

HOUSE OF REPRESENTATIVES*Friday, November 18, 1994*

The House met at 10.10 a.m.

PRAYERS[MADAM SPEAKER *in the Chair*]**ORAL ANSWERS TO QUESTIONS**

The following questions stood on the Order Paper in the name of Mr. Trevor Sudama (Oropouche):

**Recreation Grounds, Victoria
(Report on Visit)**

4. Could the Minister of Sport and Youth Affairs state:
- (a) Whether a report was submitted to her by officials of her ministry with respect to a visit to recreation grounds in the Victoria section of the Oropouche constituency on April 21, 1994?
 - (b) Whether any recommendations were made with respect to the improvement and upgrading of the grounds and facilities?
 - (c) If the answer to (b) is in the affirmative, whether funding could be made available from the Ministry of Sport for this purpose?
 - (d) Why no arrangement has thus far been made for a visit to the recreation grounds in the St. Patrick section of the Oropouche constituency as promised on April 21, 1994?

**Debe Community Centre
(Provisions for Repair Work)**

5. (a) Could the Minister of Community Development, Culture and Women's Affairs state whether any provisions have been made in 1994 for repair work on the Debe Community Centre?
- (b) If the answer is in the negative, could the Minister state why not?

The following question stood on the Order Paper in the name of Mr. Sahid Hosein (Siparia):

**Clarke Road Booster and Penal Rock Road Main
(Replacement of)**

9. Is the Minister of Public Utilities aware:
- (a) That the Clarke Road booster needs replacing?

- (b) That the Water & Sewerage Authority (WASA) main on the Penal Rock Road needs to be replaced?

If the answers to (a) and (b) are in the affirmative, can the Minister indicate how soon remedial action will be undertaken?

The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley): Madam Speaker, of the questions on the Order Paper today, the Government is asking for a deferral of three questions and will answer the other five. The three questions for which we are asking a deferral are questions Nos. 4, 5 and 9.

Question proposed.

Mr. Maharaj: Madam Speaker, it seems to be the practice now that the Government, as a matter of course, asks for these postponements. Under the Standing Orders there is a certain amount of time before we get answers, and when the Government does this it is really undermining the parliamentary process. I would like to make an appeal to the Government that, okay, we can do it this time, but let us see whether, in future, you could get the Opposition's questions answered within the time frame.

Hon. K. Valley: Madam Speaker, as you know, the Government answers all questions within the session. From time to time the Government would require an extension of time. The Standing Orders allow for a 21-day period, and it allows the Government, with the agreement of the House, to have further time. There are eight questions on the Order Paper today. We are answering five of those questions. We are asking for a deferral of three, because the information is not available as yet, but I can assure the Member for Couva South that this Government answers all questions and will continue to do so.

Mr. Maharaj: On time!

Questions, by leave, deferred.

Hon. K. Valley: Some of the Members are not even here to ask the questions. I could deal with the questions, but the Member for Oropouche is not here.

Madam Speaker: You have asked for the deferral and now you want to answer; I do not know what is going on.

All right, proceed please. We come to question No. 6, Member for Oropouche.

Hon. K. Valley: He is not here.

Mr. Maharaj: Madam Speaker, I wonder if we can defer this for—
[*Interruption*] The Member is on his way.

Madam Speaker: For one week?

Mr. Maharaj: The Member is on his way.

Hon. Member: Just until he comes.

Madam Speaker: The Member means “stood down”?

Mr. Maharaj: Yes, stood down. I did not ask for it to be adjourned.

Madam Speaker: All right. Member for Tobago East.

Widows and Orphans Pensions Scheme (Computation of)

7. **Mr. A.N.R. Robinson** (*Tobago East*) asked the hon. Minister of Finance:

- (a) Is the Government aware that as a result of a recent change in the method of computation of pensions under the Widows and Orphans Pensions Scheme, pensions now paid to widows and orphans of public servants have been drastically reduced and that these dependants of civil servants who gave long and dedicated service to their country and contributed over many years to the scheme are now in dire financial distress owing to the unconscionably low level of their benefit under the scheme?
- (b) Will the Minister state how this deplorable situation came about and what the Government proposes to do about it?

The Minister of Finance and Minister of Tourism (Hon. Wendell Mottley): Madam Speaker, there is no change in the method of computation of pensions under the Widows and Orphans Scheme. The payment to widows and orphans is based on a separate contributory scheme in which the basic pension payable is determined in accordance with the Widows and Orphans Pensions Act, Chap. 23:54. The quantum of the pension to be paid is determined by the number of contributions made and the age of the widow on the death of the contributor. It must be noted that with the introduction of the National Insurance Scheme, all contributions by public officers to the Widows and Orphans Scheme ceased, although with the payment of the national insurance contribution, a portion was notionally applied towards the Widows and Orphans Scheme. The Government of Trinidad and Tobago, being cognizant of the fact that—

Oral Answers to Questions
[HON. C. IMBERT]

Friday, November 18, 1994

- (1) the basic pension of widows and orphans as determined by the scheme was inadequate in view of the upward movement in the cost of living; and
- (2) a revision of the salaries of all public officers was undertaken and increases in salaries and pensions to public officers and public service pensioners, respectively, were approved;

agreed therefore to an increase in the basic pension of widows and orphans pensioners in 1972, by Cabinet Minute No. 1922 dated October 19, 1972.

Over the years there were several instances of increases in pensions granted by Government. However, it is quite clear from statements made by the respective Ministers of Finance in their budget presentations that the increases in pensions were intended for pensioners who were retired public servants. Widows and orphans of deceased public officers were not included in any category of pensioners to benefit from the increases granted in accordance with the 1975—1986 budget statements. The Treasury Division of the Ministry of Finance, having regarded Cabinet Minute No. 1922 of October 19, 1972 as a basic authority, applied increases similar to those granted to retired public officers to beneficiaries under the Widows and Orphans Pension Act. Absence of the relevant authority to support these increases has resulted in all computations and payments approved from January 1, 1994 being made to beneficiaries without increases identified during the period 1975 to 1986.

Steps are being taken to achieve the following:

- (1) The ratification of enhanced payments made by the Treasury to beneficiaries under the Widows and Orphans Pensions Act, consequent on the budget statements of 1975, 1978, 1981, and 1986 wherein increases were granted to public service pensioners; and
- (2) The continued payment of the said increases to all beneficiaries under the Widows and Orphans Pensions Act, Chap. 23:54.

Mr. Robinson: Madam Speaker, supplemental question. Why was ratification not sought for the payment of the increases before termination of those increases which had been paid for a long period of time and which had come to be accepted as a practice and the norm?

Hon. W. Mottley: Madam Speaker, one has to put oneself in the shoes of the public servant. They thought they were acting with authority. They found that they did not have the authority—they immediately ceased. Then we come to try to correct and straighten out the authority.

Miss Nicholson: Madam Speaker, a supplemental question. Is it fair to the wives of public servants at the level of permanent secretaries to be receiving only \$500 per month, after thousands of dollars have been paid? How are they to maintain their families? I would like that question to be answered. It needs quick answers.

Hon. W. Mottley: Madam Speaker, we entirely empathize with the situation and, therefore, we are moving swiftly to correct it, but there is a specific authority that a public servant has to observe. I entirely empathize with the concerns of the Member for Tobago West and give the House the assurance that the matter is being dealt with swiftly.

Mr. Robinson: Madam Speaker, if I may be permitted my second supplemental question: Will the Minister issue instructions that on such occasions such matters be brought to the attention of the Minister and action not be taken automatically by the public servant?

Hon. W. Mottley: Madam Speaker, that is not phrased as a question. I understand the Member's concern, and that will be reflected in policy.

Madam Speaker: Questions Nos. 8, 9 and 10 are from the Member for Siparia. Do you want those deferred?

Mr. Maharaj: No, I will take the answers on behalf of the Member for Siparia.

10.20 a.m.

**Telephone Services
(Penal Rock Road and Scotts Road)**

8. Mr. Ramesh Maharaj (*Couva South*) on behalf of Mr. Sahid Hosein (*Siparia*) asked the hon. Minister of Finance:

- (a) Is the Minister aware that after giving several commitments to install telephone services at Penal Rock Road and Scotts Road, Telecommunications Services of Trinidad and Tobago (TSTT) has consistently renege on these assurances?
- (b) Can the Minister indicate to this House what has been the constraints and when will a full telephone service be introduced to these areas?

The Minister of Finance and Minister of Tourism (Hon. Wendell Mottley): Madam Speaker, Telecommunications Services of Trinidad and Tobago has

not reneged on its assurances to install telephone services at Penal Rock Road and Scotts Road. In its five-year business plan, 1992-1997, TSTT undertook to provide full telephone services to these areas by 1995. The schedule for the introduction of full telephone services at Penal Rock Road and Scotts Road has been dictated by the resource capability of TSTT and competing demands for its services.

As a matter of policy, TSTT has been giving priority to higher demand areas. However, the company has informed us that full telephone services will be provided at Penal Rock Road and Scotts Road by November 1995.

Madam Speaker: Is the Minister of Public Utilities here for question No. 9?

Mr. Valley: Question No. 9 was deferred.

Madam Speaker: I beg your pardon. Yes. Question No. 9 was deferred.

**Agricultural Access Roads and Bridges Programme
(Boodoo Trace No. 3 Bridge)**

10. Mr. Ramesh Maharaj (*Couva South*) on behalf of Mr. Sahid Hosein (*Siparia*) asked the hon. Minister of Works and Transport and Minister of Local Government:

- (a) Can the Minister indicate whether the Boodoo Trace No. 3 bridge (Penal/Debe Regional Corporation) is earmarked for reconstruction under the Agricultural Access Roads and Bridges Programme?
- (b) If the answer is in the negative, will the Minister indicate under which programme this bridge will be constructed?

The Minister of Works and Transport and Minister of Local Government (Hon. Colm Imbert): Madam Speaker, it is unlikely that the Boodoo Trace No. 3 Bridge will meet the criteria set out by the Inter-American Development Bank (IADB) for bridges to be reconstructed under the Agricultural Access Roads and Bridges Programme.

The bridge will, therefore, have to be reconstructed by the Penal/Debe Regional Corporation under its development programme.

Mr. S. Panday: Supplemental question, Madam Speaker. Could the hon. Minister state why that bridge will not fall under the specifications of the IADB?

Hon. C. Imbert: Madam Speaker, there are a number of criteria that have to be fulfilled, including an internal economic rate of return at 12 per cent. There are other criteria relating to environmental conditions and the type of agriculture in

the specific area. A preliminary analysis has been done and the bridge will not meet the required criteria.

Mr. S. Panday: Supplemental question. I am asking the hon. Minister about that particular bridge. Under what heading does it not qualify for the IADB requirements?

Hon. C. Imbert: Madam Speaker, I am afraid I cannot give that level of detail. I will most certainly inform the Member for Siparia about the precise criteria under which the bridge cannot meet the loan requirements.

Mr. S. Panday: Supplemental question, Madam Speaker. Can the Minister state when the Member for Siparia will be so informed?

Hon. C. Imbert: Madam Speaker, I can make that information available within the next week.

Mr. S. Panday: Thank you.

Road Repairs/Replacement (Tabaquite Constituency)

12. Mr. Ramesh Maharaj (*Couva South*) on behalf of Mr. Carl Singh (*Tabaquite*) asked the hon. Minister of Works and Transport and Minister of Local Government:

- (a) Is the Minister aware that the area from Tabaquite Composite School to the Guaracara/Tabaquite Road has now become practically impassible in some areas from Tabaquite and surrounding areas?
- (b) If the answer is in the affirmative, could the Minister state when the above section will be repaired/resurfaced so as to alleviate the suffering of the residents, as this is the main connecting link between Riversdale, Farnum, Lower Piparo and the Tabaquite Composite School to the Guaracara Tabaquite Road?

The Minister of Works and Transport and Minister of Local Government (Hon. Colm Imbert): Madam Speaker, the Minister is not aware that the Guaracara/Tabaquite Road has become impassable. The Minister is aware, however, that temporary work was done to several sections of the Guaracara/Tabaquite Road in an effort to ensure that it is passable.

This year, 1994, under the Road Improvement Fund Programme, substantial reshaping and repaving works were done to the road at a cost of \$960,000; specifically between the zero and the 8 mm. A further \$60,000 was spent between the 15.9 and 16.8 mm. Funds were not available, however, to adequately repair all

Oral Answers to Questions
[HON. C. IMBERT]

Friday, November 18, 1994

the areas of the road that require attention and it was decided that the repair work would be done on a phased basis. In 1995, therefore, efforts will be made to repair the section of the road between the 9 mm and the 12.3 mm under the Road Improvement Fund Programme.

Mr. S. Panday: Madam Speaker, supplemental question. Could the Minister kindly say in which quarter of 1995 the sections of road which he indicated would be repaired, will so be done?

Hon. C. Imbert: Madam Speaker, the Ministry is in the process of finalizing the 1995 Road Improvement Fund Programme. I am unable to give that information at this time but I suspect that we will be able to do so within the next month.

Madam Speaker: Proceed please.

DEVELOPMENT LOANS (AMDT.) 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 amend the Development Loans Act, Chap. 71:04, be now read a second time.

The Bill before us today authorizes the Government to borrow money externally and internally by the issue of bonds for the purpose of the general development of Trinidad and Tobago. Under the provisions of the Act, any increase in the aggregate amount which the Government may borrow must be approved by resolution of Parliament. The limit, which now stands at TT \$5 billion, was last increased in November 1990, and we are now seeking to increase that limit from \$5 billion to \$7.5 billion. At the same time, we are seeking to authorize the Government to issue bonds in addition to the narrow purpose of development, for repaying borrowings effected by state enterprises, statutory authorities and the University of the West Indies.

So that the Bill before us really has two major purposes: one, to increase the level or the limit of borrowings and, two, to extend the purpose for which these bonds or borrowings may be made for the purpose of repaying the borrowings of statutory authorities, state enterprises and the University of the West Indies.

