be able to obtain this loan, the Minister has to give clarification of this. I want to suggest that any student entering the University of the West Indies, whether for a certificate, diploma, or degree programme, must be able to access this loan.

I am also suggesting that students across the board, whether they are pursuing an ACCA programme, the external law degree programme—we must take into consideration, when that student does the LLB external programme he enters Hugh Wooding Law School, or the Norman Manley Law School for another two years where he reaches his LEC. So that, you are telling the students yes, we can accept you for the LEC programme and perhaps fund you at that point, but we cannot fund you before you get there. There seems to be a degree of discrimination.

The other point I want to raise is money for handicapped people. In Trinidad and Tobago there are a number of persons who are handicapped in one way or the other and there is no kind of funding available to them. I want to suggest that the

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fund explore the possibility of making sure that persons with handicaps be given some degree of priority to access education.

**5.25 p.m.**

On the question of women and education, the United Nations in its 1993/94 report on the least developed countries, looked at this. They found that where women were educated early and money was spent as an investment in their education, the entire country benefited. They were able to become better mothers, to recognize symptoms in their children, to follow-up medication and that kind of thing. More than that, they contributed to very active employment within the community so that the nation as a whole had ongoing progress.

The UNC manifesto at pages 36 to 39 clearly indicates our thinking on education; and we have suggested exploring the possibility of "the establishment of an external faculty of the University of the West Indies for the granting of external degrees in a wide variety of disciplines." We are projecting the same need that the Member for Pointe-a-Pierre spoke about.

In terms of education one is talking about total development. Very often the other side would present its manifesto and show the smiling face of the Member for San Fernando East, but if one looks at the inside cover of the UNC Manifesto, one would see we talk about uniting the nation's children. How are we going to do this? One approach is through education. It also talks about undoing the nation's crises. How are we going to undo the nation's crises? Again, through the medium of education.

This Bill has many intentions—some, I suspect, are noble—but one of the intentions is to hoodwink the national community of Trinidad and Tobago. As parents, there is a dream we all share—to educate our children. Each one of us wants to make sure our child goes to university, so the PNM Government is attempting to say to the national community that it is bringing a Bill here to provide money for the children to go to university. This is furthest from the truth. Actually, this is going to prevent a number of students from going to university; and we cannot hide the fact that a few days ago when the vendors' stalls were broken down those people have costs to incur.

The Member for Oropouche made the point that some of these people are already sending their children to school and when these stalls were broken down, heavy equipment was used and everything was destroyed, so there was no salvage. Loans were obtained to purchase galvanized sheets to construct those

stalls, and the loans have to be repaid. Should these people default on their loans, what provisions has the Government made?

More than that, people purchased vehicles through the ADB to sell their produce. It relates directly to this Bill—very directly—because those people have children at school. Even if their children are not at university, they have to go through the system—primary and secondary school, then on to university.

When I raised a matter three weeks ago, I talked about the shortage of teachers in schools and the shortage of equipment. When a child fails O level, it is no fault of his if facilities were not provided. He could not obtain the Student Based Assessment so he now has to repeat O level and do it at his own cost. There are no provisions for A levels. There are several students who cannot reach A level classes, but the fund provides for Grade 13.

To enter the University of the West Indies you must have two or three A levels, but if you have O levels you can go to Canada, or the United States, obtain a Grade 13 certificate in one year and come back and enter the university. So you would have saved one year. Would the fund provide for these people? I want to suggest that it should. We need to look at this matter in its entirety. We cannot just look at when the students get to the University of the West Indies.

I have indicated the areas of concern that I share. The last point I want to raise is, what happens when a student goes to bank 'A' and the bank says 'You do not qualify'? What is the cost of appeal? What can that student do? Further, when that student's parents are unable to provide the guarantee in terms of the 90 per cent collateral—the point was made by the Members for Pointe-a-Pierre and Oropouche, respectively, that they may be squatting or may not have that amount of money or may have three children at university, or three students who are qualified to enter university—what kind of collateral are they going to provide? Some consideration should be given to special cases and we should like the Minister to indicate that to us.

At the committee stage I propose to move an amendment which I will read then.

Thank you very much.

**The Minister of Finance and Minister of Tourism (Hon. Wendell Mottley):** Madam Speaker, this Bill is a very specific Bill and not a "cure for all." We ought to put that clearly before the House.

The first thing that should be recognized is that this country has universal and free primary education; and the same goes for secondary education. By extension,

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it would be very nice to have universal and free tertiary education. Unfortunately this is a country and a world of limited resources and that is what we are grappling with, in clear recognition that the ideal would be that anybody who went to university would do so at no cost, as is the case now in secondary schools. A recognition that the resources are not there to do so—especially at a time when we are also looking at pre-primary schooling, and trying to find funds. A recognition that it is in kindergarten that the unformed mind can best have a chance of being civilized and given a good head-start through primary education and so forth.

So whereas before, the state had no resources devoted to these areas, the Minister of Education is now finding that what was done by NGOs needs supplementing, and state resources are being put there as a first core. But we recognize that tertiary education is of fundamental importance to where this country has to go and that it is out of the genius that is developed at that level that the leadership for this country will spring. So it is an important matter but, nevertheless, in the call upon the state for all of the resources that are being made right now, it is not possible.

We are saying that in the first instance, the state is providing the largest amount of money to support the university system here. In the absence of that university system, we would have had to just grab a few available spaces at universities elsewhere in the world, and recognizing that, the state has put major resources to keep the university system in Trinidad and in the Caribbean going that allows for a broad approach to university education from citizens of this country.

We just cannot go, at this stage, that extra mile. We have tremendous claims on state resources for national security and health matters, for improved public administration, for support of the safety net and all kinds of other social security payments; for water—especially the demands coming from the other side and from this side for an improved water service.

**Mr. Sudama:** Did he say “water”?

**Hon. W. Mottley:** State resources beyond what are paid by the taxpayer in water rates are being demanded.

**5.35 p.m.**

In all those circumstances, we are saying that this Bill is not attempting universal solutions to the tertiary education problems of this country. It is merely

an attempt to deal with the present circumstance where most of the economic costs of university education are being in fact, met by the state. A small bit that is required to be met by the students is being addressed, and it is being addressed in several forms.

In the first instance, one must recognize that every year 50 university places are being paid for by the state for scholarships, so that these 50 students go there total *gratis*. In addition to which there are 35 medical students at the Medical School who are being paid for fully by the State. There is the full base of the university largely supported by the state—that is, the full economic cost.

The remaining portion is what this Bill seeks to address—those students who by their diligence have not quite made it on pure merit, which is the 50 scholarships, but who, nevertheless, by competence, have won admission to the university and whose parents do not have outright the cash and other resources to pay for their tuition. It is in that narrow channel that we are seeking to address the concerns of those particular students, whom we find unable, on the strength of their parents' cash resources, to meet the tuition costs of the university.

We have provided for it in that they can borrow moneys from commercial banks at less than market rates; have a moratorium after graduation and then repay the loans over a period. The Member for Diego Martin East pointed out that normally a university education will so increase the earning potential of graduates that they should be comfortably able to support this particular loan repayment.

So that, yes, there are situations where people graduate and do not find employment immediately, but again, we are coming always to deal with the narrower and narrower chink of the whole population, and we must not form policy to deal only with those aberrations. This is a fair proposal which will address the needs of those persons who require loans. Having put that in perspective, I hope the Members on the other side would understand from whence this Bill originates.

I also want to repeat that university students universally do not repay loans for two reasons. One, an inability to repay. There is some flexibility in the administration of this, as with other loan schemes, whereby genuine cases of hardship find some breathing space, some re-negotiation of loans. It happens in the commercial world; it happens here with these loans, too. However, the onus is on the student to demonstrate hardship and not just lie back.

**Mr. Manning:** Reschedule the loan.

**Hon. W. Mottley:** We have the capacity to reschedule the loan. That is clear. But responsibility must be demonstrated. One just does not repay the loan, not talk to the banker and presume that the taxpayer owes one for one's university education.

Secondly, and this occurs in a significant number of cases, not inability to repay, but a feeling that the state owes one something and one really does not have to repay. That is the reason we are seeking to juxtapose the banks and have a clear commercial line of responsibility between the borrower and the lender. We do not want the Government right upfront. In too many instances, involving people who have clearly gone on to better positions in life, they have not met their responsibility to repay these loans. This is why we are juxtaposing the bank between the student and the Government. We do not want the Government right up front.

In those circumstances, therefore, we are not, as we have been accused, privatizing loan funds to students. It is clearly demonstrated in Britain, the United States and Singapore. It is a worldwide experience that banks in these instances, are better collection agents than the CPO's office. Clearly, this is a universal experience. How do we expect to collect from these students? In most instances, the banks will have some security; they will keep track of that security and keep it up to date. They will stay in touch with the university and get reports on the student's progress through the courses and not be surprised to find out three years later that the student had dropped out two years earlier.