Madam Speaker, we are going to delete the words "thirty million dollars in currency of the United States of America or the equivalent thereto" and substitute the words "seven thousand, five hundred million dollars in the currency of Trinidad and Tobago". That is the base that was set in the original Act but, as I

have mentioned, it has been subsequently varied, the last variation being in November of 1990 which took it up to TT \$5 billion. The purpose of this Bill is to go back to the base in the parent Act, to change it altogether by removing any reference to US \$30 million and replacing it with TT \$7.5 billion.

What has happened, I should explain, is that there has been an increase in the amounts in TT dollars occasioned by the float in 1993, so that automatically the stock of debt in TT dollars went up because the foreign currency component got multiplied at a higher rate. That was one factor in causing us to get the limit increased. But there are other factors that I want to bring to the attention of this House.

There have been the normal Government borrowings for development purposes and since this Government came into office in December 1991; it borrowed \$206.7 million under this Act, in 1992; \$300 million in 1993; and \$367.2 million in 1994.

10.30 a.m.

In addition, the Government was able to secure financing for the construction of schools, hospitals, fire stations and health facilities under its development project financing facilities managed by the Republic Finance and Merchant Bank Limited, FINCOR, and the National Insurance Property Development Company. The total commitment under these facilities is \$576 million, of which \$515 million has been drawn down as of September 1994.

I wish also to draw to the attention of this House, the design, finance and construct mechanism for the execution of capital projects. This is a mechanism that was first experimented with back in 1985/86, in a very small way for the construction of a wing at the Ministry of Foreign Affairs, Knowsley. Since then, it has been greatly utilized. Under the last government, the Development Finance Company (DFC) method of financing was rapidly expanded in the execution of projects under the Maritime Life Caribbean Limited facility, for the construction of a number of police stations in this country.

The DFC projects completed to date under that particular facility, which began under the last government, include the police administration building, the Cedros Composite facility, the St. James Barracks—refurbishing, four district police stations. The maximum security prison, which is also being constructed by the same DFC route with the same Maritime Company, and the Royal Merchant Bank and Finance Company Limited, in the approximate amount of \$200 million—that

Development Loans (Amdt.) Bill
[HON. W. MOTTLEY]

Friday, November 18, 1994

particular facility is now nearing completion. So that the total commitment for the DFC projects is some \$450 million.

We anticipate further borrowings under this development loan facility in 1995 and 1996 of approximately \$425 million and \$375 million in those two respective years.

But the major call-down under the extended Development Loan Act is going to come from the Government assuming debts of state enterprises and statutory authorities. A major thrust of the Government has been to bring a measure of order and discipline to a number of the state enterprises and to the statutory authorities. In the course of doing so, it has been found necessary to wipe off a great deal of the debts of these enterprises so as to set them on a new footing, so that with an injection of new capital, and in some instances, new management, they would be better able to organize themselves financially and business-wise, and therefore, hopefully, to give better service to the citizens of Trinidad and Tobago.

In this context, the Government cleared off a very large amount of money for Caroni Limited. I was awaiting those figures for Caroni Limited—almost \$2.1 billion in losses at Caroni Limited have had to be cleared and the State has had to assume the guaranteed debt of this very large amount.

In addition, there is the Water and Sewerage Authority (WASA). The Government is moving rapidly to bring some order to the Water and Sewerage Authority. The financial affairs of the authority are in such a state that if we are to inject new capital into it, either the World Bank or any private investor will require that the debts of the authority be written off by the Government and all of the loan guarantees of WASA be taken on board by the State before any new money can be put into WASA. The Government was able to negotiate a short-term loan with the World Bank without that prior wiping-off of WASA's debts. It was a small amount of money—US \$7.5 million—that has now been obtained and is being injected into WASA for emergency repairs to pumps, pumping stations, wells and some of their most seriously leaking mains, as a prior step to the Government going through the process of inviting some private sector participation in WASA. When the private sector operator, through a bidding process that is now in train, comes into WASA—some time early in 1995—by then the Government would have taken the debts of WASA and all of its guaranteed loans into the central government. We anticipate that that debt, which includes debts to creditors, banks and even to WASA employees, is in the amount of \$560

million, which the State would have to assume, so as to clean WASA's books so that they can go forward and hopefully, as a reorganized entity provide better service to the population.

There are other enterprises which fall within the same category. Trinidad and Tobago Meat Processors was a wholly-owned state enterprise. It was incorporated on July 31, 1971. Its principal activity was to process pigs purchased from the Central Marketing Agency. The company never lived up to its promise and had accumulated losses of \$32 million as at December 31, 1987. In order to sustain its operations, the Government injected funds amounting to \$25 million into the company and guaranteed its overdraft with commercial bankers. In 1987 a decision was taken to cease financial support to the enterprise and to wind it up. The winding-up took some time and it was completed in early 1994. The Government has assumed responsibility for the overdraft facility of the company, which, at October 31, 1994, inclusive of accrued interest, amounted to \$2.98 million, and that is after all of its previous liabilities had been written off and assumed, most of it by the Government.

There is a similar story with Trinidad and Tobago Printing and Packaging. This company, a wholly-owned state enterprise, was established in 1971. Since the company was wound up by its original owners, Bookers, the Government moved in to acquire this state enterprise to save 500 jobs. That has been the usual history. Notwithstanding the best efforts to turn the company around, as at December 31, 1991, that company had accumulated losses amounting to \$49.5 million which had completely eroded the share capital of the company.

In 1992, the Government agreed to divest the company and following an open bidding process, the company, free from all encumbrances—the Government had to clean off all its debts—it was sold to Caribbean Flexographic and Foil Printers for \$11.6 million. As a condition of sale, the Government had assumed the bank debts of this company which, as at October 31, 1994, amounted to \$16.4 million—again, a process of the Government getting rid of these burdens once and for all, but having to eat the debt and taking it on board in central government.

10.40 a.m.

Arawak Cement Limited: Another state enterprise, this time owned jointly with the Barbados Government. Arawak Cement Limited began commercial production of cement in April, 1984 and was unprofitable from the start. Construction of the cement plant was financed by two long-term loans which

Development Loans (Amdt.) Bill
[HON. W. MOTTLEY]

Friday, November 18, 1994

were guaranteed by the Governments of Trinidad and Tobago and Barbados in proportion to their shareholding.

The long and short of it is that at the end of March, 1991, the company's accumulated losses amounted to approximately TT \$34.3 million. In March, 1994, Arawak Cement Limited was sold to Trinidad Cement Limited at a purchase price of BBD \$15.625 million. Trinidad and Tobago's portion of the sale proceeds amounted to TT \$15.9 million net. Both Governments agreed, as a condition of sale, to assume responsibility for their portion of the long-term debt.

National Fisheries Company: Another story in the same direction. National Fisheries Company was incorporated in 1972 with its main objective being the processing and marketing of seafoods. Since its inception, National Fisheries Company has been a loss-making entity with estimated accumulated losses of \$200 million.

The long and short of it, again, is that the Government has had to eat that debt. The Government, after failing through several procedures to have the company sold, finally put the company in liquidation by the firm of Mark, Castillo & Toney. The liquidators accepted an offer from a company in the amount of US \$2.3 million. When one matches that against the \$200 million loss over the years, one would understand that the Government is now responsible for liabilities estimated at TT \$107 million as at the end of October 1994. These liabilities include bank debts of TT \$86 million guaranteed by the Government and statutory payments of TT \$14 million.

Caribbean Air Cargo Limited: Much the same story; liabilities including debts of BBD \$60 million with the Barbados National Bank and US \$2.8 million with the Caribbean Development Bank.

A company much in the news recently is BWIA. BWIA, the state-owned airline, has consistently made losses throughout its existence. There has not been one year in the existence of this company in which it has made a profit. The financial statements at June 30, 1994 indicate losses in BWIA of TT \$1.07 billion. I will repeat this because there is often much talk generated in the press and so forth about Government's intention in this area. Losses in BWIA accumulated at June 30, 1994, which do not include losses previously written off by other governments, are now TT \$1.07 billion.

The Government has consistently been guaranteeing the debt of BWIA, sometimes making capital injections and extending loans to the airline. With that history and with the calls on the Treasury for simple services often heard from

Members on both sides of this House, that the Government has not been able to deliver because of prior calls by some of these state enterprises for very huge amounts of money, the Government has taken the decision that it can no longer continue to make either the kinds of direct payments or loan guarantee payments, that ultimately are called and have to be taken on board by the Government. Therefore, the Government has taken the firm decision that, under those circumstances, it has to divest BWIA.

However, the consequences of this are very severe on the Treasury, in that the Government would have to be swallowing approximately \$800 million to clean BWIA's books so that it can be given a new lease on life, and hopefully, survive as a private company with Government holding a minority interest. We wish the airline well, but, frankly, the Government is not in a position to continue to support the airline to the extent that it has been doing over the last several years.

In this context, let me say that there is also the mother of all state enterprises, Petrotrin. The Government has been guaranteeing loans to Petrotrin for the refinery upgrade in the amount of US \$340 million. I bring this to the notice of this House because, as the Minister of Finance, I must be concerned with our exposure there. Therefore, it is out of these concerns that we are seeking to divest the Point Fortin refinery and go on to seek a joint venture partner for the Pointe-a-Pierre refinery in 1995, where most of this US \$340 million is being spent on refinery upgrading.

This Parliament and the population at large need to understand the consequences of open-ended support to state enterprises, and need to understand, therefore, the exposure that the Government and taxpayer have in this. As a Government we have taken the responsible attitude of trying to bring better management and reorganization of these state enterprises. That has taken the form of injections of new management sometimes, divestment and close monitoring from the Investments Division of the Ministry of Finance.

At the end of the day, as a country, we have to realize that the primary purpose of Government must be to deliver the ordinary services that are required by citizens of their Government, and that our exposure in some of these commercial enterprises often runs contrary to the delivery of those ordinary services demanded by the people of their Government. This has been a major propellant factor in the drive of this Government to limit its liabilities exposure and which we have incurred with these state enterprises.

10.50 p.m.

Madam Speaker, Members of this House will be only too aware of the risks that were involved with the Trintomar experience and the near possibility, which we narrowly averted, of having that loan being called; and for the immediate injection of cash into that company that would have amounted to very large amounts of money that would have been unbudgeted and would have impacted upon the running of the Government at short notice. The Government would have been called upon to adjust, in one form or the other—most likely to shrink expenditure—to accommodate a sudden call on resources, unexpected and unbudgeted. That, any Minister of Finance must guard against.

We have been cleaning up, but the consequence of that cleaning up is before us in that, instead of injecting hard cash we are having to take on these liabilities as additional borrowings of the State to be serviced over time. We give the House the assurance that in the meantime we are getting out of the liabilities as fast as we can, so that we do not have to bring these unexpected calls on the Treasury to the attention of this House in the future.

I have been showing where the Government is seeking to increase the borrowing limit and we are also seeking to allow the Government to take on the borrowings of these state enterprises, which is the purpose of this Bill. May I also telegraph that I will have to come to this House, in the not-too-distant future, to do the same kind of exercise, to deal with the borrowings that the Government will have to take on board in the discharge of the hopeful settlement with the public service. The Government has been accumulating arrears with respect to the public service regarding increments, special tribunal award, and COLA payments. We have been negotiating with the public servants, and immediately upon coming into office in late 1991, early 1992—in fact, in the presentation of the 1992 Budget—we attempted to stop the clock on the accumulation of a portion of those arrears. The immediate impact was \$500 million incurred in the 1992 Budget and which is being incurred in every subsequent budget in the discharge of that responsibility. That, however, did not deal with the arrears that had accumulated prior to that, and we have been negotiating those arrears with the respective trade unions ever since. We have attempted to deal with those arrears that this Government had inherited by the non-cash mechanisms.

Madam Speaker, the facts are that the non-cash mechanisms can only go a very small distance towards settling that very huge debt. I want to let this House know that the settlement that we have proposed which some unions have accepted—and I want the country to clearly understand—that settlement is going

to cost this country, the exchequer, \$571.3 million in 1995. This is in addition to the \$500 million that we took on board in 1992 and continuing every year after. In addition to that \$500 million recurrent, there is going to be \$571 million—1999; totalling \$3.029 billion over the life of that settlement that was proposed and which has been accepted by a few of the unions. That measure will have to come to this House.

I want the House to understand that the amount is \$3.029 billion. This is by no means a cheap settlement. It was long negotiated and has, ultimately, to be borne by this country. I am putting this House on notice that a special bill such as the one before us on the development loans, will have to be brought to this House in relation to that matter.

I felt that in all of these circumstances, I ought to telegraph that to this House at this time. The Member for Tobago West was implying that there has been some cheap sell-out to a particular union. I do not know if her concept of “cheap” runs to the tune of \$3 billion. I just wanted to get that straight.

Madam Speaker, I want this House to know that the Government has been taking a responsible attitude towards its debt management. That, in fact, the external debt stock measured in US dollars, despite the fact that interest rates are going up, and that the yen and other European currencies—and we have borrowings in yen and some of the other European currencies—have been moving in an adverse way, against both the United States and the Trinidad and Tobago dollars. In spite of all that, we have been reducing our external debt stock. Unfortunately, we are not yet in a position to reduce the domestic or locally-held debt. That will require the Government’s budget moving into a fiscal surplus, and as you know, we have very greatly narrowed the deficits, so that they are running presently at just about 0.2 or 0.3 per cent. It is not yet in surplus and until the Government manages to run a fiscal surplus we will not be able to make a heavy dent on reducing our local debt stock.

11.00 a.m.

That is why, as Minister of Finance, I move towards trying to gain control of our expenditures and there is not a great deal of sympathy about these matters. I want this House and the wider public to understand that until the central government brings expenditures fully under control, there can be no reduction in the total debt stock including local borrowings.

Therefore, this Government is moving decisively in that direction. It is the basis for our macro-economic stability, on which our investment promotion, the

Development Loans (Amdt.) Bill
[HON. W. MOTTLEY]

Friday, November 18, 1994

jobs that we expect to be created thereby and, ultimately, the improvement in the standard of living of all of us in Trinidad and Tobago hinge so much.

With these words, I beg to move.

Question proposed.

Miss Indera Sagewan (*Caroni East*): Good morning, Madam Speaker and Members of the House. I listened to the presentation of the Member for St. Ann's East, and I must say that it really paints quite a dismal picture for Trinidad and Tobago. I appreciate that we got a lot of information today on the nature and extent of the debt that the Government is taking over and would be bearing on behalf of a number of state enterprises and statutory authorities.

What we always fail to speak about and take into consideration is that what this really reflects is the level of mismanagement of the State's resources which has us now in the position that we are in. John Public did not make the decision to get into all these investments which we have in front of us now. Therefore, we must contextualize where the blame should rest and when we attempt to rationalize why and how we should pay off these debts, we should not attempt to do it in such a way as if to suggest that it fell out of a coconut tree or from the sky. That is really not so.

I listened to understand why we are amending the Development Loans Act 1994 for the purpose of introducing the ability to pay debts of state enterprises, statutory authorities and the University of the West Indies. Even if we look at the Act in its original form, it speaks of Government issuing bonds for the purpose of general development. Unfortunately, the Act and the Bill that we have in front of us both fail to define the term "general development" or even the term "development". If we do not understand what development is, what is the rationale for introducing and extending this Act in order to talk about repayment of debt?

Today, my argument is that this proposed amendment contradicts the very principle of development which the PNM Government purports to be the strategy for taking Trinidad and Tobago out of the malaise of massive unemployment, inflation and social destitution which we are in currently. I am going to provide this House with an argument that supports what I put forward.

Government's development policy, as we all know, as we read in the newspapers and hear the Minister say every day, is based on the reliance of the private sector as the engine of growth, the creator of wealth and generator of

employment opportunities; and Government is merely a facilitator. I wish to quote from the Republic of Trinidad and Tobago *Medium Term Policy Framework 1994-1996*. Page 2 states:

"...increased participation of the private sector as the primary source of incremental investment and growth; promotion of exports as the foundation for economic growth and employment generation; and preservation of the social fabric."

Page 13 states:

"Government is committed to raising the level of national savings..."

I want this House to remember that term "national savings..."

"...in order to finance the required level of investments necessary to sustain the growth process."

This is what the *Medium Term Policy Framework* says. It says that Government is the facilitator, there to provide an enabling environment, a level playing field, the necessary regulatory and legislative framework. Government would not compete with the private sector for the scarce resources that are available for the purpose of creating this wealth, increasing the productive capacity of this country and facilitating growth and development.

The reward to private investment is profit. That is a fact. How is this profit generated? It is generated by borrowing from the financial sector. That is why we have a monetary system and a financial sector. The private sector borrows from the domestic financial system in order to invest. Investments, as the Minister would know, is a function of savings in our economy. The decision to invest is related to the cost of financing and the rate of interest.

The hon. Minister made the point that the rate of interest in this country is going up and that the Government has been unable to reduce its indebtedness to the domestic financial sector. It has not been able to make the smallest dent in it. Where then are the resources to be made available to the private sector coming from? The money market is like any other market; it is based on demand and supply. If there is a greater demand for investment financing than the supply, this is just going to push the price of financing up. Clearly, that is one of the major rationales for the increase in interest rates that we are seeing.

Development Loans (Amdt.) Bill
[MISS SAGEWAN]

Friday, November 18, 1994

Let me tell you about the current liquidity position of Trinidad and Tobago. I read again from the macro-policy framework which talks about the current economic situation. Page 3 states:

"Recent Economic Developments

Credit to the public sector increased by about 6.7 percent in 1992 after a small decline of 2 percent in the previous year, while credit to the private sector rose by 2 percent reflecting the overall contraction in domestic economic activity. However, total liquidity increased by only 1 percent in 1992, as a result of the continuing deficit on the external account and the resulting impact on the net foreign of the financial system.

The external account remained under severe strain in 1992. The reduction in export earnings from the petroleum sector was offset by an expansion in non-oil exports and a substantial contraction in imports, as a result of which the surplus on the external current account increased to 2.3 percent of GDP. However, there were significant shortfalls in loan drawdowns and large private capital outflows. Consequently, net international reserves of the Central Bank fell by US \$34.5 million while gross official international reserves declined by US \$134.6 million."

11.10 a.m.

Madam Speaker, I am making the point as to the availability, both from the domestic financial sector and from the international financial sector, of capital resources that are critical to the entire investment process, because the proposed amendment will have a serious contraction on the liquidity situation and on the money supply in this country. I go now to page 13 of the said document, which says:

"The reality of the international economy of the 1990s will be that external savings flows to developing countries are likely to be significantly reduced. Given the recessionary trend in several industrial countries and the strong demand for capital flows in Eastern Europe ..."

which, unfortunately, we are not a part of—

" ... there will be increasing competition to attract such flows. The recent removal of exchange control restrictions, the strengthening of the financial regulations, and the further development of the domestic capital market are expected to facilitate the domestic savings effort."

I think we are still waiting for that. Let me read from the Bill:

"The purpose of the Bill is to amend the Development Loans Act ... to authorize the Government to issue bonds for the purpose of repaying sums of

money owed by statutory authorities, state enterprises and the University of the West Indies ..."

which I do not think I heard the hon. Member for St. Ann's East mention—

"... where the related borrowings were for the purpose of development of these bodies.

The Bill contemplates the issue and sale of bonds transferrable by delivery, for repayment of sums now outstanding as well as amounts that may become due in the future".

Therefore, we are talking about borrowing for the future, which we have no control over. We know that the sum is \$7.5 billion.

The Act talks about the issue of bonds for general development. I will show that this Bill, if passed in this House, will have a contractive impact on investment funds available to the public sector for investment. In a nutshell, the purpose is to repay debt and to facilitate further indebtedness to keep the country in a vicious circle. That is what it is about.

What is general development? I did not read about it in the Act. I did not read about it in the Bill, and the Minister did not define clearly what is meant by the term "general development". Madam Speaker, I have, and I will read for this House, a definition of the term "general development". This definition is taken from page 31 of the *World Bank Development Report, 1991*. It says:

"Economic development is defined as a sustainable increase in living standards that encompass material consumption, education, health and environmental protection."

I shall read it again:

"Economic development is defined as a sustainable increase in living standards that encompass material consumption, education, health and environmental protection."

How can the people of Trinidad and Tobago repaying substantial debts which were incurred in the process of mismanagement and misallocation of resources which resulted in state enterprises which were a burden to the Treasury and, therefore, to every taxpayer in this country be perceived as development? We are now being asked to facilitate that debt way into the future because the Bill speaks about the time limit being 50 years. What right do we in this House have to inflict a debt on people 50 years from now?

Development Loans (Amdt.) Bill
[MISS SAGEWAN]

Friday, November 18, 1994

If the nature and the output of those loans were explained, then we would understand whether it could fall under the definition of general development. It could be argued that funds for the University of the West Indies can fall in this category because it is about the development of human capital. But, can we seriously account for the number of young graduates who have come out of the University of the West Indies? Can we find them in Trinidad and Tobago? More than that, we need to question the appropriateness of the university's curriculum to the development needs of this country. In that context, one can question whether even repayment of debts owed to the University of the West Indies will fall into this category.

This amendment is about increasing the indebtedness of this country. I am sorry I did not have the ability to calculate very quickly as the Minister was giving out the figures. I am sure if I were able to say what the total is, it would be very frightening indeed.

Let us talk a bit about economics with respect to what this measure can do to our money supply. We talk in economics about something called the money multiplier. The money multiplier says that the financial system has the ability to create credit. So that, if one injects \$1 into the system and the multiplier is 2, it will create \$2. It works in the reverse as well. If one takes out \$1 from the system, the money supply will contract by \$2. We need to ask questions which were not answered, because all these things have implications for what is going to happen to our money supply and to the availability of financing for investment, growth and for the creation of employment and all the nice things we want to occur.

If this debt is owed largely to the domestic financial sector—which I do not know because the Minister did not say—and the financial sector is willing to accept bonds as the repayment for the debt: a financier has made the point here, a bank is a business which is there to create credit and make money. Tying up itself by holding Government bonds limits its ability to create credit and limits the availability of funds on the domestic market for investment purposes. That is based on the premise that there is the willingness to accept the Government bonds which are issued. If there is no willingness, then the Government will be forced to issue bonds, receive the money and pay the debt. That then will have the same kind of contractive impact on the financial sector. We are talking about reducing the amount of money which is available to finance investment. That, in a nutshell, is what we are talking about.

11.20 a.m.

The same thing obtains. If the debts are largely foreign, we would then be pulling money out of the domestic system and putting it into another country, thereby facilitating consumption in another country. What kind of impact would that have on our foreign reserve situation? They are not accepting domestic currency, are they? These are the issues. The impact on liquidity is, therefore, going to be very significant.

Madam Speaker, I must pause to make this point. I feel very saddened, as a young Member of Parliament, at the extent of discourtesy that Members much older—*[Desk thumping]* with much more experience than I have—choose to extend to me. As I said in my maiden contribution in this House, I really believe that the issues discussed here are too important and too significant to the lives of the people of Trinidad and Tobago for us to carry on with crosstalk to the extent that occurs when we are debating issues of such importance. I will continue because the crosstalk does not really affect me. *[Interruption]*

Madam Speaker: Order, order, please. Could Members please allow the Member to make her contribution? Gentlemen, please! I would like the Member to know that a little crosstalk is allowed in the Parliament, I am sure you would enjoy it at the end of the day.

Miss I. Sagewan: I appreciate that the Member for Ortoire/Mayaro does not have an economics background so he will not be able to appreciate what I am saying. *[Desk thumping]*

Let us talk about the second concept, the impact that this measure will have on the private sector. The Government has said it will not compete with the private sector for the scarce and limited resources which are available, but in economics we have a fancy term called "crowding out" which, the hon. Minister will appreciate, is literally what it says. If the Government is going to remove \$7.5 billion from the domestic financial sector, if the multiplier is two, they will, in effect, be removing \$15 billion from the system because of the money multiplier. What they will, in fact, be doing, is "crowding out".

Mr. Valley: On a point of order. Madam Speaker, I interject because I think the Member is missing the point. First of all, the main purpose of the Bill is to deal with indebtedness that is really dead. In effect, by structuring an arrangement now, the Government would be putting money in the system, because moneys that were not paid by those companies, in fact, they were contingent obligations, so

Development Loans (Amdt.) Bill
[HON. K. VALLEY]

Friday, November 18, 1994

that Government is now structuring the indebtedness and would be making payments on those obligations. We are not taking out.

More than that, it is not \$7.5 billion. Under the Act \$5 billion has already been used. So one is talking about \$2.5 billion and it is simply to allow the Government to do the paperwork, to structure the transactions. There is no new money being taken out of the system by the Government.

Miss I. Sagewan: I thank the Minister. If the debt that is owed by state enterprise X is owed to a bank in the United States of America, and the Government of Trinidad and Tobago repays that debt, where is that money going? Maybe the Minister would like to reply to that and I will sit and allow him to.
[Interruption]

The next question is, how is this debt being paid? It is being paid by creating new debts. That is what is happening, we are paying dead debts—the Minister made the point which even makes the whole issue worse. We are repaying that debt by creating new debts that would have to be repaid in the future. How is that debt going to be repaid in the future? How? I note when I ask some questions which I consider rather pertinent that nobody on the other side gets up and attempts to respond.

I really have to ask the question.

Mr. Humphrey: Ask them about the repayment schedule.

Miss I. Sagewan: Yes, the repayment schedule would be very interesting, so that we on this side would be better able to know the indebtedness we are taking into the next 50 years. I have made the point, Madam Speaker, that we are creating debt, which those who will come long after us would have to repay. We have no guarantee that into the next 50 years the economic situation would be so much better that they would be able to do that comfortably. All economies of the world have gone through the trade cycles—they are up today and down tomorrow—so we do not know what will happen in the next 50 years. What gives us the right to inflict this kind of injustice into the future?

To what loan conditionality is this attached? Maybe if the hon. Minister would answer that question we might be able to say, "okay, fine, at least we are being levelled with," but to attempt to suggest to us on this side and to the people of Trinidad and Tobago that they are doing a grand favour to this nation by creating more debt, really, Madam Speaker, I cannot see how.

We are talking about Trinidad and Tobago that is, as we all know, involved and engaged in adjustment programmes, instituted, implemented and handed down by agencies such as the World Bank. This is a fact; the Minister gave us some information about a short-term loan that was secured from the World Bank.

Do you know what the current situation is with respect to moneys that are lent by the World Bank to developing countries? The current situation is that there is a net outflow of capital from debt-ridden, capital-starved developing countries. That is the truth! That is the reality!

11.30 a.m.

Let me quote from an article in *Time* magazine dated July 25, 1994. It says:

"In the past fiscal year the bank distributed nearly \$16 billion and took in nearly \$20 billion in repayments and interest from borrowers; thus, according to some critics, siphoning off badly needed capital from poor countries."

What is the current situation in Trinidad and Tobago?

Madam Speaker, the article talks about the World Bank celebrating its 50th anniversary. It goes on:

"Critics are equally scornful of the imposition of so-called structural adjustment policies, part of a strategy followed by the bank and the International Monetary Fund to get bankrupt or poorly run countries back on their feet. Structural adjustment is often proposed by the IMF and then made a condition for the approval of bank loans. Steps such as privatization of state-owned industries, currency devaluation, fiscal austerity and export-oriented strategies are advocated by the bank with a view to attracting foreign investment and promoting long-term growth. But governments frequently pay for such programs by cutting back on subsidies for food and other basics crucial to the poor...

'Very often the result is falling wages, rising income inequality and deepening poverty.'"

A senior advisor to the United Nations Development Program says of World Bank financing that although countries are having all these negative impacts, if they want access to capital financing on the international market they have no choice but to enter into these programmes. He ends this article on the note which shows Trinidad and Tobago being like so many other developing countries. We

Development Loans (Amdt.) Bill
[MISS SAGEWAN]

Friday, November 18, 1994

are really caught between a rock and a hard place and there is little choice as we are being told. It went on to say:

"Without additional reform, major donors may become even more reluctant than they are now to continue funding..."

and I am sure he says it in a very sarcastic tone:

"...these missionary good works."