All of these regular update collection procedures will be followed by the banks administering the loans and the banks will have an interest in not appearing to be high on default rates next to their other competitors. Their own pride in administration will not permit that and, therefore, these are some of the mechanisms that will automatically fall in place for the better administration of these loans.

We have circulated the documents available to Members on the other side. The first one is the agreement between the state and several banks—Republic Bank, Bank of Commerce—clearly outlining how the loans are to be administered. Then comes this matter before the House today of the establishment of this fund which is to be administered by an independent trust, and if at the end of the day the banks, having exercised their best commercial judgment and administration, find that they cannot collect their moneys, they would then follow certain procedures clearly outlined in the trust deed which has been circulated.

One month after the default occurs, the banks try to collect through regular procedures. After a certain period, they go after the security and when they have exhausted all the remedies available to them, then they make a claim on this independent trustee to be repaid. Not any collection charges—it is clear—the principal and the accrued interest that are due to them.

**Mr. Sharma:** The Bill does not state that.

**Hon. W. Mottley:** It is stated here in the trust deed that has been circulated, what exactly is collectible by the banks from the trustees. Again, at that stage the taxpayer has to be the last recourse because the agreement calls for 50 per cent of the loan funds outstanding to be held in this trusteeship, so that if one draws down heavily, then the Central Government, namely the taxpayer, is going to be forced to top up this trust fund that we are bringing into law here today.

**5.45 p.m.**

It is in all our interests that the banks be efficient administrators of this project and that we only come in, as taxpayers, as the last resort to top-up that fund. The university student has clearly got a benefit from university education which is not available to the wider community, and which has a particular benefit to him in his own self-worth, for as the Member for Diego Martin East pointed out, he has clearly improved his lifetime earning capacity. Therefore, it is only as a last resort that we, as taxpayers, should be brought in to deal with topping up what is ultimately his own private responsibility.

There were other points raised by Members on the other side and my colleagues on this side have dealt with most of them. I shall deal only with some that still, perhaps, need some re-emphasis.

The Member for Pointe-a-Pierre raised the question of the university and what direction it is taking. Again, the university is but one institution and, especially in the technical fields, there are several other institutions such as the John Donaldson and the San Fernando Technical institutions that are dealing with narrow technical education. We have recently recognized that, in fact, with what we are seeing on the economic horizon, Trinidad and Tobago may be short of a number of required skills, as the economy picks up, and we are working especially with Fitzwarner Institute of Germany—to develop a first-rate improved technical education for our young people here in Trinidad and Tobago, parallel with the German system that is clearly recognized as the best in Europe. We are saying: do not focus only on the university.

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Also, the university is relying too heavily on the Government for funding. We have been having conversations with the university where we are clearly telling them: “yes, the Government has a responsibility, but the university also has a responsibility to get out there and earn fees and interact with the business community, with Government”. There are several occasions when the Government, in its economic and other programmes, requires consultancies; there is no reason why the university should not be providing consultancies—for fees—to the Government; to private institutions, earning fees that would help defray some of the costs.

Also, my own experience in being educated abroad is that the universities I have attended depend very heavily on soliciting funds from grateful graduates who have recognized the benefits of their university education. Those funds are then invested and the university lives, to a large measure, off the earnings of those investments. We are pushing our university in these directions, I am sure that many of you who are graduates of the University of the West Indies, would respond positively to appeals from the university out of that \$1.5 million extra income you are now earning as engineers.

The difference between the full economic cost and tuition needs to be abundantly clear. To put any student through the university incurs a cost of at least \$100,000, even for the arts, to defray expenses of lecturers, cleaning classrooms, maintenance, materials and so forth. However, the tuition fee is usually only about 10 per cent of that paid by the university. That is so, even in the medical faculty where the fees are much higher.

The second point we are making is this question of family income qualification. I need to reiterate the point. We are saying that this reduced interest loan facility is a privilege negotiated by the Government with the banks, at a cost to the taxpayer, because the taxpayer is forgiving taxes on interest that the banks are earning. Therefore we are saying it should not be available to the wealthiest in the society, hence, we have put a ceiling of \$150,000 annual income for the parents of those students who wish to access this facility for the general arts and science courses.

We are saying however, that for medical students that ceiling will be \$250,000. Why? Because medical education is longer than the normal three; years, therefore, the borrowings will be that much more. Also, the tuition fees for medical students are that much higher. Therefore, the loans and so forth will be that much greater.

Whereas one might say a family that is earning \$150,000 is the ceiling for an art student, one might find a family earning \$190,000 per year having difficulty if they had to meet all the medical school expenses for a student over the full five years for medical school. That is why we have shifted it up to a ceiling of \$250,000.

Madam Speaker, I think these were the points that I wanted to make, only to reiterate the point about—

**Mr. Humphrey:** Would the Minister give way to a question?

**Hon. W. Mottley:** Yes.

**Mr. Humphrey:** Has the hon. Minister estimated what the 10 per cent of the total cost of tuition adds up to on an annual basis?

**Hon. W. Mottley:** Madam Speaker, I think I understand the gist of the question coming from the Member for St. Augustine. What is the total value of these fees that are paid by the students and whether it is worth the candle to do all of this to deal with that particular matter?

Yes, Madam Speaker, it is worth the candle because we find, firstly, that we are having difficulty meeting the underlying base cost to the Government to keep the university going. Secondly, the technical aspects of university education—engineering, medicine and so forth—the demand for them is increasing. It is clearly being signified now that we had better get students to recognize the true value of their education, since when we make those projections into the future, clearly we cannot meet the full cost.

Those costs today may be \$X million but we are clearly seeing that in five years' time they are going to be that much greater, especially since as I said, more and more university education is being accessed in the fields of engineering, medicine and other technical areas which are quite expensive compared with a history or economics degree.

Madam Speaker, with these words, I beg to move.

**5.55 p.m.**

*Question put and agreed to.*

*Bill accordingly read a second time.*

*Bill committed to a committee of the whole House.*

*House in committee.*

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*Clauses 1 and 2 ordered to stand part of the Bill.*

Clause 3.

*Question proposed, That clause 3 stand part of the Bill.*

**Madam Chairman:** There is an amendment by the Member for Fyzabad.

**Mr. Sharma:** Madam Chairman, I move that clause 3(2) be amended by deleting the words "University students" appearing in the second line and inserting the following "students pursuing studies at the university and other accredited programmes."

**Madam Chairman:** Are you making out any case for that?

**Mr. Sharma:** Yes, Madam Chairman. I am saying that students pursuing other similar programmes should be able to access funding of a similar kind. For instance, students doing the ACCA programme which is an accredited programme and highly in demand, and students pursuing the lower degree programme, and who cannot be accepted at the University of the West Indies for whatever reason: lack of space, or because of the work schedule, would be denied the opportunity to access this fund. If they are permitted to borrow from this fund they would be able to make a valuable contribution later down the road. More than that, they would be in a qualified position to repay the money as well.

**Madam Chairman:** Any reply?

**Mr. Mottley:** Madam Chairman, the problem with that is that the amendment is very loosely worded as the hon. Member now has it: "Students pursuing studies at the university and other accredited programmes." "Other accredited programmes" in Trinidad? It could be abroad at other universities. It is too loose and, furthermore, this Bill before the House came out of a very specific need which was an increase in the fees at the university.

Also, we are trying to deal with a specific, fairly narrow and focussed problem and not trying to solve all the problems of all students in Trinidad and Tobago at the technical and professional levels. I strongly recommend that we stick to the present wording in the Bill.

**Mr. Sharma:** Madam Chairman, the first part of it talks about the university, and here we are talking about the University of the West Indies. It was very clear that the accredited programmes refer to programmes in Trinidad and Tobago. We are talking about programmes that are similar to the ones available at the University of the West Indies. It is not the students' fault that they cannot obtain a

place at the University of the West Indies. This clause is basically discriminating against other students.

**Mr. Manning:** Madam Chairman, I understand the point being raised by the hon. Member for Fyzabad. In due course I am sure it would be a point that we may wish to address.

The current financial circumstances of the country do not put us in a position to be able to fully consider the point that has been raised by the Member for Fyzabad at this time. In due course, it is our hope that we would be able to assist in the funding of education of all students at university level, but, at present the country's resources do not permit it.

*Question, on amendment, put and negatived.*

*Clause 3 ordered to stand part of the Bill.*

*Clauses 4 and 5 ordered to stand part of the Bill.*

Clause 6.

*Question proposed, That clause 6 stand part of the Bill.*

**Mr. Sharma:** Madam Chairman, clause 6 (1)

"A claim may be made by a lending bank upon the Fund for the amount due and owing by a student, in addition to legal expenses..."