Madam Speaker, we pay more to the World Bank than they loan to us. What are we talking about? Where is the development? Where are the finances? Where is the capital that is so critical to facilitating the investment that the Minister is referring to? If we use the limited amount of resources that are available, if Government issues bonds on the market to pay off debt, thus creating new debt, what will happen to the financial sector? What is happening to the private sector? Our domestic private sector has little access, if any, to financing outside the domestic economy. The multinationals have no problem, the international companies have no problem and what is going on in our domestic financial sector is neither here nor there for them. Madam Speaker, where is the development in this measure? Tell me where is the contribution to a sustainable increase in living standards and material consumption; education; health and environmental protection—because this is what general development is about.

By keeping this concept ambiguous, it allows for so much flexibility and allows us to put any interpretation as to what we may want on the concept of general development, much to the detriment of this country. Therefore, I say that this House and the people of Trinidad and Tobago are being played for a little more than fools when we are told that this Act should be amended so that these debts could be covered under the concept of general development. Madam Speaker, this is a very, very, worrying state of affairs.

I thank you.

The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley): Madam Speaker, as a matter of fact, I came here this morning with no intention whatsoever of participating in this debate, but for yet another time my former colleague, a young person who I believe has very much potential, but—obviously the learning process was at its very early stages at the ministry.

As on the last occasion, the hon. Member made some fundamental errors in theory. I am not going to be extremely long, I just want to deal with a few issues.

With respect to Government borrowing, Government borrows under a number of Acts. Firstly, there is the External Loans Act, Chap. 71:05 which is normally used if Government is borrowing in the external market.

Secondly, there is the Development Loans Act which we are talking about today, Chap. 71:04, and that Act allows the Government to borrow externally. The Act was legislated before 71:05, but because external borrowing is generally under 71:05, 71:04 is basically the Act used for domestic borrowing. Thirdly, there is also the Guarantee of Loans (Companies) Act, Chap. 71:82.

Fourthly, there is the Guarantee of Loans (Statutory Authorities) Act, Chap. 71:81. The general point is that we are not talking about an increase of Government's obligations. These companies, like National Fisheries, Caroni and so forth, were borrowing with Government guarantees. Those obligations would have been secured on a contingent basis by Government under the Guarantee of Loans (Companies) Act, or the Guarantee of Loans (Statutory Authorities) Act, so that Government had an obligation to pay if the companies were unable to pay.

To the extent that we are making an allowance for the planned domestic borrowing over the next two years, the Bill makes arrangement for incremental borrowing. But only to that extent. I am saying that the basic purpose of the Bill is to take on those contingent liabilities which were contingent up to now, to bring them clearly under Government's direct obligation. It is moving liabilities from the Guarantee of Loans (Companies) Act; the Guarantee of Loans (Statutory Authorities) Act, to the Development Loans Act. That is the basic thing.

I make the point, therefore, that one cannot talk about crowding out. National Fisheries' obligation is about \$64 million owed to a consortium of domestic banks led by Republic Bank, and Government has to negotiate with Republic Bank now to get them to reduce interest rates on the loan. It was not Government's direct obligation, it is a contingent obligation that we now have to take over. National Fisheries could not pay for sometime; now, even if we get a moratorium it means that Government is under an obligation to pay. So that we are not now talking about taking new moneys from the banks, but we are talking about structuring their payments.

It is similar as the Minister said, with respect to public servants' debt. We would have to come here to structure it and make arrangements to pay, and we are able to do that because of the gains we have made in this economy over the last three years. We told the general public that we had to come here, and first of all, we had to stabilize the economy, prepare the economy for growth and then we could deal with those problems which we inherited.

11.40 a.m.

This is a new administration, Madam Speaker. There might have been mistakes made in our efforts to restructure the economy, moving it from the colonial period into a national economy. We are saying today, we are cutting and we are putting those state companies which we are keeping on a firm basis, going into the future. We are not talking, in the main, of new borrowing, only to the extent, as I said, that there is an incremental allowance for the planned borrowings for 1995 to 1997. I am making that basic point. To come here and talk about crowding out of the private sector is to misunderstand the theory of economics.

I am saying something else, Madam Speaker, going on to the monetary policy and this same crowding out argument. In fact, if the Central Bank has a difficulty, it has tools such as interest rates and so forth. At present, one is complaining about the interest rate. Interest rate is high because the Central Bank, whose mandate it is to ensure that there is monetary stability in the economy, is saying that there is too much liquidity in the system. That is why the interest rate is so high.

If, in fact, the Central Bank believes that the monetary institution is too tight, what this means is that interest rates would start trending downwards; a trend, wearing my other hat as Minister of Trade and Industry, I would like because the whole manufacturing sector has been arguing for lower interest rates. Economic theory is simple for those who understand it. When we get mixed up and go all over the world, then we mis-focus.

In the main, we are not talking about any new borrowing. Already under the Act there is an allowance of some \$5 billion. We are saying that we are taking it up to \$7.5 billion mainly to allow us to bring on the books of Government the contingent obligation up to this time. That is the main thing. WASA, BWIA, where we have a large burden—the loans are guaranteed—National Fisheries, Meat Processors and so forth. We have the team negotiating with the banks to structure that, to keep the moratorium looking for interest rates reduction, cutting with the past, as I said, once and for all, putting these state companies on a base where they could be profitable in the future and really structuring our economy to face the challenges of the 21st Century. That is all part of our providing the enabling environment for growth and development. That is what we are doing.

I would have thought that my former colleague, having been part of that system for the last few years, would have come today and supported the initiative. The basic picture is that we are providing an enabling environment for growth and transformation of our economy.

I ask my colleague to consider a bit more carefully the issues before the Parliament before the Member comes.

Thank you.

Miss Sagewan: Madam Speaker, while I take the point that the money is in the form of debt, if that debt remains in the form of debt and is not repaid, does that not restrict the ability of the entity to which it is owed to create additional moneys on the basis of not having that available to it?

Secondly, if that institution accepts a bond, that bond has a certain life and, therefore, it is an asset—it is not a deposit that could be used to create credit—does that not limit the ability of the institution to create additional credit?

Hon. K. Valley: Madam Speaker, quite simply, bonds are saleable on the market. In any case, if one were to give banks money, they would have to do something with those funds. More importantly, we are talking about indebtedness of these companies that are in arrears, and for which some of these banks may have very well made provisions. That is what it is, but it is guaranteed by Government.

I am saying they are not now getting anything. First of all, the existing obligations would have had a certain amortization structure. All right! We are not saying we are going to be paying them in cash. They do not expect that. We would be paying them over some time. If a financial institution needs cash earlier, it would use that security to raise that cash, to discount it or do whatever it wants.

Hon. Member: This is not a high school.

Mr. Trevor Sudama (*Oropouche*): Madam Speaker, I myself had no intention of participating after the able contribution of my colleague, the Member for Caroni East, but I cannot help raising some questions based on the presentation of the Member for St. Ann's East. Although I did not hear his full presentation, I am speaking from the tone that I gathered from his presentation and the intervention of the Member for Diego Martin Central.

Mr. Palackdharrysingh: Professor in Economics.

Mr. T. Sudama: The basic point which both of them were trying to make was that in permitting the Government to increase its capacity to deal with debt up to the tune of \$7.5 billion under the Development Loans (Amdt.) Bill, what, in effect, we would be doing is creating an enabling environment for growth and transformation.

Development Loans (Amdt.) Bill
[MR. SUDAMA]

Friday, November 18, 1994

It was the same rationale which was used when the facilities were created, in the first place, to incur the debt. It all boils down to the whole issue of development. What is the nature of the development we are trying to pursue? More critically, development for whom? If there is an enabling environment today, which may create an element of growth based on a limited sector of the economy—the energy sector, for example; and as a result of that growth a small group in the society is benefiting with higher incomes and, at the same time, there is increasing unemployment, escalating poverty—these are all indices that are known and established at this time—increasing inequality, increasing impoverishment for large sectors of the society, a deterioration in our basic utilities, whether it is water supply or infrastructure, roads and health facilities, then one must ask what is this development for.

11.50 a.m.

Why are we putting all the resources and giving the Government the facility to borrow? For what kind of development and for whom? As I say, the rationale has been propagandized before, and we are back again, going full circle, but this time doing structural adjustment under the instruction of a regime of the IMF, the World Bank and the IADB.

My friend has read out this new mode of structural adjustment into which we are attempting to put the economy. What impact has it had for so many countries in the world in which this structural adjustment policy has been pursued? We have had absolutely no answer to that question and what the Government is asking us to do this morning is merely to take an assurance that it is structurally adjusting the economy; and that as a result of the manner in which the debt is being dealt with, it is putting this country to take off on the road to transformation.

We on this side are saying that on the basis of our own experience with Government and the way it has mishandled and mismanaged the financial resources of this country, we cannot take its word. We cannot do it. I will tell you why we cannot take the Government's word, Madam Speaker. We have to put this measure in the whole context of the indebtedness of the country. Where has that indebtedness brought us?

What must we do now to correct the obvious, in fact, the glorious mistakes of the past in terms of corruption, wastage, mismanagement, and the frittering away of the resources of this country by the manner in which they conducted government in the past? What assurance could we have that we may head into a

new mode? If they go in the same way that they proceeded in the past, they are going to end up worse than they are at this point in time.

Madam Speaker, I ask the Government to take note of the state of public debt at this time, and at the end of 1990. This Government came into office on the promise that it was going to deal with the issues of financial resources, debt, handling of taxpayers' money in a certain responsible way. The public debt which includes both internal and external debt of Trinidad and Tobago—the direct Government debt—stood at \$14,436,264,241.32 as at December 31, 1993. More significant, however, for a Government committed to fiscal responsibilities and management, this figure at the end of 1993 was an increase of \$3,186,099,650 over the corresponding balance of the previous year which represents a 28.32 per cent increase in one year.

Miss Nicholson: Go over that again!

Mr. Humphrey: Madam Speaker, devaluation!

Mr. Mottley: Exactly! So if he wants financial advice, I should ask him to turn to the Member for St. Augustine and ask him to compare the rate of devaluation he has just done. [*Interruption*]

Mr. T. Sudama: How are you basing your growth rate, then?

Mr. Mottley: US dollars.

Mr. T. Sudama: Is it real terms or in money terms?

Dr. Rowley: Real terms.

Mr. T. Sudama: You are devaluing the currency; putting a money value and saying we are having growth?

Mr. B. Panday: You "ketch" him!

Miss Nicholson: What is real?

Mr. Manning: Ask Palack.

Miss Nicholson: Look at the state of the schools!

Mr. Palackdharrysingh: Why did you run out the last day, you old crook?

Mr. T. Sudama: Madam Speaker, the point I want to establish is this. [*Interruption*] If you have devalued the currency, Madam Speaker, I would think you are now going to require more TT dollars to pay your external debt.

Miss Nicholson: Sure!

Mr. T. Sudama: Therefore, you will require to extract from the local economy and taxpayers more money to meet your external commitments and, therefore, you are putting a greater burden on the local residents.

Mr. Manning: Madam Speaker, I thank the hon. Member for giving way. May I ask him, in what currency do we earn foreign exchange, for example, when we sell oil, ammonia, or methanol and so forth?

Mr. T. Sudama: In what currency do you have to pay your external obligations?

Miss Nicholson: Smokey and Bunty's. [*Interruption*] TT currency.

Madam Speaker: I find that Members are not allowing the Member for Oropouche—

Miss Nicholson: We are supporting him.

Mr. B. Panday: The Member is being harassed.

Mr. T. Sudama: Madam Speaker, what I want to establish here is that, quite apart from this phenomenal figure of direct Government debt, both internal and external, at the end of 1993, the figure does not include Government's other liabilities to public officers, members of the staff of the protective services and employees of Caroni Limited. It does not include, in respect of outstanding commitment for goods and services at December 31, 1993, its commitments to the University of the West Indies, St. Augustine Campus; and critically, it does not include its commitment under contingent liabilities which, at the end of December 1993 stood at \$1,990,248,223.

Now the argument we have here is that we have a contingent liability and want to transfer that into the direct liability of the Government. The first question we have to ask is: When you had contingent liabilities, was it not anticipated that you would have to repay it? Why do you borrow money as a government, Madam Speaker? You borrow money not for the purposes of meeting consumption needs, but for the purposes of investment and as a result of that investment, returns will be available to you and it is from those that you will pay back the principal and interest which you have borrowed.

Mr. Humphrey: And so increase production!

Mr. T. Sudama: That assumes that your borrowing is based on some prior analysis of the viability of that borrowing. When you come up to the order of having \$2 billion of contingent liabilities not being able to service itself, and the

Government has to come in and take over that indebtedness, what you are saying is that you really have borrowed to allow firms, state enterprises and public utilities a free hand, regardless of whether that borrowing could have been recouped or not. If there was any prior analysis it could have been an analysis that gave an indication that these borrowings and investments would have been for productive purposes.

12.00 noon

Madam Speaker, the point I want to establish is that I cannot sit here in this Parliament and condone this mismanagement of our financial resources. I cannot condone that. If we are going to allow people in the state enterprises and the public utilities a free hand in borrowing and we guarantee the indebtedness knowing full well that that indebtedness will never be met by them, and if we allow this measure to go through without saying anything, then I do not think that this would serve the purpose of this country. We should not merely condone in hindsight the misdeeds of people who deal with the taxpayers' financial resources.

We are asking—and we have asked before—that when there are borrowings of a capital nature to which the Government is being committed, directly or indirectly, that those planned borrowings must be brought to a committee of Parliament for appraisal. And they must be brought before, not after the money has been squandered. After there has been unlimited corruption with respect to the use and abuse of taxpayers' funds, they come here now to ask us to foot the bill. It is like giving them a blank cheque and then coming here to ask us to underwrite it after they have put in the figure and have squandered the money.