The Minister in his submission indicated differently. Can he tell us exactly what the situation would be?

**Mr. Mottley:** Madam Chairman, the agreement states the interest and the principal. However, in the Bill we incorporate the wider amount in those dire circumstances—this is a case where the student has run away from his responsibilities—we hold that final threat over him. It is clear that the bank would need to have special circumstances to charge any legal fees on the fund. It would have to be a special fee.

**Madam Chairman:** If there is an agreement existing between the student and the bank, how would one go beyond the agreement? Does the trust deed make provision for this also in the circumstances you were suggesting? I believe that is the point the Member was making.

**Mr. Mottley:** The trust deed as we have it here does not. It is rather specific in terms of what it allows.

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**Mr. Sharma:** It does not say that.

**Madam Chairman:** The students are bound by the terms and conditions of the trust deed: that is the pact between the student and the bank. If the trust deed in some other clause says the circumstances that the Member is mentioning are indeed included in the trust deed, only then can those circumstances prevail and be applied.

**Mr. Valley:** It is between the bank and the Government. The student is not a party to this.

**Madam Chairman:** The hon. Minister stated in response to the hon. Member that the bank will not be making a claim for legal expenses from the student. It is really in the final case that the application will not be—Is the Member clear on that then?

**Mr. Sharma:** Madam Chairman, no.

**Madam Chairman:** Maybe, some legal in-depth study would assist the Member later on. It is now clear what is the position.

*Question put and agreed to.*

*Clause 6 ordered to stand part of the Bill.*

*Clauses 7 to 9 ordered to stand part of the Bill.*

*Preamble ordered to stand part of the Bill.*

*Schedule ordered to stand part of the Bill.*

*Question put and agreed to, That the Bill be reported to the House.*

*House resumed.*

*Bill reported, without amendment; read the third time and passed.*

#### BUSINESS OF THE HOUSE

**The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley):** Madam Speaker, I beg to move that the House now consider Motion No. 1 on the Order Paper under “Government Business.”

*Question put and agreed to.*

**FINANCIAL INSTITUTIONS (PRUDENTIAL CRITERIA)  
REGULATIONS**

**The Minister of Finance and the Minister of Tourism (Hon. Wendell Mottley):** Madam Speaker, I beg to move the following motion:

*Whereas* it is provided by section 38(1) of the Financial Institutions Act, 1993 (hereinafter referred to as "the Act") that the Minister may make regulations with respect to prudential criteria with which licensees under the Act shall comply;

*And Whereas* it is also provided by section 38(2) of the Act that regulations made under section 38(1) shall be subject to affirmative resolution of Parliament:

*And Whereas* it is expedient that the regulations now be affirmed:

*Be It Resolved* that the Financial Institutions (Prudential Criteria) Regulations be approved.

In 1993, I brought before this House the Financial Institutions Bill. There was extensive discussion on that Bill, and arising therefrom several amendments were passed. Out of that came a particular amendment in relation to section 38 which proposed that the Central Bank would have authority to make bye-laws with respect to prudential.

Based on the concerns of some of the Members of this House in particular, the opportunity to debate those bye-laws was felt to be important, and therefore it required affirmative resolution. We have now brought the first set of these bye-laws through this Motion for debate in this House.

Section 38 sets out a list of potential criteria which might be included in the regulations. They deal principally with capital adequacy, and also solvency requirements; capital ratios; liquidity requirements; treatment of loans and other credit facilities; treatment of assets and the weighting of risks.

Let me say from the outset, that the parent legislation passed in 1993 dealt in great detail with matters of liquidity. However, these regulations now largely deal with capital adequacy. It is important that Members on the other side understand the significance of capital adequacy.

Capital adequacy is that buffer which allows a degree of flexibility in a bank's operations through the normal business cycles, wherein there is a buffer or capital to defer loans that might go bad. There is an adequacy of capital in the bank to

deal with those normal business cycles before the bank gets into trouble and depositors' money becomes at risk.

Therefore, what we are dealing with today, largely, are regulations which the Central Bank is promulgating to deal with that buffer of security which banks must put in place known as capital adequacy. Unfortunately, it gets fairly complex as to how these calculations of capital adequacy are arrived at, but I believe that it is important if I go into some detail even at the expense of becoming a little technical in some of these matters.

Those items which I have just mentioned are critical areas related to market risks incurred by banks. Hence capital adequacy is the first regulation which the Central Bank has recommended to me as Minister of Finance and which I, therefore, now bring before this House. These regulations were first submitted as draft policy papers and then there were several discussions with the commercial banks about them. We have had discussions between the Inspector of Banks and the Central Bank. Their amendments are now here, hopefully, in this final form.

This does not mean that the Inspector has agreed with all the submissions of the banks but this, to date, represents a reasonable compromise. There has been a large measure of agreement between the banks and the Central Bank on these regulations. At the end of my presentation, I shall outline some final areas of disagreement where we have stuck to our guns and agreed to disagree with the commercial banks.

Firstly, let me give you some background as to how these criteria were developed. After years of study, the Basle Committee on Banking Supervision and Supervisory Practices agreed upon a framework for measuring capital adequacy as well as the minimum standards of capital that should be maintained by banks. It was intended by the end of 1992 that banks all over the world would adopt these criteria, not implementing them in their rigid forms urgently, but having adopted them, setting up a time frame by which they would bring all of their banks in line with these adopted criteria.

The primary objective of the Basle Accord, which was adopted by the group of seven developed countries as early as July 1988, was to establish minimum capital adequacy standards designed to protect against credit risks because in the business of banking there are always risks. However, risks are of varying degrees. Therefore banking institutions had to set up criteria for weighting the particular risks ascribed to each loan.

Basically, the committee's proposals on capital adequacy were designed to establish minimum levels of capital that institutions are required to maintain; that is, a minimum ratio of capital held by the bank, related to risk adjusted assets; that is, loans that the bank makes. In other words, to repeat, there must be a relationship between the capital and the assets that the bank has, most of which are loans weighted for the risk that each bears.

The Basle Committee established a relationship of eight per cent. That is, for every \$100 of assets which a financial institution has, it must have capital equivalent of \$8.00. After going through the experience of all these banking institutions throughout the world, that is the ratio that they arrived at. The basic emphasis of the concept of the framework is that capital is assessed in relation to credit risk. Capital comprises core capital as well as supplementary capital.

**6.15 p.m.**

Market risk is the risk of loss which may be incurred on an on balance-sheet and off balance-sheet position arising from movements in market prices, including interest rates, exchange rates and equity values. The basic thrust of the Basle proposals is for capital requirements for open positions in debt securities, equities and foreign exchange.

A feasibility study was done here in Trinidad and Tobago by the Inspector of Banks at the Central Bank to assess the practicability of applying these Basle proposals here in Trinidad and Tobago and that study revealed that the majority of our licensed banks have been meeting the minimum capital requirement of eight per cent, as recommended by the Basle Committee. To a very large extent the proposed capital components, asset categories and their respective definitions set out in these regulations are the same as recommended by the Basle Committee and the Federal Reserve Bank in the United States, which is the regulatory federal agency which supervises the private banking system.

Financial data for individual institutions were sourced from various monthly statements of conditions obtained within the local banks and as assessed by the Inspector of Banks here in Trinidad and Tobago. That, therefore, is the background of the implementation of these regulations. I come to the details of the regulations which are now before you.

Regulation 3 sets out the capital adequacy requirement of eight per cent, which is what I have just gone over. Regulations 4 to 7 define the components of qualifying capital under two main headings—core capital and supplementary capital.

Tier one capital or core capital is considered the key element of capital and comprises equity and disclosed reserves and is defined in regulation 5(1), which sets out all the technical definitions.

Regulation 5(2) stipulates deductions to be made from core capital. It says:

- “(a) losses made by the licensee in its current year of operation that are audited or unaudited and whether or not publicly disclosed;

It goes on:

- (b) bonus shares ...that have been issued from capitalization of asset revaluation reserves subsequent to the commencement of the Act,”
- (c) “intangible assets...”

Then, it goes on to deal with tier two or supplementary capital and it is defined in regulation 6 as:

- (a) fully paid issued perpetual cumulative preference shares;
- (b) limited life redeemable preference shares;
- (c) bonus shares issued from capitalization of asset revaluation reserves;
- (d) hybrid capital instruments;
- (e) subordinated term debt;
- (f) asset revaluation reserves;
- (g) undivided profits; and
- (h) general reserves or provisions for losses on assets.

Regulation 7 outlines limits and restrictions on the composition of core capital. Regulation 8 specifies the methodology for estimating total risk adjusted assets of institutions as defined by the Basle Committee.