They cannot tell us about accounting and the Public Accounts Committee and the Public Accounts (Enterprises) Committee. That is trying to hold the horse after it has bolted, trying to control the horse or the mare—as one may wish—after it has bolted its stables and cannot be caught. These moneys which have already been spent will not be recouped. These injudicious expenditures will not come back and what is involved is a gross wastage of funds of the taxpayers of Trinidad and Tobago. It is a gross wastage of funds because by its very nature—since it cannot recoup itself—it is a sinking fund. This money has sunk without trace and the end result has been no development for the people of Trinidad and Tobago.

Madam Speaker, I want to emphasize that point by indicating that when it comes to accountability, we have very little or no accountability. It is stated here in the Auditor General's Report. I want to quote a critical paragraph from the

"Statement of loans and advances from the funds for long term development" from this Auditor General's Report. There are certain balances in that statement given to the state enterprises, public utilities and so forth.

"The balance of \$1,337,916,686.67 includes:

an amount of \$631,320,061.31 which represents the outstanding balances on eighteen (18) loans made to seven (7) agencies in respect of which terms and conditions of repayment were not established;"

They are coming to ask us to give them a blank cheque.

Mr. B. Panday: This is prudent financial management.

Mr. T. Sudama: Prudent financial management, as the Member for St. Ann's East said:

"an amount of \$631,320,061.31 which represents the outstanding balances on eighteen (18) loans made to seven (7) agencies in respect of which terms and conditions of repayment were not established."

We know that when that is done, these people would think they are getting free money. They do not have to pay back—no terms and conditions of repayment were established. It is freeness; and the way the state enterprises and public utilities under the PNM regime spent money was nothing short of freeness.

Furthermore, it says:

"an amount of \$473,236,689.29 which represents the outstanding balances on eighty-six (86) loans made to certain Caribbean countries and local entities in respect of which repayment of capital and interest have not commenced to date. In some instances loans were made as far back as 1976;"

When money is given to people as loans and there is no insistence on repayment, they are not going to pay back. It is this manner in which moneys have been expended that we are thoroughly and acutely—

Mr. B. Panday: A debt forgiveness syndrome.

Mr. T. Sudama: Madam Speaker, we have come to the whole question of debt forgiveness. Even before the debt is incurred, it is forgiven. This is the way this Government operates. This is not post-debt forgiveness; this is prior-debt forgiveness. Before the liability is incurred, it is forgiven by saying, "We are not establishing terms and conditions. You do not have to pay back." But they are coming here to tell us, "Well, that was in the past. We are not responsible."

It is a PNM Government that was responsible for this. It is the PNM psychology and the PNM mentality that is responsible for the situation in which we are today. It is distressing, because it is not everybody who can utilize money and get a return from it. Not everybody has that sense of discipline and responsibility where, when the trust of the Treasury resources is put under their control, they will utilize it for the benefit of all. They will utilize it for the benefit of themselves, their friends and cohorts to the detriment of the economy and the people of Trinidad and Tobago.

Madam Speaker, because we are being asked for an additional limit of \$2.5 billion to the \$5 billion that is already committed, I am saying here today that the Government is not going to get our support on this, except the Government agrees that this Parliament sees a prior capital expenditure programme, the moneys which it is underwriting, the loans which it may give to state enterprises and public utilities; and it must be brought here for justification before we give our approval. We must monitor both before and after.

Madam Speaker, we live in a real world and it is obvious that some investments may go bad. If one makes 100 investments and 10 investments go bad, and those 10 have to be written off with resources from somewhere to meet obligations—fine. When, under the PNM, 100 investments are made and 100 go bad—

Mr. B. Panday: Not 10!

Mr. T. Sudama: —that is a cause for some concern and worry. They are asking this Parliament to give them a free hand. We say no. Come here with capital expenditure programmes for support in the state enterprises and public utilities or wherever it is, let a parliamentary committee look at that, have some independent scrutiny and analysis of that; we give our approval, and we say, "Okay, go ahead on the basis of the prior knowledge that we have." Then we will be in a better position to assess the post-investment situation. That is the function and duty of this Parliament—oversight, supervision, pre-emptive measures.

12.10 p.m.

Hon. Member: You are pushing an open door.

Mr. T. Sudama: The problem with pushing an open door is that you will fall down and not know, and I do not want to fall down at the feet of the Member for Diego Martin Central. That is the last thing I want to do. It might very well be a trapdoor, for all you know. They have been trying to entrap me for the last 13 years and they will not be in a position to succeed, ever.

Development Loans (Amdt.) Bill
[MR. SUDAMA]

Friday, November 18, 1994

When we look at the direct government liability, the direct indebtedness at the end of 1993, almost \$15 billion; when we look at the contingent liabilities—almost all of it which the Government has to meet—of almost \$2 billion, we are talking about indebtedness which almost amounts to the value of the gross domestic product of this country. Is that the way to run anything? I am amazed! I am just amazed! *[Interruption]*

Madam Speaker, I hope that I get some injury time.

Madam Speaker: Why are you all doing this to the Member for Oropouche? We will be breaking at 12.15 p.m. today because of the Finance Committee meeting. We are coming back at 1.30 p.m.

Mr. T. Sudama: Madam Speaker, I am amazed at the facility with which the Member for San Fernando East comes here and tells us: "You know, we are going into a restructuring mode; we just have to write off \$800 million of BWIA's debts." No big thing, as far as he is concerned, for the burdened taxpayers of Trinidad and Tobago! All he has to do is write off \$800 million and hand over the airline to Acker.

Mr. Mottley: Madam Speaker, I certainly did not convey the impression—the Member was not here; he was outside, and therefore, I wanted to make it very plain that assumption of debts of that magnitude is certainly not a small matter for this Government.

Mr. T. Sudama: Madam Speaker, how did this debt of \$800 million come about? It did not come about overnight. What were they doing, as a Government, even over the last three years? What were they doing as a Government over the last 33 years, in order to induce this level of indebtedness on the people of Trinidad and Tobago? But it is not just BWIA. We, the taxpayers, are taking that indebtedness and without any kind of parliamentary scrutiny, they are giving this airline away to the Acker Group. They have brought in the Acker Group as consultants. They have provided them with the information on which they are going to negotiate with them how they are going to sell 50 per cent. I cannot understand this logic at all.

Madam Speaker: There is a Finance Committee meeting which will be convened at 1.15 p.m., therefore, the sitting of this House is suspended and will be resumed at 1.30 p.m.

12.15 p.m.: *Sitting suspended.*

2.30 p.m.: *Sitting resumed.*

Mr. T. Sudama: Madam Speaker, when we suspended for lunch, I was on the arrangements that were being made to divest British West Indian Airways, which is a state enterprise. I was making the point that such a divestment ought to have been brought to this House. We should have had a look at the terms and conditions being proposed. We feel that there is something amiss with this arrangement with respect to the Acker Group, which has been asked to do consultancy work for the Government in arriving at an estimate of asset value and proposals for the restructuring of BWIA. At the same time, the Acker Group is an interested party as a proposed purchaser of shares.

Mr. Valley: Madam Speaker, let me correct the Member. The Acker Group is not about valuing the assets of BWIA. That is to be done by an independent consultant.

Mr. T. Sudama: Madam Speaker, in what kind of consultancy was the Acker Group invited to participate? By way of getting into BWIA—looking at its finances and assets—it is doing an investigatory analysis, on the basis of which it would obtain privileged information in order to make a favourable bid for the purchase of certain shares.

Mr. Valley: Madam Speaker, again—because I have spoken already—I need to correct the Member. The issue with respect to Acker's participation, the cost of that equity was determined when we signed the memorandum of understanding. At that time, it was stated, quite clearly, that the Acker Group would invest US \$10 million and acquire 25.5 per cent of the equity.

Then, we are doing an independent valuation to the extent that if there is extra value, the Government would be taking preference shares for that amount. Those terms were determined before. The Acker Group is merely doing a business plan—coming in as the main driver—for the organization going forward. There is the First Boston Corporation that is looking at the Government's interest. Acker is not advising the Government.

Mr. T. Sudama: Madam Speaker, there is a certain contradiction there. Is the Government saying that the Acker Group decided to invest US \$10 million in BWIA merely on the basis of guess? They must have done so on the basis of some sort of investigation into the affairs of BWIA. What the Government is saying, having made that prior commitment, is: "Come in here, do your investigation and so on, if there is an additional valuation, we would deal with that later on," but after Acker has had that inside privileged information.

Development Loans (Amdt.) Bill
[MR. SUDAMA]

Friday, November 18, 1994

I do not know of anybody who has the interest of the people of Trinidad and Tobago at heart who would operate in that way, except they want to give away the assets of Trinidad and Tobago and to have backdoor and kickback arrangements. That is the only way one would deal in this manner. That is why we are asking that when the Government comes to this House to seek approval for moneys which were borrowed by state enterprises—which were contingent liabilities for which it now has to foot the bill—we want to know in advance on what basis those projections for capital expenditure were made. Or, whether the Government was involved in any irregularities with respect to the relationships.

While the Acker Group of companies was making all sorts of definitive statements one or two weeks ago in Miami about how much they were going to purchase, what their plans were for BWIA, what their involvement was and so forth, up to today this House has not had the benefit of any statement from the Government stating in specific terms where we are with respect to negotiations with British West Indian Airways. The Government comes here and asks us to rubber-stamp whatever decisions it has made.

The unions involved have expressed the greatest dissatisfaction with the manner in which Government is proceeding with the divestment of BWIA. They have made certain proposals—they are kept in the dark. One day the Member for Diego Martin Central gets up and makes one statement and on another day, he gets up and makes another statement, trying to hoodwink the people of this country and the trade unions involved.

The Government comes here and says "Well, we are going to wipe the slate and put these companies on a new footing." The Government is wiping the slate with Trinidad and Tobago's taxpayers' money and after having wiped the slate clean, they are handing over these enterprises to foreign multinationals and financial groups.

The question of the participation of nationals in the financing of BWIA has not been addressed. One is talking about lay-offs and retrenchments. We are having lay-offs at British West Indian Airways when this divestment comes on stream. We have had lay-offs and we will have continued lay-offs in Petrotrin—

Madam Speaker: Is the Member not straying from the Bill?

Hon Members: No!

Mr. T. Sudama: No, Madam Speaker. This is about general development; we have to carry out this measure in order to promote general development.

Where are the alternative employment opportunities being generated as a result of the retrenchment the Government has to undertake in order to put these state enterprises and utilities in a position that will be acceptable to foreign financiers and investors?

When one looks at the overall picture—do not forget that this Development Loans (Amdt.) Bill is about general development. General development, apparently, in the Government's book, does not include employment opportunities. That is not part of their concept of what development is all about. Once the Government is able to take these state enterprises and get engaged in a garage sale to get rid of them for a little pittance for the Treasury, that is their concept of general development. We have to raise these issues.

2.40 p.m.

Madam Speaker, when I look at BWIA's accounts for December 31, 1992—long-term debt, \$276 million; 1991—\$321 million. The point we have been making is that when you get into these funding arrangements we ought to know in advance simply because, as is happening now, we have to foot the Bill. This is the long term debt. It is getting US \$10 million from Acker which amounts to about TT \$60 million or less than that, a drop in the ocean so to speak, in terms of the liability.

This is not the first time we are clearing the state for British West Indian Airways. I recall that in 1983 the debts of BWIA were completely written off. In that instance it was almost \$1 billion written off by the Chambers regime and then they said they were putting the all line on a completely new footing. Do you know what happened in the meantime? It accumulated a total of over \$800 million in losses which it is asking this Parliament to approve and to regard as if that was really not such a big issue, in its hurried attempt to make BWIA acceptability to the Acker Group.

The Iron and Steel Company accumulated debts since its inception to now, of \$2.5 billion. In 1987 Iscott was losing at the rate of \$256 million per year—and that was the rate. It was an increased rate even before that. It was losing. Its accumulated losses were to the tune of almost \$2 billion by 1987. Today it is almost \$2.5 billion. The question is: When you look at its long term debt and the manner in which this company was borrowing—as if money was going out of style—I have a copy of the financial statements. It was owing million of dollars—Mitsui, CityBank, EximBank, Bank of Tokyo, Export Development Corporation, It was even owing Trintoc and a merchant bank. The Government was advancing money to this company—

Madam Speaker: The speaking time of the hon. Member 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: Madam Speaker, I raise this point about Iscott because there may be a sale of Iscott soon. With that sale of Iscot, it is going to come back to this House with a similar proposition to increase the capacity to borrow, or the limits of borrowing. It would have to write off whatever debt Iscott is owing. They have already been taken over by the Government. Those debts will be the responsibility of the taxpayers of Trinidad and Tobago. We have spoken to the union. Since the company call Ispat has had the Iscott plant leased to it, they have been able to drastically reduce the level of losses, to the very minimum. I think they are now making a profit.

Ispat brought in very little in way of capital injection into the company. They brought in some. How is it that with virtually the same staff, and with a few expatriate managers, Ispat was able to turn around Iscott, make it into a profitable and viable steel company with minimum losses when this same steel company under the PNM Government was making losses to the tune of \$256 million to \$300 million annually? What does that point to? All Ispat did was cut out the corruption; they cut out the kick-backs, waste and the mismanagement; and with very limited amount of capital injection Ispat was able to turn around this plant. They are telling us today that we must give them a *carte blanche* for them to go and allow these state enterprises and utilities to borrow money and allow them to engage in the heaviest corruption possible with PNM connections and then we as taxpayers would have to foot the bill regardless of how these enterprises and utilities are managed.

We are saying, enough is enough. We cannot agree with the manner—and especially in the light of the track record of this Government in approving and guaranteeing loans of the state enterprises and the utilities.

Mr. Mottley: Madam Speaker, I am having trouble following the Member's logic. He was clearly implying in the Ispat experience that he favoured what the Government was doing, then he lost me somewhere.

Mr. T. Sudama: Let me make the point. The Minister seems to be missing the point. He seems to be denying responsibility for the operation of these state enterprises and public utilities. The point is if there were no party hacks managing

these enterprises, if there were proper accountability, Iscott today would not have been the burden it is to the taxpayers of Trinidad and Tobago. That is the point I am trying to make.

Is he trying to deny his responsibility in this? Between 1981 and 1986 he was a Minister of Government—when Iscott was making its biggest losses, \$250—\$300 million a day. Does he want to disclaim his responsibility in this?

2.50 p.m.

What I am speaking about is the manner in which they ran the state enterprises—who they put to run them—and the corrupt relationship they established so that these companies were given the fullest freedom to operate without accountability, in order for them to run up these huge losses and liabilities. Now the Government is telling us, being a part of that regime, "the past is the past; let us start a new leaf; write off and forget". They want us to give them the option to raise another \$2.5 billion which would be utilized for the purpose of meeting the indebtedness of state enterprises and public utilities.

The Government is saying that since this new PNM came into office it has been a different story and that it has been reducing its stock of debts. When we look at some of the debt profiles of many of these state enterprises, especially the larger ones, we see that the indebtedness has been increasing and it has been a contingent liability of the Trinidad and Tobago Government. When the Government took over the National Gas Company in 1991 there was a foreign debt liability of \$71 million; by 1993 this had shot up to \$265 million.

Maybe this incurring of these additional external liabilities is justified. This Parliament in none the wiser. If it turns out that the National Gas Company cannot meet its foreign liabilities, do you know what would happen? The Government would come to Parliament and say that the taxpayers have to pay and it wants approval for that.

Between 1991—93, the foreign indebtedness of the Trinidad and Tobago Urea Company was increased by \$100 million. Of course, that has now been divested. Tringen, while reducing slightly, to date has a foreign liability of \$452 million. I am quoting these figures and asking the House to note them and the amounts involved simply because these are potential liabilities of the taxpayers. We may have to foot these bills if these investments do not provide the returns that we have been expecting of them.

Development Loans (Amdt.) Bill
[HON. C. IMBERT]

Friday, November 18, 1994

In 1991, Trintoc had a foreign liability of \$153 million; by 1993 this had shot up to \$428 million. If those investments in Trintoc do not pay off—I have asked questions in this House—this country would be saddled with further and further indebtedness added to the huge amounts which are already on our backs.

I want to raise another issue in terms of how the Government allowed its indebtedness to increase and, of course, the whole question of possible irregularities and relationships which may smack of levels of corruption. Here, we are dealing with indebtedness. The Government—quite apart from the indebtedness of state enterprises—also said that it is purchasing buildings by way of bonds. I want to show how it allowed costs to go up because it wants to favour its friends.

The Report of the Auditor General, 1993 states:

"Purchase of Property at No.8 Queen's Park East, Port of Spain:

In 1992, the Prime Minister's Unit sought alternative accommodation for several government ministries including the Ministry of Community Development, Culture and Women's Affairs. Offers were invited for rental accommodation in Port of Spain. After a number of offers were found to be unsuitable Cabinet agreed to the purchase of the property at No. 8 Queen's Park East, Port of Spain at a price of \$6.3 million, 'subject to the owner providing good title and vacant possession and on the condition that there are no unduly restrictive covenants or any unusual or onerous outgoings running with the land'.

Findings were as follows:

The property was first offered for sale at a price of \$8.0 million. The open market value of the unencumbered freehold interest in the property was stated to be \$6.14 million by an independent professional valuator acting on behalf of both parties.

The parties agreed to a consideration of \$6.3 million for the purchase of the property.

The Ministry of Works and Transport identified certain repair works which were estimated at a cost of \$700,000.00.

Cabinet in January, 1993 agreed that the repairs identified by the Ministry of Works and Transport be undertaken by the vendor at the estimated cost of \$700,000.00.

Subsequent to the sale agreement of May, 1993, the financing agreements were entered into at 'bi-monthly rests' in respect of the purchase (\$6.3 million) and repair of the building (\$0.7 million) as well as the supply of furniture and fittings (\$1.5 million). The agreements provided, inter alia for the issue to the lender of permanent debt instruments in the nature of 'Fixed Rate Bonds' by the Government of Trinidad and Tobago.

The supplemental financing agreement dated March 25, 1994 shows the debt due to the lender as at March 07, 1994 as \$8,511,680.68. This amount is in respect of amounts advanced under the principal agreement and capitalised interest of \$659,514.00.

As at May 31, 1994 bonds were not as yet issued to the lender. Interest will continue to accrue and be capitalized bi-monthly until such time as the bonds are issued."

The point I am trying to make is that in facilitating its friends, a building which ought to have cost the Government \$6.3 million now costs \$8.5 million because it has to pick up all the tabs with respect to this purchase which they are doing on the basis of a loan and the issue of bonds. That is the way it proceeds. I am talking about an attitude with respect to facilitating friends and acquaintances which is costing the Government and the taxpayers of this country a lot of money.

In the first instance, I had questioned the need to buy the Algico building. We had said that it was improper to have two Government Ministers—one is now a former Government Minister, Sen. Brian Kuei Tung and the other is the Member for Diego Martin Central—both of whom were closely connected with Algico. We did not see any need to purchase the Algico building but when the Government got into a purchase agreement for a building which was valued at \$6.3 million, it ended up paying \$8.5 million.

3.00 p.m.

The Member for St. Ann's East spoke about reducing the external debt stock. I understand that there will be a temporary reduction of the external debt stock and the payments we will have to make to service the debt next year, and possibly in 1996. This is all calculated. But come 1997 and beyond, as a result of all the loans they have taken between 1992—

Mr. Imbert: On a point of order. My information, with regard to the building in question, is that the original purchase price was \$6.3 million—and the Member did read out a valuation in which certain repairs were identified, which were

Development Loans (Amdt.) Bill
[HON. C. IMBERT]

Friday, November 18, 1994

separate and apart from the market value at the time, then furniture was provided. So, the real cost of the building remains \$6.3 million.

It is absolutely incorrect to say that the building started off at \$6.3 million and increased to \$8.5 million. Repairs were done to the building and furniture was supplied.

Mr. T. Sudama: Madam Speaker, not having issued the bonds and allowing the interest to accumulate implies that they are paying more than they would have paid under another arrangement.

"As at 31st May, 1994, bonds were not yet issued to the lender. Interest will continue to accrue and be capitalized bi-monthly until such time as the bonds are issued."

"Continue to accrue and be capitalized bi-monthly". Do you know anyplace where interest is capitalized bi-monthly and added to the amount owed as principal? This is a sweetheart arrangement between this Government and Algico. This is why we are asking for transparency and accountability, so that when one enters these types of transactions, they are brought to this Parliament and we can question the rationale. I am saying here and now that there was no need to purchase the Algico building, given the amount of space available to the Government. *[Interruption]*

You will only know that when you tell me how many buildings you have. We know. For example, the propaganda in San Fernando is that they are going to build a multi-storey building in Chancery Lane carpark. All the evidence suggests that that is totally unnecessary. It will not be a viable investment, but they are proceeding with it. Do you know why? They have promised some of their friends that they will get the contracts. That is why they are proceeding with it.

Mr. Manning: Madam Speaker, I thank the hon. Member for Oropouche for giving way.

I have a letter dated November 18, that is today's date, written to the Permanent Secretary in the Office of the Prime Minister, Head of the Civil Service, by the National Insurance Property Development Company Limited, the firm retained by the State to handle the Chancery Lane complex on its behalf, indicating that nine firms, both local and foreign, have expressed an interest in the prequalification exercise. Two more are to come, for a total short-listing of five, so a selection process has to be gone through. So the assertion of my hon. Friend, the Member for Oropouche, is incorrect.

Mr. T. Sudama: The point I am trying to make over and over again is that I cannot accept their word. They must bring this to a committee of this House and justify why they want to spend all this money on something which will not be of developmental worth.

Let us assume it is a viable project, what will it do to the economy of Trinidad and Tobago? They have to spend money now to maintain it. *[Interruption]* Where are they going to get the money to maintain it? Why could they not have alternative expenditure into the physical and economic infrastructure of this country, so it will bring a return? People will get permanent employment. That is the nature of development. That is the development we are talking about, rather than sinking money in an office building on Chancery Lane, on which we have expressed many doubts about its feasibility and viability.

Why are they spending this money? When they are spending money for Government accommodation, we would like them to tell us what accommodation they have, what accommodation they require and what is available as rental, before they get into this heavy capital expenditure, spending millions and millions of dollars of taxpayers' money at a time when one talks about an inadequate supply of water—they have no money. For example, they have no money for the booster in San Fernando. They have no money to supply a flow meter, costing \$40,000, which will indicate to the officials in WASA how much water is actually coming from the Caroni/Arena Dam. This will put them in a position to distribute that water a little more equitably. There is no money to fix water wells at Syne Village in Penal to access more water, but they want to spend millions of dollars on an office building in Chancery Lane carpark. It just does not make sense. The basic services that the people of Trinidad and Tobago are so desperately looking for are not being provided, but they have big plans for an office building and all sorts of totally, at this point in time, unnecessary expenditure, which has no developmental benefit for the citizens of Trinidad and Tobago.

The question was asked earlier by my colleague: How do you define general development? What is this general development for which they are asking us to increase the limits of borrowing? What do they conceive that development to be? Continued pauperization of people? The continued addition to the unemployment levels? Continuing retrenchment in Trinidad and Tobago? Continuing unaffordability of people to buy basic food items? No drugs in the hospitals and the medical services? Shortages in critical areas of the country's services—in the education system, in the health system? Yet, when we ask these questions we are told that the Government has its own priorities. We know what their priorities are.

Development Loans (Amdt.) Bill
[HON. C. IMBERT]

Friday, November 18, 1994

We know that their priorities are to see how quickly they can divest themselves of any kind of responsibility for the economy—for the proper functioning and growth of the economy of Trinidad and Tobago. Put that in the hands of the private sector, continue to sit there and get their revenues and utilize those revenues for propagandizing or electioneering purposes. That is their basic concern.

3.10 p.m.

All this Government is concerned with is how to win the next election, not how to improve the quality of life of the people of Trinidad and Tobago. How to bribe people into winning the next election is all this Government is concerned with. The \$140 million being spent on the Urban Redevelopment Project is in the nature of a bribe, in the way that that is only available to people who profess loyalty to the People's National Movement.

Madam Speaker: I wonder if the Member could move on with the debate, please. You have five more minutes—that is why I am asking.

Mr. T. Sudama: If we had been able to eliminate or to minimize the losses on the state enterprises and the public utilities, then, we would have had the wherewithal to spend for true development purposes in Trinidad and Tobago. We would not have had the recourse of having to come to this Parliament to ask that taxpayers' money be utilized now, and in the future, by the issuance of bonds to liquidate indebtedness which should not have occurred in the first place.

If we had done that, then we would have had resources to improve the economic infrastructure of this country, to facilitate investment opportunities by small-, medium- and large-scale businesses, and by doing so we would have put ourselves in a situation where permanent jobs would have been created, rather than the hand-out syndrome which has been perpetuated by this Government.

These are essential points that I want to make. It is misallocation of expenditure; it has been waste and mismanagement which has now put us in a position where we have to increase the limit under the Development Loans Act by \$2.5 billion, which, of course, would be utilized in the future to meet the loans which cannot be serviced by state enterprises and public utilities, becoming a charge on the taxpayers of Trinidad and Tobago.

We, on this side, are not satisfied that we can trust a government with their record of profligacy, and their record of corruption to use the authority that they are requesting in this Parliament today to the best advantage and for the basic development of Trinidad and Tobago and its citizens.

The Minister of Works and Transport and Minister in the Ministry of Local Government (Hon. Colm Imbert): Madam Speaker, I have tried very hard to understand the submissions of the Members on the other side, particularly the Member for Caroni East and later the Member for Oropouche. As far as I am concerned, the vast majority of what they said made absolutely no sense.

Let me first deal with the Member for Caroni East. The Member spoke about the Government taking over debts of state enterprises, and indicated that if the Government were to take over the debts of state enterprises, this would contract the economy, affect the liquidity situation, affect the money supply, cause an increase in interest rates and so forth. I am simply flabbergasted.

The debts involved—by the way, the majority of which is Government guaranteed—are simply paper. What is taking place is simply a change of ownership. The effect of liquidity in the market would have taken place long ago when the debts were incurred. The debts already exist. The state enterprises owe this money and all the Government is doing is relieving the state enterprises of this paper, taking over these debt instruments. I simply cannot understand how one can take that very simple process and translate it into contraction of the money supply, effect from liquidity and so forth. It makes no sense to me.

When we look, also, at what the Member for Caroni East said—and the Member for Caroni East complained about crosstalk on the floor, I would refer her to her leader, the Member for Couva North, to whom on many occasions it had to be pointed out that this Parliament is no "Bishop's tea party".

Mr. Humphrey: Could the hon. Member give way to a question?

If this is merely a paper transaction—a simple swaying of the wand in accountancy—what is the need for providing the issuing of bonds? When one sells bonds, does one raise money from those who purchase those bonds, and then does one ever have to redeem those bonds by paying the money plus capital interest?

Hon. C. Imbert: I really did not come here today to give a lecture on banking operations. *[Interruption]* But I will try. *[Interruption]* It is simply the form of the instrument. One can take out a loan, an overdraft, a mortgage or one can float a bond, it is simply a financial instrument. One is merely converting the debt into a simple instrument. I do not think I need to say anymore on that. The debt exists! The state enterprises borrowed money. *[Interruption]* Madam Speaker, I am simply amazed at what I am hearing. The state enterprises owe the banks money. The debts are on the books of the banks in various forms; in the

Development Loans (Amdt.) Bill
[HON. C. IMBERT]

Friday, November 18, 1994

forms of loans, in debentures and so forth, the Government is merely cleaning up this mess and converting it into one simple instrument—a bond—which would be issued to the banks in return for the debts. I cannot understand this!

This year the Port Authority—I am going to give a pertinent—

Mr. Humphrey: On a point of order. If what the Member is saying is true, they do not need to increase the limit of borrowing by \$2.5 billion.

Hon. C. Imbert: The Member for Diego Martin Central was at pains to attempt to educate Members on the other side about the various loans legislation we have in this country. We have the External Loans Act, the Development Loans Act, we have the Guarantee of Loans Act and we are simply taking loans that are being catered for under the Guarantee of Loans Act and transferring them to the Development Loans Act, so that the total debt does not increase. I cannot understand, why they cannot understand these simple concepts. The debt remains constant, it does not change!