We go on to deal with on balance-sheet assets. Regulation 9(1) is concerned with the risk weights of on balance-sheet assets. These are assets where the financial institution and the customer have a direct relationship of lender and borrower. It is important that Members note that distinction, that is, that of on balance-sheet assets where the lender—the bank—and the customer have a direct relationship of lender and borrower. That distinction is important because it is necessary to understand that the bank which takes deposits from the public is on-lending those deposits directly to the borrower. Those are the on balance-sheet assets.

Then we follow a series of computations to give risk weights to the loans that the banks are making. It is interesting how these calculations of risks, attached to each asset or loan made by the bank, are made. For instance, we view as very minimum risk, loans made by banks in Trinidad and Tobago and foreign currency owned and held by the reporting institution. We view also as minimum risk, deposits at Central Bank of Trinidad and Tobago, that is the reserve balances of the banks; minimum risk again where the deposits are in Treasury Bills and other Central Government Securities; obligations of statutory authorities and so forth.

In other words, when we assess the risk attached to loans made by banks in these areas, we say there is minimum risk. A higher degree of risk, however, attaches to bank loans made to state-owned financial and commercial entities. As distinct from loans made to the Central Government, we are saying that there is no great, great risk, but definitely a higher degree of risk made, shall we say, to NGC, which is a state-owned institution.

An even higher degree of risk would be attached to institutions licensed under the Financial Institutions Act, 1993, and other private financial institutions including the Home Mortgage Bank and foreign commercial banks. Then comes 50 per cent weight risk to residential mortgages. In other words, we are saying that a residential mortgage is not the highest degree of risk because a man will tend to defend his house.

Finally, the highest degree of risk attaches to the normal commercial speculative loans made on commercial properties; loans secured on agricultural properties; equity and other investments. This is how we go about attaching risk to the loans made by banks in trying to compare apples with apples, and coming back to the criteria where we say capital adequacy must be eight per cent capital to the risk-weighted assets held by the banks.

Then comes the off balance-sheet items. Regulations 8(2) and 9(2) are concerned with the conversion factors set out in Schedule I to be applied to credit facilities, and the risk weights set out in Schedule III, to be attached to off balance-sheet items, respectively.

Off balance-sheet exposures are also to be included within the capital adequacy framework. The most common form of off balance-sheet items in our financial sector are bankers' acceptances. Again, a recent development within the banking system in Trinidad and Tobago is a system of bankers' acceptances where the banks are acting as intermediaries and will know of a depositor—shall we say a large trade union—which has funds, and a potential borrower: a manufacturing company interested in expanding its overdraft facilities.

Normally, the bank would act directly, take its own deposits and lend the borrower. Recently, however, through this device of banking acceptances, the banks have been sometimes putting the lender, shall we say the trade union—with funds momentarily unneeded, directly in touch with the borrower and the bank, therefore, avoids the reserve requirements of the Central Bank in these off balance-sheet transactions. They are able, therefore, to give the lender a higher rate and the borrower a cheaper rate, because no funds are sterilized by the Central Bank in the transaction, earning no interest.

**6.25 p.m.**

This has been a form, especially in times of high interest rates, of getting better rates for the depositors and cheaper rates for borrowers. This has seen a mushrooming development in Trinidad and Tobago's banking system. At the end of the day the lender is holding the bank responsible for the deposit if anything goes wrong. Therefore we have, as the regulators, to keep an eye on the whole transaction and this mushrooming development of bankers' acceptances. Therefore, it is a material matter in looking at capital adequacy. We have gone through this business of attaching risks as well to the bankers' acceptances market. Risk weights applicable to off balance-sheet items are delineated as well in the regulations before us.

Madam Speaker, other prudential criteria are also addressed in this series of regulations. Regulation 11(1) seeks to ensure that financial institutions establish adequate records and systems of control, in order to identify problem credits promptly and to make adequate provisions for losses thereon. Deterioration in the quality of the loan portfolio of a financial institution requires that adequate provisions for losses be established.

It has been all too often the case, that a financial institution over-states reported profits by not making adequate provisions. Indeed, it has been the sorry history of some institutions in Trinidad and Tobago, where, not only had they not reported the potential losses, but they have continued to accrue interest on what were clearly bad loans, and then, horror of all horrors, to pay dividends based on those interest accruals that they were booking.

These regulations are now seeking to clearly clamp down on some of those practices and to set about a series of regulations by which any loans that are not serviced beyond a certain date, must be classified and booked, and no interest booked to those loans, which beef-up the balance sheets and earnings of banks

and give an entirely false picture, not only to the investing public, but also to the bank's depositors as well.

Regulation 12 seeks to classify investments according to management's intention when purchasing investments and to define the method of valuation in accordance with each classification. Investments are to be classified on the basis of the intended period of retention, that is, whether short-term for resale to customers and other third parties, or until maturity. This segregation will allow for better monitoring of an institution's liquidity position in that, short-term investments can be assessed as to their contribution to an institution's liquidity.

Treatment of interest income—Regulation 13, seeks to prevent financial institutions from unwarranted accrual of interest income on non-performing assets. That is the matter I have just raised.

A most important matter, treatment of loans to directors and bank controllers, Regulation 14, proposes a minimum period for directors, controllers or deputy controllers of a bank to regularize any credit facility granted to them by the licensee on which interest can no longer be accrued.

One of the main reasons for the failure of financial institutions worldwide has been insider abuse. The late repayment or non-repayment of loans granted to management, or directors of financial institutions, is one example of such abuse. The objective of the provision of this regulation is to prevent abuse of the authority vested in the management of an institution.

In neighbouring Venezuela, which has seen a very serious banking crisis, this particular form of abuse has been a major gateway for funds being raided and passed on. The conduit is always through a particular bank officer, but then also through him on to a widespread number of beneficiaries, sometimes associated with the political system. That has been a major cause, virtually, for the dismantling of the stability of the Venezuelan economy at this time.

We are seeking here to put these regulations in place to prevent, not necessarily for now—as I say, our banks are doing a reasonable job—but for all times to make very clear the basis for these regulations and to give the Inspector of Banks the authority to go in, detect and speak with authority to the banks wherein he detects any aberrations of this nature.

Let me now deal with some of the areas where we have not been able to agree fully with the commercial banks. We have had agreement on these matters, 99 per cent of the time. Throughout the process of drafting the Prudential Criteria

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Regulations, dialogue was maintained with all the banks. As a result, several amendments were made to the draft documents which are now before us. However, there are some areas which I shall now outline where we were not able to finally agree.

Representations were made for the application of a risk weight of zero per cent, instead of the proposed 10 per cent, for obligations of state-owned financial and state-owned non-financial enterprises. Members of this House would know that state-owned enterprises do get into difficulties, and it is not always that the Central Government may want to stand 100 per cent behind any state enterprise in perpetuity. Therefore it is prudent that a risk be attached, not necessarily maximum risk, but some element of risk be attached to loans to state enterprises.

It is clear the banks which make these loans in the absence of Government guarantees understand what they are doing. They must know that there is an element of risk; that though the Government may feel moral suasion to stand behind a loan made to a state enterprise, it is not guaranteed by the Central Government unless there is a specific, written guarantee provided by the Minister of Finance. We need to make that clear; we do not want banks presuming what they should not presume.

Equal treatment of credit facilities secured by mortgages on residential properties and those fully secured by mortgages on commercial properties—the banks were saying, look, we want you to weigh risk equally between a mortgage on a residence, and a mortgage on a commercial or some speculative property. We say no, that a man will defend his house to the last before he is put out on the street. He need not adopt a similar attitude for a second house that he may have down the islands or a commercial property that he has in Chaguanas. Therefore, the risk associated with residential home mortgages is not the same as a risk attached to a commercial property or to a man's second home or down-the-islands home. Therefore, we disagreed with the banks on that.

We also disagreed with zero weighting of claims collateralized by cash on deposit at any licensee and a letter of credit for a prime bank. These were the areas of disagreement wherein we stood our ground and brought the regulations in the form now before us.

**6.35 p.m.**

I would say that we believe that these regulations will go a long way to providing the Inspector of Banks with clear guidelines to deal especially with the item of capital adequacy—liquidity matters are largely dealt with in the parent

legislation—and to prevent some of the major abuses that have appeared worldwide in the banking system, especially insider trading.

I would also wish at this time and following the amendment that we had agreed upon in the other place, to suggest amendment to clause 3(3), by substituting for the words "two per cent," the words "four per cent."

And with these few words, Madam Speaker, I beg to move.

*Question proposed.*

**Mr. Trevor Sudama** (*Oropouche*): Before I proceed with my contribution Madam Speaker, let me take this opportunity to congratulate the Member for St. Ann's East on his new status:

**Mr. Valley:** Madam Speaker, just for the record, I second the Motion. *[Laughter]*

**Mr. B. Panday:** I noticed nobody congratulated the Member. That is very bad.

**Hon. K. Valley:** You were not here when we did it.

**Mr. B. Panday:** Oh, I see.

**Mr. Sudama:** It is a private matter.

**Madam Speaker:** Why was it necessary? There was no need for a seconder. Just go straight into the debate.

**Mr. Sudama:** No, I am not surprised; the Member for Diego Martin Central always does unnecessary things, Madam Speaker.

I was just offering my congratulations to the Member for St. Ann's East. *[Interruption]* Do not anticipate me. I was congratulating him on his new liaison, and I trust the that happy augury will be translated into his stewardship of the Ministry of Finance.

I was reading in the *Express*: "Mottley—I have news for you." And I said, this was the public announcement. I eagerly waited and I said, well—*[Interruption]* Madam Speaker, is the Member for San Fernando East objecting to my style in this House?

**Mr. Valley:** That is a lagoon style.

**Mr. Sudama:** Madam Speaker, the Member says that is a style from the lagoon. *[Interruption]* And I know how you object to things and people from the lagoon.

**Mr. Maharaj:** But in 1991 you wanted the lagoon to help you.

**Mr. T. Sudama:** I read closely after having read the headlines, and it was not really a matrimonial announcement. *[Interruption]* The man is the Minister of Finance. It seems as though I am touching a very raw nerve.

**Mr. B. Panday:** It is as if the Member for San Fernando East got married.

**Mr. T. Sudama:** Exactly. It is a vicarious pleasure and a vicarious sensitivity on the part of the Member for San Fernando East.

**Madam Speaker:** Please, let us proceed with the debate.

**Mr. T. Sudama:** Madam Speaker, the article stated that:

"in a reflective mid-term report on his stewardship,"

Finance Minister, Wendell Mottley mentioned a number of things. And this was not in the House of Representatives; this was at the Guardian Life's First Agent Forum. As I said, I have no objection to the Minister speaking anywhere and to anybody. But I should have thought that, at this very critical juncture in the Government's stewardship—we are half-way there, Madam Speaker. We are going on to two and a half years now, mid-term, and perhaps, the Minister could have used this opportunity to tell us something about monetary policy.

I am going to deal with this because one cannot talk about prudential criteria outside the framework of monetary and economic policy. This is what we have become accustomed to in this House—that they take a little area and come here and say this is so important, and refuse to put it in a wider perspective as to how this economy is proceeding, how financial and monetary policy is being geared to address our problems.

This whole issue is about problem solving—solving the problems in the monetary system, the economy and in the society at large. I thought that is why we come here from day to day to look at these things.

The Minister concentrated on the narrow question of prudential criteria, and what they were supposed to do and so forth. I shall come to that later on. Let me put this whole issue in some perspective, in the context in which these regulations are being introduced.

Let us look at the state of the economy. The larger issue is the state of the economy—how we are doing whatever we are doing to pursue the objective. *[Interruption]* Do you have an objection to my speaking in this House? If you do

and you want to leave, you can leave; there is nobody forcing you to stay in this House mumbling during my contribution.

**Mr. Maharaj:** It is the economy that is worrying him, the bad state of the economy, down the drain; and not telling the country.

**Miss Nicholson:** He looks very uneasy.

**Mr. Sudama:** Exactly! It is in the context of the parlous state of the economy that these regulations are being introduced. *[Interruption]* I would have to ignore you; I think it is the expression of a troubled mind that we are hearing from the Member for San Fernando East that I am dotish, and so forth.

**Mr. Manning:** Madam Speaker, just for the record. I made no comment about the Member; it was just about his contribution.

**6.45 p.m.**

**Mr. T. Sudama:** I am just concerned about the Member for San Fernando East and his reactions of late. I am very concerned. After all, he is the Prime Minister of Trinidad and Tobago. If he cannot get hold of himself, all of us are in trouble.

**Mr. Manning:** You are in trouble without me, you know.

**Mr. T. Sudama:** Let us say I am in greater trouble with you.

Madam Speaker, I think we have to look at where this economy is heading, and the role of the financial and monetary policy in pushing this economy in a certain direction. Critical to this whole matter is the adequacy or inadequacy of funding for investment. This reflects the inadequacy of the system of financial intermediation which currently exists in this country. These are some of the large issues. They look at a minute thing and say that is what is important, without putting it in the context of what they are trying to solve.

Then, of course, there is the insufficiency of total savings and the lack of diversity in investment—investment in consumption and production: investment in large, medium and small-scale enterprises, and the diversity we ought to have there. This is the vision that a Minister of Finance ought to have in formulating monetary financial policy in pursuit of a certain objective. Prudential criteria, only a minimal issue.

Therefore, if we have diversity in capital and labour intensive investment and monetary and financial policies, what we ought to put in place to promote

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these objectives, is what will solve our problems, eventually. Prudential criteria are a minuscule element in that, as I will point out.

Madam Speaker, in this news item "I have news for you," the Minister stated that his objective, really, was nursing the economy back to health. This is on the assumption that at some time in the past this economy was in a state of health. All I am arguing today is that this economy—while it was not in such a very serious condition as it is today—was never in a state of robust health. It suffered from some deep-rooted diseases.

He also went on to say that after some painful measures, the health of this economy will be restored. [*Interruption*] I do not know whether the Member for San Fernando East needs some assistance, Madam Speaker.

**Mr. Valley:** I need some assistance. Madam Speaker, while what the Member is saying is quite nice and very interesting, we are really dealing with prudential criteria to ensure that banks do not fail. The Member is speaking about a completely different aspect.

**Mr. T. Sudama:** Not at all, Madam Speaker; he would not listen and wait, and then they keep steupsing and making all sorts of noises.

**Mr. Valley:** Madam Speaker, what is before us—

**Madam Speaker:** I do not think there is anybody in this House that does not understand that when another Member rises it is either he gives way, or says "Madam Speaker, I am not giving way." But for two Members to be on their feet at the same time is to ignore the Standing Orders.

**Mr. T. Sudama:** Madam Speaker, the Member never asked me to give way. He was speaking directly to you. He never had the courtesy to ask me to give way.

**Madam Speaker:** No, I am not complaining; what I am asking is that the rules of the House be observed, be it by this side or that side. Let us just try to observe the rules of the House. Continue.

**Mr. T. Sudama:** Madam Speaker, I want to point out that in pursuing these objectives, bringing these painful measures, he stated the role of monetary policy and the available resources for investment, the nature of investment and so forth. In order to do that you must have a vision of what you are doing, and what will be the outcome. He cannot be unmindful of the trends in the economy. It is a very serious matter.

The way this economy is going, in a few weeks' time we may not even have the opportunity to discuss prudential criteria, because of the downturn that this economy is taking. There was negative growth in the last quarter, contraction in manufacturing, in agriculture, and then there is trade liberalization which is bringing disaster. "Free trade a disaster—worse to come in 1995." These are the dire predictions. There could be all the prudential criteria in the world: if this economy collapses, what is the sense of prudential criteria? "Manufacturing companies in trouble." This is the latest report, June 19, 1994; July 4. This is the trend in the economy.

Madam Speaker, we have all these signals. They are going to further liberalize. What is that going to do to the economy and to the banking sector? [*Interruption*] I am coming to that. It is all related, all intertwined.

**Madam Speaker:** The preamble is rather long.

**Mr. T. Sudama:** Madam Speaker, there is a situation where the loss in the net foreign exchange reserves is critical. There is an increase in the rate of unemployment in Trinidad and Tobago according to the latest report of the Central Bank. There are increases in prices, particularly food items; and these prudential criteria are supposed to bring stability in the banking system. They want to have stability in the banking system and there is no stability in the whole society? So I just want to put this matter in a certain perspective.

There are inflationary tendencies in a situation where the economy is contracting; there is the classic case of what is called "stagflation" in economic terms—stagnation, accompanied by inflation—"stagflation"—a very, very serious signal for the—

**Mr. Valley:** What is "stagflation"?

**Mr. Humphrey:** Stagnation and inflation.

**Mr. T. Sudama:** Sit down, sit down, if you want to be educated—

**Mr. Valley:** Would the Member repeat that definition for me, please?

**Mr. T. Sudama:** Madam Speaker, let me ignore the Member for Diego Martin Central.

**Mr. Valley:** But I want to learn.

**Mr. Sudama:** Your head too hard!

**Mr. Valley:** But try with me nuh, try with me!

**Mr. Humphrey:** "Stagflation"—economic downturn and inflation.

**Mr. T. Sudama:** Madam Speaker, the point is, that with all this happening in the economy, we have this curious situation where we are told by the Government, by the Ministry of Finance and the Central Bank, that there is too much liquidity in the system. This means too many financial resources which cannot be utilized.