The Port Authority, guaranteed by Government, floated a bond under the Statutory Authorities Guarantees Act to consolidate all their debts—their overdrafts, outstanding loans, accounts due and payable to their creditors and so forth, a bond in the sum of \$167 million—and the bond instrument was then passed over to the banks, but the debt did not change.

3.20 p.m.

They had a \$40 million overdraft, they had \$20 million owing to their trade creditors and so forth, and it all came up to \$167 million. They took all of that mess, I think that is the best way to describe it, and converted it into a clean and simple bond instrument of \$167 million. It did not change the liquidity situation, it did not contract the money supply, it did not affect interest rates. I just do not understand why they cannot understand these simple concepts.

The Member for St. Ann's East was at pains during his presentation to point out that one of the reasons for the increase in the borrowing limit was the issuing of instruments and taking over the debt of state enterprises, but there are two other good reasons: We have had flotation of the currency, the exchange rate has changed and one cannot expect a limit that existed in 1990 to be relevant in 1994 when the whole money market has changed and the exchange rate has changed. In addition, the Government may wish to undertake development in the ensuing years and therefore, considers it prudent to increase its limit.

Now, there is a classic misunderstanding on the side of both Members who contributed to this debate. I have in front of me the *Public Sector Investment Programme 1993*. If one goes to the front page of this document which I believe was laid in this House and was available to all Members, one sees what is called a pie chart, which states:

"(a)	productive sectors	-	41.28 per cent
(b)	economic infrastructure	-	17.97 per cent
(c)	social infrastructure	-	34.24 per cent;"

and so forth. What this diagram indicates is that when the Government borrows money for development purposes there are a number of sectors to which this money is assigned. One can borrow money to upgrade the refinery for example, which is what is taking place at Trintoc. One assumes that is a viable investment which will pay an appropriate return. One also borrows money for investment and development that does not give a financial return. If one borrows money to build a school for example, how does a school earn the revenue to repay the debt? I mean you get returns in terms of the development of your citizens, the development of education and so forth—but if one builds a school, if one builds a prison and so forth, these are all necessary development projects; there is no direct financial return. So that the argument the Member was making that we should only borrow money for development projects that give you some sort of direct financial return, makes absolutely no sense. If we were to do that, there would be no roads, we would not repair drains. *[Interruption]*

Mr. Sudama: Madam Speaker, on a point of order. This Bill that we have before us is specifically for borrowing money for state enterprises and public utilities. It is in that context that we are saying that the loans which one underwrites should be a viable investment that will bear a return. That is the only way you can meet loan repayment without coming to the taxpayer to foot that loan.

Hon. C. Imbert: Madam Speaker, I am convinced that the Member just does not listen to anybody says. He just does not listen. That is why he was a Member of the Cabinet for one day only. That is why they fired him, he does not listen. *[Interruption]*

Mr. Sudama: I was a Minister for one day, but I was not involved in any corruption as he is.

Madam Speaker: Hon. Member, we could do without that.

Hon. C. Imbert: Madam Speaker, the Member for Diego Martin Central made the point that the Development Loans Act was primarily for borrowing on the domestic market. *[Interruption]*

Madam Speaker: Order! Order, please! Allow the Minister to proceed.

Hon. C. Imbert: Thank you, Madam Speaker. The Member for Diego Martin Central specifically made the point that under normal circumstances the Development Loans Act is for financing development with borrowings from the domestic market.

The Member for St. Ann's East also carefully and deliberately pointed out that under the Development Loans Act, over the last several years, there have been a number of programmes such as the Fincor programme to a total sum of \$500 million. The Member for Tobago West will be very well aware of this, because the Fincor programme was established under the former administration for a number of projects, some of which may have some direct financial return, others are purely social infrastructure: fire stations, police stations, schools, roads, sporting facilities and so forth.

The Member for St. Ann's East also made the point that under the design/finance/construct arrangement initiated by the former administration, borrowings were incurred, again, for police stations and other national security facilities. So for the Member for Oropouche to come and say, "well, this Act and this loan is only for getting involved in investments that will need a direct financial return," means that he just was not listening.

Let me go to some of the literature because what I have noticed, is that some Members, and particularly the Member for Caroni East, come to this House and just quote a hodgepodge of figures pulled at random out of books and so forth—all the documentation issued by the Central Bank, such as the *Central Bank Quarterly Economic Bulletin*, I am sure the Member read them, but I think she should read them again.

When one looks at the *Review of the Economy 1993*, there is substantial information on the liquidity situation, on the level of savings and on the money market. For example, commercial banks deposits and credit, and I am reading from page 23 of the *Review of the Economy 1993*:

"...total deposits of commercial banks showed a marked improvement in 1993 increasing to \$9,196.7 million at the end of August, or by 8.8 per cent over the level at the end of 1992."

Commercial banks deposits increased in 1993—and they are increasing in 1994, as well. The Member came here and said all kinds of things which have no basis in reality.

Page 7; *Quarterly Economic Bulletin*, Vol. XIX, No. 2, June 1994, Money, Credit and Interest Rates. I will quote from page 7. It says:

"In response to a large build-up of liquidity in the banking system in the first quarter of 1994, the Central Bank in April increased the cash reserve requirement for commercial banks..."

What does that tell us? "In response to the large build-up of liquidity"—this is testimony to the fact that liquidity is on the increase in the market; it is not on the decline. Hence the need for the Central Bank to increase the reserve requirement and to withdraw some of that excess liquidity from the system.

The Member for Oropouche made a wild allegation about employment. I read again from the *Quarterly Economic Bulletin*, June 1994, page 4:

"The year-on-year picture showed that the level of unemployment declined by 5.3 per cent..."

This is in comparison to the previous year. Although the labour force grew to 508.4 thousand the number of persons unemployed fell marginally.

"Sectorally, there was a substantial rise in employment in agriculture... and an additional 12.8 thousand persons found jobs."

3.30 p.m.

Do you hear what this is saying, Madam Speaker? In the first quarter of 1994, an additional 12,800 persons found jobs. The total number of persons in the labour force went up. The unemployment percentage rate did not go up, which means that a large number of persons found jobs. That is the only way the unemployment rate could have remained stable or decreased, given the increase in the total population of the labour force. This does not bear out the comments of the Member for Oropouche. The facts just do not bear out the wild allegations he is making.

Let us look at the public sector external debt. What was the public sector external debt in 1990? US \$2.5 billion. What is the present public sector external debt? Let us go to the most recent figures—the *Quarterly Economic Bulletin*, June 1994, which is available to the Member for Oropouche. I read from page 6:

"At the end of the second quarter of 1994, the stock of public sector external debt stood at US \$2,017.1 million..."

Development Loans (Amdt.) Bill
[HON. C. IMBERT]

Friday, November 18, 1994

It was \$2.5 billion in 1990 and \$2 billion in 1994.

What does that tell us? If one looks at the debt profile since this PNM government has come into office, one would see that there has been a consistent decrease in the external debt in US dollar terms, all part of our macro-economic policy to get our level of external debt down, to get a surplus on our current account to bring the deficit—

Mr. Sudama: Madam Speaker, I wish that when the Member is quoting in this House that he is accurate, that he does not carry on where he left off in his political capacity. He is telling this House that the public sector debt from 1991 to 1994 has decreased.

I refer him to a page in this *Economic Quarterly Bulletin* June 1994, Table 16, Central Government total debt, which has moved from \$11,386.7 million in 1991 to \$14,945.6 million in June 1994. If that is a reduction, then I would advise him to go back to primary school.

Mr. Manning: Be kind.

Hon. C. Imbert: Madam Speaker, I am now convinced that the Member listens to nobody. He made a similar statement during his contribution and was corrected by the Member for Ann's East. I am referring to the external debt and I am denominating it in US dollars.

Mr. Sudama: I am talking about the total debt.

Hon. C. Imbert: One cannot denominate external debt in anything else but hard foreign currency.

Mr. Sudama: Madam Speaker, on a point of order.

Hon. C. Imbert: I am not giving way.

Mr. Sudama: On a point of order. When the Member said that the external debt was reducing he was again misleading the House. It is a congenital problem with him.

According to the *Quarterly Economic Bulletin*, June 1994, in 1991 the external debt outstanding was \$6,667.4 million. In June 1994 the external debt outstanding was \$9,403.7 million.

Mr. Manning: In what currency?

Mr. Sudama: We are dealing with the currency of Trinidad and Tobago.

Hon. Member: Instruct the DPP to arrest him.

Hon. C. Imbert: Madam Speaker, I do not wish to give way to the Member for Oropouche again—

Mr. Sudama: Not if the Member misleads the House.

Hon. C. Imbert:—because he has the same document that I have. He is doing as the Member for Caroni East did, pulling out all sorts of figures, at random, that bear no relevance to each other. I refer the Member to page 6—I think I have said that three times already—under the heading "Public Sector External Debt", which means not local. It says:

"Data in this section are in US dollars.

At the end of the second quarter of 1994, the stock of public sector external debt stood at \$2,017.1 million, a decline of \$9.1 million from the previous quarter."

I repeat:

"At the end of the second quarter of 1994 the stock of public sector external debt stood at \$2,017.1 million, a decline of \$9.1 million from the previous quarter."

Let me go now to the document I referred to earlier—*Central Bank of Trinidad and Tobago Annual Economic Survey 1993*, page 14 captioned "Public Sector External Debt." Again, it has the sub-caption, "Data in this section are in US dollars". I shall read the whole thing since the Member does not seem to understand. It says:

"The external debt of the public sector fell by \$119.1 million in 1993, making it the third year in succession that the debt had fallen. The level of external debt peaked at \$2,520.5 million in 1990..."

It was \$2.5 billion in 1990; it is \$2 billion now. It went down; it did not go up. If the Member does not understand that, something is wrong with him. I cannot get simpler than that!

I would have to ask the Member for Diego Martin Central to invite the Member for Oropouche to Sunday school. He has already invited the Member for Caroni East, but he has to invite the Member for Oropouche, too. He should know better than that!

The Member for Caroni East, while complaining that she was being harassed, made the point that no investment is coming in to the economy and so forth. In

Development Loans (Amdt.) Bill
[HON. C. IMBERT]

Friday, November 18, 1994

1994, US companies alone—I am not talking about European companies or other companies—invested US \$750 million in the economy of Trinidad and Tobago. The Member knows that. This has been borne out by an official statement from the economic attaché in the US Embassy recently. In 1995, investment by American companies in our economy is expected to go up to US \$800 million.

Mr. Sudama: To what effect? Where does the dividend and profit go? At what rate are you giving them the gas?

Hon. C. Imbert: Madam Speaker, I just cannot understand. At one point, the Member for Caroni East said we are removing \$7.5 billion from the economy. The Member for Diego Martin Central had to correct her and indicate that in 1990 when the Member for Tobago West was in government and the government of the Member for Oropouche was still around, they increased the development loans limit to \$5 billion. That former government—the Member for Oropouche was a part of that—increased the development loans limit to \$5 billion. Sorry, he was in the Cabinet for one day, maybe he did not know. All we are doing is moving it from \$5 billion to \$7.5 billion. How could that equate to taking \$7.5 billion out of the economy?

Madam Speaker: The Member for Diego Martin East is having a little difficulty.

Mr. Sudama: I was not involved in any corruption.

Madam Speaker: Please allow the Member to make his contribution.

3.40 p.m.

Hon. C. Imbert: I think the Member for Caroni East read out one of these clichéd pieces of rhetoric that come out in these magazines about structural adjustment as a condition of international agencies and leads to privatization, and so forth. She followed the line that the Member for St. Augustine likes to tout all the time, that we are merely—this was the implication, Madam Speaker, she did not exactly say so—puppets of international agencies.

When we look at the debt profile of state agencies, Caroni Limited. in particular, the Government debt of Caroni Limited. in 1986 was \$1.4 billion. What happened when the Member for Oropouche went into the Ministry of Finance? It went up to \$1.6 billion. What happened when they threw him out? It went up to \$1.7 billion. [*Laughter*]

Mr. Sudama: On the same day?

Hon. C. Imbert: So that, over the period 1986 to 1991, the Government debt of Caroni went from \$1.49 to \$2.1 billion—an increase of nearly \$500 million! The Government of which the Member for Oropouche was a part; and he was in the Ministry of Finance in 1987 when the debt went up by \$100 million! What has the PNM done?

What was Caroni's debt in 1993, Madam Speaker? I cannot read this properly, but I am seeing zero! Yes, 1990, \$1.9; 1991, \$2.07; 1992, \$2.17; 1993, zero point zero! We wiped off \$2 billion of Caroni debt, \$500 million of which was incurred by the Government of the Member for Oropouche.

Mr. Narine: And Tobago West.

Hon. C. Imbert: And Tobago West. That is true.

Miss Nicholson: At least, I ran this country well. You know that I am going to reply.

Hon. C. Imbert: Madam Speaker, let us look at BWIA. They do not like to take responsibility for anything. What was BWIA's foreign debt in 1986? Zero. Zero point zero! That Member for Oropouche came into the Ministry of Finance and met BWIA with a zero foreign debt. What did he do? In 1987 it was \$70 million. That Member for Oropouche. And it went up and up and up. What was the local debt of BWIA in 1986? \$41 million; in 1991 it was \$208 million. That Member for Oropouche. What was the Government debt in 1986? \$3.8 million; in 1991 it was \$38 million. That Member for Oropouche. They come here and talk about the PNM which has built up this big debt, and so forth. It is the Member for Oropouche who has done that. One day in the Cabinet, and Caroni's debt increased by \$500 million! *[Interruption]*

Dr. Rowley: Suppose he had lasted a year! *[Laughter]*

Hon. C. Imbert: Let us go on, Madam Speaker. When I listen to the Members on the other side, they complain about these state enterprises borrowing money, incurring liability, and so forth, but the Government is dealing with that problem. We are divesting the state enterprises.

Hon. Member: Privatizing, not divesting.