**Mr. Humphrey:** They are not being utilized.

**Mr. T. Sudama:** Therefore, they have decided they are going to increase the statutory reserves at the Central Bank. That says something about the nature of the economy and the nature of Government's economic, monetary and financial policies, as well. While there are so many unutilized resources, there is a need for investment funds in certain areas of the economy, with respect to small business, but at the same time the Government sees it fit to cream off—they have done so in April, you know. In April they raised the reserve requirement from 16 to 18 per cent. Now they have raised it from 18 to 20 per cent, and this is designed to decrease liquidity in the system by \$800 million.

**Mr. Humphrey:** To conserve foreign exchange.

**Mr. T. Sudama:** Now, what is the objective of this? It shows the contradictions in the kind of economy they operate and the fact that the Government do not have a clue as to how to address the problems; and they are using the same old measures to which they have been accustomed to deal with the situation. All they do is take off liquidity in the system, force the system to operate at a much lower level than it is capable of operating—much lower trading levels and so forth.

**6.55 p.m.**

By that measure, unemployment will increase in the society, leading to a spiral where there will be less and less employed resources in the society, and the increase in the reserve requirement causes an increase in interest rates. Prime rates have gone up from 15½ per cent to 16½ per cent. What does that mean? That fewer and fewer people will be in a position to borrow, yet we are in a situation where the economy is contracting, the unemployment situation is getting worse and worse. I am amazed that we have been in this pattern for so many years and the Government cannot see that something has to be wrong with this system.

Our over-reliance on imports—and they are further opening up the system to imports—what was this measure designed to do? To protect foreign exchange

reserves, because every time there is more liquidity in the system, people tend to consume more, and that consumption is reflected in increased imports. We are not pursuing a developmental economic policy to deal with that problem. Not at all. That is to show there can be all kinds of regulations coming to this House, but we are not dealing with the fundamental problems that we face.

Furthermore—and it is a contradiction of his own policy—the Minister says that we are not going to deal with these matters in an administrative way; that if we are going to reduce liquidity in the system, we are going to do it through the market mechanism, that is, we are going to do it through the sale and purchase of Treasury Bills and other instruments. What has happened to the market mechanism? Why have they had recourse to taking Central Bank administrative action in April and now to deal with their liquidity problems? Why? Because their market mechanism is not working.

Given the way things are going and given the governmental policy, this economic policy and strategy that is being pursued is destined to have this economy function at a much lower level than its potential for production and resource utilization. We shall never have development plans for this economy in this frame in which they are proceeding with these policy prescriptions.

We do face a problem of influencing savings into diversified and productive areas of the economy, in which case the monitoring of the banks' prudential criteria and so forth, will have a different perspective. Banks get into trouble more often than not when the economy is in decline. When the economy is buoyant, providing, of course, one is not irresponsible in one's banking management and administration, then prudential criteria necessarily take a secondary role.

The fundamental thing is to get this economy functioning productively at a higher level of capacity than it is now. I shall have to teach this to him but not in this lecture today. A few more lessons will be needed. Some of my statements need to be read. The key to it is the nature of investment. *[Interruption]* Oh, you do not have time. I thought you were asking me how just now. What do you have time for?

Now, how do we influence savings into diversified and productive areas of the economy? Here, for example, high priority must be given to ventures, enterprises—

**Madam Speaker:** When is the Member going to get to the Motion?

**Mr. T. Sudama:** —there is a link—enterprises and so forth with significant employment creating potential. So that when a man is given a loan and he is

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employed with no risk of retrenchment, his capacity to repay that loan is much higher and, therefore, that redounds to the stability of the banking system. Now, that is the problem.

If we have a system where there are financial resources in the form of savings, and they are not being deployed into areas of productive investment, then there is a problem with the role of our financial intermediaries and our financial institutions. What is the capacity of the banks and financial institutions as they currently operate to effectively promote this objective?

This brings me to the state of the banking sector as the major financial intermediary in this country, how that banking sector is regulated by the Central Bank and the supervision which the Central Bank provides. Prudential criteria have to do with the operation of banks in a certain way in order to maintain confidence in the banking system, so that the banks operate with a certain degree of prudence to ensure that their depositors' money is not at risk and that sort of thing. That is what laying out prudential criteria is for.

What I am arguing is that this depends to a large extent on the capacity of the Central Bank to carry out the monitoring. We have been told in the past it could not be carried out, or nothing could be done about it, because they did not have rules and regulations. I will come to that later on. But the experience of the Central Bank, in its attempt to monitor the commercial banks, particularly the commercial banks in which the Government had substantial investment, has not been a happy one.

Do you remember the fiasco that attended the three banks—Workers' Bank, National Commercial Bank and the Co-operative Bank, in that, the Central Bank said that they had to step in to save these banks and, therefore, to maintain the stability of the banking system? In doing that, the question arose whether the Central Bank acted properly, prudently and expeditiously.

It is not a question one could ignore when one is talking about prudential criteria, control and supervision over the banking system, because if prudential criteria are put in place, the Central Bank would still be needed to carry out that monitoring function on a continuous basis. I am arguing on the basis of the experience we have had of the monitoring of commercial banking activity by the Central Bank in the past.

For instance, the manner in which the first national commercial banks were created does not give people much confidence in the stability of the system. First of all, these banks—National Commercial Bank, Workers' Bank, Trinidad Co-

operative Bank—were able to accumulate enormous bad loans. Millions of dollars which related to the quality of their banking management, to the quality of their loan portfolio, to the quality of their risk assessment—and all these are matters that have been dealt with by prudential criteria—and involved the Central Bank finding millions of dollars to go to their rescue, to save them from collapse.

**7.05 p.m.**

Billions of dollars—I understand it turned out to be—which, if that need had not arisen, resources could have been accessed and redeployed for meaningful development of this country. The Government had to use those resources in order to prop up much waste, corruption and mismanagement in the financial system. This is our experience.

I asked in this House that we have an inquiry into the circumstances leading to the establishment of the First Citizens Bank by the action of the Central Bank, the losses incurred and the uncertainty with regard to the shareholders of the Trinidad Co-operative Bank. When one reads the background, one would see that there is no confidence in the operations of the Central Bank itself. Here is a Central Bank in which the Governor is not speaking to the Deputy Governor, according to what I read.

**Miss Nicholson:** How do you know that?

**Mr. T. Sudama:** This is what I read. I have all these papers here. How can there be a proper monitoring situation when there is the Central Bank in total confusion and Euric Bobb has to be called back to be a part of all sorts of mediation? This is the institution which has to monitor the commercial banking system! This is where prudential criteria are being established! It undermines the confidence of people in the banking system that it is, in fact, adequately supervised.

With respect to the capitalization of the First Citizens Bank—and prudential criteria have to deal with capital adequacy—how was that capitalization created? These are things we have to discuss: the treatment of preferred loans; the reasons for these banks getting into trouble. This is what prudential criteria and the adherence to it are trying to do—to prevent banks from getting into trouble by making these types of loans which are not justified. That is the reason for it.

For example, how would prudential criteria have applied to the loan losses where a Minister of Government was involved? The Minister went into an investment. We do not know what sort of analysis was made when that loan was granted to him. The personal relationship which comes into the granting of loans

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may not have anything to do with proper banking criteria. For example, was there proper analysis with respect to the loan which was granted to the Minister of Planning and Development for his venture into mall building? Was there proper risk judgment in making that loan?

How will prudential criteria, which we are seeking to establish, assist in this kind of situation? I should like to know from the Minister of Finance whether there was any idea that the loan loss provision would have to be of the order that debt forgiveness could have been granted, or even offered. It has to do with prudential criteria and the operation of the banking system!

One cannot have a banking system which does not explore all avenues of recovering its loans, and then offers loan forgiveness. What kind of balance sheet and operation would one have? If I were to read the article in the *Daily Express* of December 9, 1993:

"Planning Minister...and his wife...have been released from personal guarantees they gave to secure a \$12 million consortium loan from five financial agencies."

Three of those agencies were in fact commercial banks—"released from personal guarantees". Where do prudential criteria come in here? How will prudential criteria deal with that situation? I would like to know because it seems to me to have been a personal transaction, between certain banks and this individual who is now a Minister of Government.

There is much we need to know about the banking system. We are bringing laws, rules and regulations, yes, that is fine. One may plug a loophole here and another there, but if one were to look on a long-term basis one would see that there are many weaknesses and problems with the monetary and banking system.

I urge the Government to set up a commission of inquiry into the monetary and banking system of Trinidad and Tobago. Let us have inquiries which would enlighten us on how this system really operates and whether, in fact, it operates to the benefit of the people and the development of Trinidad and Tobago generally. I am sure such an inquiry will identify some of the weaknesses and inadequacies in this system.

We do not operate a perfect system, and, in fact, given the problems we have, it is clear that something is seriously wrong with our banking and monetary system. In light of the contradiction I just mentioned and the fact that proper intermediation in the financial sphere is not being done; that savings are not being

channelled into the areas where they may be of the best use; and the fact that we do not know how risks are assessed by the banking system, we do not have a clear picture.

This is for public knowledge: we would have an identification of the weaknesses and inadequacies and having done that, we would then have an idea of how to assess the relevance of policy prescriptions coming from the Government, because we may be pursuing a policy which may be totally irrelevant to dealing with the problems we face in the monetary and banking sector.

Such a commission would increase the education and awareness of the public, which is very important to how this system works: whether it works to the disadvantage of people. How would one determine whether a loan is granted to this proposal or the other; what are the mechanics really? People out there really do not know. All they know is that they go to a bank, the bank makes an assessment—on one basis they provide certain information—but on what basis is that final assessment made to approve or not approve? One is none the wiser. An inquiry might throw some light on this whole operation.

An inquiry into the banking and monetary system will, I am sure, enhance the competitiveness of that system, and if we enhance the competitiveness, this would redound to the benefit of all concerned—borrowers, lenders and the wider community.

**7.15 p.m.**

It would also “free up” the sector because what we are having is a tendency towards monopolistic practices there. We had a situation where Republic Bank was doing all in its power to take over the Bank of Commerce. If it had done that, by its overwhelming control over the total volume of banking assets in the country, Republic Bank would have been in a very strong monopolistic situation in Trinidad and Tobago. It may be, given the nature of the economy, that that is inevitable. I am saying we cannot come to that judgment unless we know more about how these systems operate and the motivation behind this.

Today, I make an appeal to the Government in the interest of the country and in the interest of greater knowledge of the banking and monetary systems. To set up such a commission to delve into the practices and procedures, and into the way these institutions operate, I believe it would be to the benefit of all concerned, including the Government.

**Mr. Manning:** Which institutions?

**Mr. T. Sudama:** Commercial banks and other financial intermediaries. The Minister of Finance made heavy weather of the fact that he was applying criteria established by the Basle Committee to our own system, in order to bring about greater stability in the banking system. I want to inform him that confidence in and stability of the banking system are not dependent on prudential criteria only; it is the context in which one operates. It is whether one has confidence in the Central Bank as a method of supervision. It is whether people have confidence in the economy. It is the nature of the economy which will decide whether there is eventually confidence in the banking sector, whether there is sufficient diversity in the economy, and whether the potential for development exists.

We would like to be enlightened on the role of prudential criteria in the perspective of how they will assist in promoting general economic objectives. We have focussed on a certain area—and it is important we focus on this area—but there are other issues to concern oneself with. If we over-focus on conservative approaches and lending—it is necessary to do that to some degree—and we exaggerate risks in a sense, particularly risks associated with fruitful enterprises, which will create jobs, enhance production and promote exports; and if we over estimate those risks, then we can have prudential criteria in our kind of economy operating with a bias which may tend to restrict an adequate level of lending in the society.

It is not a question of the level of lending: it is a question of what the lending is for. What the type of risks undertaken are for. That is something that requires much greater study. The major objective of the protection of depositors, yes, but a banking system must have a balance of objectives, and in the economy there is to be a balance of what one wants to achieve. There are different objectives.

The question of introducing capital adequacy and requirements which may be necessary, the treatment of accrued interest—and I agree that one ought not to overstate one's profitability position on one's balance sheet, that when loans have been regarded as having gone bad, sufficient provisions ought to be made and, indeed, the interest on those loans ought not to appear as balance sheet items. But, there is a more fundamental matter in determining, in the first instance, what the loans were for and the management of those loans, so that the portion of the loans which goes bad is minimized. Then there are the assets which are adjusted for risk.

One thing I did not understand when the Minister was speaking is that if you have a cash deposit as collateral for a loan, why should that cash loan not be

considered as a zero or minimum risk loan. He said that was one of the areas of disagreement with the bank. The Ministry of Finance and the Central Bank stuck to their guns and did not agree with the banks' proposal on that.

That brings me to the manner in which risks are assessed—these prudential criteria. What we have had is a kind of blanket categorization and a broad-brush approach to categorizing risks. One wonders whether that broad-brush approach is the best thing for Trinidad and Tobago with respect to our economy. Then there are those carrying zero risk and those with 10, 20 and 50 per cent risk.

**Madam Speaker:** The hon. Member's speaking time has expired.

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

*Question put and agreed to.*

**Mr. T. Sudama:** Thank you, Madam Speaker. These kinds of detailed inquiries cannot really be debated in the House. This prudential criteria matter should be handled by a committee with expertise at its command, where we go into the details of all these things—the ratios that have been given to us, the risk weighting, for example. You cannot do it in the form of a debate.

I have argued time and time again that where there is technical legislation, it cannot be handled in the course of a parliamentary debate. There should be another procedure to deal with the details of that before it is brought to this House to be discussed in terms of general principles.

The question is, whether the assessment of risk may not have to be more finely tuned to deal with specific situations of lending and instruments of credit. I have already dealt with the Central Bank's capability to monitor operations under these regulations. These sanctions might have been in the original regulations—these sanctions which will be employed for infractions of these regulations. What kind of sanctions, and will the Central Bank get in there in time to note the trends that are occurring in the loan portfolio? If they do get there in time, what sort of sanctions can they employ to address the situation? These things are not clear.

**7.25 p.m.**

If there was such a commission, the Central Bank would have told us what it can or cannot do. Such a committee would have other expertise at its disposal. We on this side of the House would like to have not only Prudential Criteria Regulations; we should also like to be assured that there is the capacity to effectively implement and monitor these regulations.

The Minister also mentioned that he took these ratios wholesale from the Basle Committee recommendations. While that was a guideline, I was wondering to what extent those guidelines may not have had to be amended to deal with the local situation. This is a question I do not think he has really addressed. The other conclusion that I could come to is that there was no need at all to amend these guidelines and ratios which were brought before this House.

I want to make another significant point. While prudential criteria and capital adequacy requirements are necessary, absence of them is not the major reason for bank failures. The major reason for bank failures is, getting into crises of liquidity. That is when they are not able to pay their claims as and when they arise. That is a liquidity question. Again, we should like to know that this liquidity question is being properly and effectively monitored.

Of course, another major reason for the liquidity question is the portfolio of the bank in their lending repayment schedules, and the schedule of receipts of payment, where they are able to meet their commitments as and when they arise. It has to do with a fair degree of bank planning and management, the ability to look into the future and to assess those values.

The other reason that banks fail, to a large extent, is the inadequacy of their management, both in terms of their technical capacity to make valid and rational risk judgments, and their corruptibility. That is very important in these matters. We know of instances where officers took loans.

If I were to go through some of the reports of the Inspector of Banks which were made public, you would see the absolute scandal which existed in the National Commercial Bank; Workers': Bank and the Co-operative Bank with respect to the way officers were lending money to themselves and their friends. They were getting kickbacks knowing full well that those loans could never be repaid, and would end up as bad loans and losses.

One might say that is a problem for the banks, that they should have a system of monitoring the actions of their own management. If for any reason the banks are delinquent, do we have a supervisory level of monitoring from the Central Bank which can address that situation?

Another reason for the failure of banks is where they have not diversified their lending portfolio: where there has been a concentration of lending in particular sectors. That sort of problem cannot be addressed by these Prudential Criteria Regulations. That has to do with the judgment of the banking officials concerned and the attempt to diversify the loan portfolio to seek out areas where one could

judiciously make loans which would be spread. By doing that the risks are minimized by virtually spreading them.

I am sure that all these areas are well known to people in the banking sector. These are areas which are additional to the controls now being proposed in the Prudential Criteria Regulations. Such a principle is even known to the Member for San Fernando East, the Prime Minister. In the early part of the year when he was speaking to the credit unions, he said that they should not lose sight of the principles of sound credit management and standards of prudential behaviour.

The Prime Minister explained that credit unions must avoid falling into the trap of sympathetically lending to their members without adequate credit management—the dilemma credit unions face when members request financial aid but are not able to pay. In the final analysis, there can be no doubt how it must be resolved. Those are very sound words. The Prime Minister could be a banker.

I wonder if he applied those views to the loan of his Minister of Planning and Development? It is very nice to give advice to others, but he should be following his advice. In the case of someone who is close to him and has such a high profile, he should find out whether that person's borrowing falls within the framework that he is advocating for other people; whether his borrowing was not more sympathetically considered than other people's.

Quite apart from ratios, procedures and rules, banking is a matter of integrity in handling other people's money. There is the position of trusteeship that the banker enjoys.

Now, there are certain risks which are not covered and, of course, have to be dealt with by the Inspector of Banks in his monitoring of the banks. For example, there is the exposure to exchange rate risks. Now, we are told that the commercial banks can deal in foreign exchange. There is a more liberalized approach to the holding of foreign exchange and their exposure, their liabilities on the foreign exchange account and their assets on that account and the profit which is accrued. Would that pose a problem in our situation? If it is likely to do so, is the Central Bank on top of that? I do not think that this is covered by the Prudential Criteria Regulations.

I do not think interest rates are really risks in Trinidad and Tobago. That is, the exposure with respect to what has to be paid out on interest on deposits, and what is gained from lending; the balance between those two and the flow. I do not think that ought to be a problem here, because the profit and loss statements of these banks and the spread show that it is about eight per cent minimum gross

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they make on what they pay on average for deposits and what they get on average for their loans. So they make a fair amount. I do not think there is an interest rate exposure risk because of the monopolistic situation in which the banks operate.

**7.35 p.m.**

There is this understanding among the banks in this country. Banks do not compete on critical things; they compete on giving an additional card for Christmas. They hardly ever compete on their lending and borrowing rates. What you have is the banks operating—if I may use a much abused word—in a kind of oligarchic system: an oligopoly manipulated by an oligarchy. Despite all the advertisements in the media, there is not much competitiveness among the banks.

If one bank raises its rates today, then within a matter of days or weeks the others raise their rates. When it comes to the interest they pay, there is very little competition. One may pay a little higher rate until the others very quickly get in line. This is the way the commercial banking system operates in this country. That is the reason why we must have some type of inquiry into the overall system in order to enlighten us.

There are other reasons but I do not want to go into these technical matters. I myself have been a banker. I have had training and experience in various spheres of banking and these are technical matters which I do not want to belabour in this House. When I left those institutions, I did so because I was placed in an environment which operated in a way which I felt offered me no future. I do not want to go into that, but I have spent a long time in the banking system in the United Kingdom and here in Trinidad and Tobago. I had a stint with the Central Bank of Trinidad and Tobago. I see my friend the Inspector of Banks smiling broadly. I am sure he remembers those days when we were all supervisors.

There is much to be said. One would say that when these regulations are brought to the House there should be no debate, but there ought to be a measure of debate with respect to the relevance in our particular situation. This House assembles to deal with larger problems. If this House were to meet only to discuss eight and two per cent ratios, we should not really be coming here. What do the eight and two per cent ratios do and what do prudential criteria do with respect to the operation of the banking system? How does the banking system promote national economic development? These are the larger questions, but the Member for Diego Martin Central, with the limited nature of his perspective on any matter which comes before this House, is to be pitied, if not deplored. But I leave him to his own devices. He does not have very long to go in the political system of

Trinidad and Tobago, and whatever services he may have provided to his party are so limited that they do not merit comment.

I raise these issues to give an idea of the contradictions that we face in a monetary and banking system of our type; the contradictions we face in the economy; the fact that the Government has no clue of how to solve the problem and to generate development in the society. Of course, I also make a plea for a commission of inquiry into the whole system for the purposes of public awareness and the founding of policy prescriptions on a more rational and relevant basis.

I thank you.

**The Minister of Finance and Minister of Tourism (Hon. Wendell Mottley):** Madam Speaker, for the second time in a few short hours we have had discursive comments from the Member for Oropouche. First, he was telling us about his university career way back in pre-independence days; now we have had his banking experiences going way, way back, so way back in fact that I would think that he was a whe whe banker.

The hon. Member for Oropouche has one thing correct: that is, if the economy were to improve, then it would considerably assist all businesses, banks included. It could float all ships and place less of an onus on the prudential and other requirements that are being put into law here today.

In another place I outlined the fact that after taking a number of measures, there were clear signs that the economy was on the mend and that there had been, in the last quarter of 1993, strong and positive real growth which had continued into the first quarter of 1994, and we are expecting it to continue in the quarter just completed. Once the economy mends, then the chances are that loans will succeed in the purposes for which they were made originally, and loan defaults would be lower. But that does not detract from the business of regulations, because one does have to regulate for all seasons.

There is something known as a business cycle, and even though we confidently expect that we are on the upswing now, as sure as night follows day, there will be periods in the future when the economy will go into decline again. Therefore, we must put in place regulations that are the companion to the parent Bill that was approved last year.

I would strongly recommend that the Member for Oropouche again read the Financial Institutions Act, 1993, because much of the concerns he had are

addressed in the parent Act. He is correct: capital inadequacy such as addressed in the regulations is but one reason why banks fail. The others are over-concentration, which is addressed in section 22 of the parent Act, and in there are stated ways in which banks must comply so as to prevent over-concentration of loans.

**7.45 p.m.**

Section 25 addresses the liquidity. Liquidity does cause banks to fail and here every licensee shall hold and maintain a reserve fund to be known as the statutory reserve fund. All outlined in the parent Act.

Again, the Member spoke about management of the banks. Yes, this is a valid criticism, and indeed, the National Commercial Bank was guilty of, perhaps, expanding too quickly during the boom period. It established a multitude of branches overnight and, perhaps, the highest standards of recruitment were not adopted. It attempted to manage all of these newly formed branches, whereas other banks had acquired theirs gradually over a period of years, in which they could grow their own talent, test them, supervise them and then move them out. And it is true that we have, in fact, paid the price for that.

However, the Central Bank cannot be accused of not having done its job, first in doing due diligence in the banking system over several years past. The Inspector of Banks went in and did make reports on all of the banks in Trinidad and Tobago and was diligent in pointing out some of the inadequacies, including points on illiquidity, poor loan provisioning and poor management in some of these banks.

But as I pointed out last year when we were discussing the parent Act, the Central Bank was then constrained, in that it had an all-or-nothing approach to regulation as delineated in the law. It virtually had to close down a particular operation in order to address some of the problems it had been reporting upon. That is why the new legislation calls for cease and desist orders; the Central Bank can bring a bank in line before any of the delinquencies become terminal.

The Member also asked about the penalties for breaches along the line. Again, this is clearly pointed out in the Act. It says here in section 38(5):

"A person who contravenes any requirement imposed under this section is liable on summary conviction to a fine of one hundred thousand dollars and in the case of a continuing offence, to a fine of ten thousand dollars for each day during which the offence continues."

There are very strong penalties within the parent Act for contraventions of the Act.

The question of confidence in the banking system is again a point raised by the Member for Oropouche. Trinidad and Tobago, certainly by international experience, has good reason to have general confidence in the operation of its banks. Banks here have been rather conservative in their operations. There have been instances of imprudence, but there has not been a widespread experience in this community of serious bank improprieties. It has come out of a tradition of branch banking from parent banks abroad where they have continually sent down their auditors, and even when those banks were localized, they continued the tradition of internal inspections bolstered by Central Bank inspection, even though the Central Bank did not have the power at those early stages.

#### SITTING OF THE HOUSE

**The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley):** Madam Speaker, I beg to move that this House continue in session until the completion of the matter before the House.

*Question put and agreed to.*

#### FINANCIAL INSTITUTIONS (PRUDENTIAL CRITERIA) REGULATIONS

**Hon. W. Mottley:** Madam Speaker, there was a tradition of compliance with overseas auditors and with the request, generally, of the Inspector of Banks in Trinidad and Tobago from the Central Bank. The conditions that now prevail in Venezuela are not the conditions that can generally be said to be applicable in Trinidad and Tobago.

Our community can feel reasonably assured that the confidence that it has placed in the banking system is well positioned. With this legislation in place, and now the first batch of regulations, that confidence should be bolstered. Let me add that these regulations now before us are but the first; there will be others to follow.

The Member for Oropouche raised questions about regulations concerning foreign exchange transactions, derivatives and so forth, which clearly need to be regulated. We contemplate bringing such regulations later on to this House. For instance, the matter of derivatives—we await the experience in the United States, especially, for regulations in these matters which are now very much under current study. There have been some large losses associated with the banking

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system in the United States, and it is expected that the Federal Reserve System will be bringing regulations to bear on these very modern banking instruments in the near future. We will seek to learn from their experience and at a later stage bring such regulations before this House.

In the meantime, Madam Speaker, I commend these regulations to this House. As I said, they have been the subject of much discussion between the commercial banks and the Central Bank and I confidently expect that they represent a considerable improvement on where we were before.

I thank you, and I beg to move.

*Question put and agreed to.*

*Resolved,*

That the Financial Institutions (Prudential Criteria) Regulations be approved.

#### ADJOURNMENT

**The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley):** Madam Speaker, I beg to move that the House do now adjourn to Friday, July 29, 1994 at 1.30 p.m. On that day we shall do the Land Acquisition Motion as well as the Development Loans Bill.

**Madam Speaker:** Will you also be completing the Economic Sanctions Bill on that day?

**Hon. K. Valley:** Yes, Madam Speaker.

**Madam Speaker:** Is there any Motion on the Adjournment today?

**Hon. K. Valley:** No, Madam Speaker.

*Question put and agreed to.*

*House adjourned accordingly.*

*Adjourned at 7.55 p.m.*