Hon. C. Imbert: Let us look at the Urea Company. What was the debt in 1992? \$62 million foreign; \$99 million local. What was the debt in 1993? Zero. Government cleaned it up. FERTRIN.

Miss Nicholson: You sold it.

Hon. C. Imbert: What was the debt in 1992? \$167 million foreign; \$44 million local. 1993, FERTRIN debt—zero. No longer will these companies incur liabilities; no longer will the taxpayers of this country have to pay for the debt incurred by these companies, and the Government has received capital from the divestment of these industries, in addition to many other benefits.

Our approach to divestment is multifaceted. Not only are we monetizing our assets, but we are seeking to bring in strategic partners, access to the latest technology, for example—some of the companies we have divested are companies in the energy sector too. One of them is already engaged in final discussions on preparation for a brand new methanol plant. Investment in this country of US \$200-odd million. Trinidad Cement has got investment from a Latin American country, Mexico; access to technology, economies of scale, new expertise. That is our approach to state enterprises.

I would like now to deal with BWIA, because when I was looking at BWIA's debt—not in this table, but at another time—one thing struck me. [*Interruption*] In 1990 BWIA lost over \$200 million. In one year, 1990—not 1992 or 1993. When one examines BWIA's difficulties—because the former administration tried to divest the company for years. The company has been losing hundreds of millions of dollars as the Minister of Finance indicated. It is not as if it is gem or a prize and people are knocking on our door to buy it. I would ask the Member for Oropouche: What are BWIA's assets? I would like the Member for Oropouche to tell me that. What are we selling and giving away, Madam Speaker? I would love to know.

Dr. Rowley: Patrimony.

Hon. C. Imbert: The Member made an absurd suggestion that, somehow, anybody who purchases BWIA should purchase their debt and liabilities. Now you tell me. There is a company with \$800 million debt, but he wants someone to come along and take over the \$800 million. Does that make any sense? If one divests a company one must put it in a position where its net assets are positive. Why would I buy a company with net liabilities? They would have to pay me to do it. I am going to buy something from you and, at the end of the day, I lose money? What is the point of that? I do not understand the argument—

Mr. Sudama: Madam Speaker, I just want to inform the Member that BWIA or any going concern is valued not only on the basis of its physical assets. It is valued as a going organization.

Dr. Rowley: Going into debt.

Mr. Sudama: This is why the union wanted to get involved in the share ownership of BWIA. That is why we made an enquiry into the valuation of British West Indian Airways.

Hon. C. Imbert: Madam Speaker, I am going to have to ask for "injury time". Every time the Member for Oropouche gets up he makes another speech and the whole point is, he talks about BWIA being a going concern. A going concern? It is losing \$100 million a year. So if we do a forecast based on its last 10 years of operations—

Mr. Sudama: What was the potential?

Hon. C. Imbert:—its value is negative, not positive. I just do not understand.

Mr. Sudama: What about the union's proposals?

Hon. C. Imbert: You look at a company which has an accumulated debt of \$800 million and is losing over \$100 million a year and talk about that company as a "going concern"! The company can only become a going concern if one cleans the books, restructures the company for efficiency, gives it a net balance in terms of assets and liabilities so it has some market value, then you can divest it. I just do not understand, Madam Speaker.

3.50 p.m.

The other thing the Member will want to tell me is that all the state enterprises have been losing money for years, hundreds of millions of dollars, and that we should sell them as going concerns in view of some illusionary profitability that may come like some satellite from the sky. The companies have been losing money for 10 and 20 years. How can they be going concerns?

The whole point is that this Government has taken a decision that the buck stops here. These companies have been hemorrhaging, have been pulling money out of the Treasury, have been taking money that could have been used for the social sector, for school feeding, for social infrastructure, for building schools and for unemployment relief. These companies have been taking money that could have been properly allocated for those things and putting it into unproductive systems, because the companies have not been making money. They have been losing money. The only way that one can treat these companies as valuable assets is if one restructures the companies and cleans the books.

Mr. Sudama: If that is the case, why did we not get rid of them?

Hon. C. Imbert: Madam Speaker, I hear the Member talking about why we did not get rid of these companies before. They were in power for five years and they did nothing.

Mr. Sudama: You were in power for 30 years!

Hon. C. Imbert: We came into Government and we are showing visible signs of progress in our second incarnation. We are taking decisive steps.

When I came into office in 1992, I had to be running back and forth to the Ministry of Finance every week to pay port workers. Madam Speaker, when was the last time you heard that we could not pay port workers' salaries? When was the last time you heard we could not pay port workers' pensions? I came in and met that mess of pottage they handed to me on a plate down at the Port Authority—every week running to the Ministry of Finance begging for money to pay the workers at the Port Authority. What is the situation now? We have restructured their debt; we floated a bond such as one of the bonds being described in this Development Loans Act; we have taken care of all the short-term liabilities and put them on a sound footing. We have consultants looking at their operations, to restructure and lead them into divestments as a going concern.

This Government's track record, if one is objective, is beyond question. Look at Caroni (1975) Limited, hand-to-mouth during the period of the former administration. When was the last time you heard about bacchanal at Caroni, Madam Speaker, under the stewardship of the Minister of Agriculture, the Member for Diego Martin West? When was the last time you heard that they cannot pay wages; they cannot meet the payments? When last? The only bacchanal that would be heard down there is when they find things are going too good, so a political bacchanal is orchestrated every now and then. Caroni was a problem for 20 years and the Member for Diego Martin West solved it in two years. That is, this Government.

Madam Speaker, I am just simply amazed. Think about the comment the Member made about the project for Chancery Lane—it should not be built. The Member is from that area. He is from San Fernando. The hon. Member for Oropouche is from San Fernando.

Mr. Sudama: I am asking you to spend the money properly. What about drugs for the hospital?

Hon. C. Imbert: He knows that Government offices in San Fernando are all over San Fernando. Post office here, Warden's Office over there, Inland Revenue

over so, Social Services this way. It makes no sense. As part of its administrative reform process, the Government has taken a policy decision to centralize all essential government operations in urban centres in administrative buildings, so that when one goes to pay one's income tax or land tax, the Warden's Office will be there, the Inland Revenue Department and all the departments, such as the Licensing Office, all in the same place.

Those Members over there—this is what is so contradictory about their contributions. Any time there is a problem with a government office—the Member for Couva South—big demonstration—the Warden's Office in Couva is in a mess. Big noise in the country, but the Member for Oropouche says one must not spend money on improving the working conditions of public servants. That is tantamount to what he is saying. He is saying that we must not construct new buildings for public servants. That is what he is saying.

The hon. Prime Minister, the Member for San Fernando East, made the point that nine reputable organizations, some of them on their own, some of them consortiums, have submitted documents for pre-qualification for the Chancery Lane complex. When I look at the list, Madam Speaker, there are some of the leading construction and financial companies in Trinidad and Tobago, the Caribbean and overseas which have submitted documents for pre-qualification for the Chancery Lane project. What does that tell us, Madam Speaker? Is it not a viable project? If it were not viable, why are they submitting documents for pre-qualification?

Mr. Sudama: If you promise to pay them, how do you mean?

Hon. C. Imbert: One of the special features of that complex is the fact that the developer will be required to take some element of risk because it is a multi-purpose building. In the building will be government office space, where we will consolidate all the government offices which are being rented all over San Fernando in run-down buildings, and the developer will be required to construct additional commercial space at its own cost and to get an economic return for that building space on its own. It is a complex project, and nine reputable organizations have submitted pre-qualification documents. Yet, one person says it is not viable and the Member for Oropouche jumps on that. So what about these nine groups? What about them?

Mr. Sudama: Which nine businesses?

Hon. C. Imbert: They are in the business of banking. I see insurance companies, banks, leading construction companies here.

Mr. Sudama: The banks are going to extract money from it anyway!

Hon. C. Imbert: Let us take a look at the building at Queen's Park East. The Member made a number of allegations that the cost of the building went from \$6.3 million to \$8.5 million. If the Government purchases a building property, the Government has a number of options available to it. It can take money out of its general revenue to pay for the building; it can go to a bank and borrow money to pay for it; or it can enter into a mortgage arrangement with a non-bank financial institution.

What has happened in this particular case, Madam Speaker, is that in exercising the type of purchase option, the Government entered into a mortgage arrangement with the previous owner of the building. Instead of going to a bank and borrowing the money at the same interest and the same capitalization of interest and accumulation of interest, the Government got the owner, which happens to be a non-bank financial institution, to make a financial arrangement to amortize payments over time in the form of mortgage or a bond. There is nothing complex about that. If someone went to the bank, there would be interest on the bank loan. That is all that has happened here.

4.00 p.m.

The Member for Oropouche, who used to work in a bank, I understand—well, I understand that he had some problems—knows that if one goes to borrow money for a house, one is not going to get an interest-free loan. Nobody in this country is going to get an interest-free loan if they go to borrow money for the purchase of real property. You have the capital and you have the interest. That is all that has happened here.

What the Member has done is manipulated the figures, added interest to capital and portrayed it as a capital sum, to give an impression that is absolutely false—and he was in the Ministry of Finance!

I am referring to my notes of what the Member said and none of it makes any sense. He made the point that we are giving away BWIA to the Acker Group and giving them some sort of favourable advantage. The Member for Diego Martin Central corrected him and said that before the Acker Group got involved in this consultancy project, which is simply to develop a business plan, they had a memorandum of understanding where the price of \$10 million for 25.5 per cent of the assets—the shares—was agreed.

Mr. Sudama: How did they arrive at that? Are they going to have a re-valuation?

Hon. C. Imbert: They have been trying to sell BWIA for the last six to eight years. A professional valuation was done. Someone comes along and makes a bid which is in line with the valuation, signs a memorandum of understanding—

Madam Speaker: The speaking time of the hon. Member has expired.

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

Question put and agreed to.

Hon. C. Imbert: Madam Speaker, I am trying to clear up this whole issue about Acker and the allegations of insider trading, or whatever it is. They put their signature on a memorandum of understanding for \$10 million before they went in, like all the other companies which have been expressing interest in BWIA for the last eight years.

I just do not understand. The Member for Caroni East worked in the Ministry of Finance in the Divestment Unit, I understand, and she would know that one prepares an investment profile on all these companies in terms of their fixed assets, their liabilities, their receivables, their accounts due, and so on. The Member would know that; and this is available to the public. There have been a number of companies, airlines, that have expressed interest in BWIA over the last eight years. The Member for Oropouche knows that. The information with regard to BWIA's balance sheet, its assets, its liabilities, and so on, is in the public domain.

Mr. Sudama: Where is the public domain, your office?

Hon. C. Imbert: Let us go now to the other allegation he made about the unions involved expressing total dissatisfaction. The Member for Diego Martin Central has been quite clear on this. There is the question of an employee stock ownership plan. The employees will be offered shares in BWIA on the same terms and conditions as Acker. I do not know when last he spoke to the unions. I do not know whom the Member for Oropouche is talking to, because I have not heard any noise coming from the unions with regard to their opportunity to invest in BWIA and purchase 25.5 per cent, or whatever, for US \$10 million. I have not heard any noise coming from the unions in a long time. I think there is some difference of opinion about where the money will be coming from, but that is not the point. The point is that the unions will be given the opportunity to get involved in the employee stock ownership plan for 25.5 per cent, or thereabouts, of BWIA, on the same terms and conditions as Acker. Local people—little

Development Loans (Amdt.) Bill
[HON. C. IMBERT]

Friday, November 18, 1994

people in this country—are going to be given a 25 per cent share of BWIA, thus fulfilling our mandate in our 1991 manifesto, a very fine document, if I say so myself, to allow the widest possible public participation in the divestment of selected state enterprises.

I hope I have debunked the myth that the Member for Oropouche brought to this Parliament, that we are not going to allow the workers of BWIA to get involved in an employee stock ownership plan. It is simply not correct.

The Member made an allegation that we wished to divest ourselves of responsibility for the economy; we have no concern for improving the standard of living of people. In the same breath he attacked the Government for getting involved in borrowings and development projects that involve social infrastructure—roads, drains, schools, hospitals, because those have no direct monetary returns. He said that the only borrowings we should undertake are those for projects that yield a direct fiscal return. That is what he said. So do you know what he is saying? Build no roads, no drains, no schools, no hospitals, no sporting facilities, no health centres—

Mr. Sudama: Madam Speaker, I do not want to interrupt the hon. Minister, but he is misrepresenting what I said. Every time you talk about an investment, you talk about a return, whether it is a social infrastructure project, or whether it is an economic or physical infrastructure project. He has been building roads and justifying it on the basis of returns. We are talking about the basis of economic return, not monetary return.

Hon. C. Imbert: Madam Speaker, I am seeking your protection. It is clear to me the Member for Oropouche is intent on interrupting my contribution to make repetitive, irrelevant remarks and I am seeking your protection. I do not wish to give way to the Member for Oropouche again.

The Member for Oropouche said no such thing in his contribution. He said nothing about social infrastructure. He said we must invest in projects that have a direct fiscal and monetary return. That is the point he made. He made the point in the context of the Chancery Lane complex, where he said we should not be investing in a building of that nature. That is what he said: "Do not do it, because we have no money to get from that." So he was making the point that we should only invest in the productive sector. That is why I had to show him the pie chart, and I will show him again—the *Public Sector Investment Programme*: Productive Sectors; Economic Infrastructure; Social Infrastructure. That is what we borrow money for—those three things. We borrow money to upgrade our industrial

facilities, to earn money. That is the productive sector. We borrow money for economic infrastructure—access roads; we borrow money for social infrastructure—hospitals and schools. We borrow money for three primary purposes.

So read the *Public Sector Investment Programme*. He has had it for over a year. Another one will be coming when the Minister of Finance lays his documents at some point in time, where the Public Sector Investment Programme will be carefully detailed.

Let me just read from the 1993 PSIP, page 2: Composition of the PSIP:

"The \$956 million expenditure on the PSIP in 1993 includes major investment to be undertaken by State owned enterprises with funding from the State or Government guarantees. Aggregate expenditure of approximately \$585 million is to be earmarked for projects to be executed by Government Ministries, agencies or statutory bodies.

In 1993, major emphasis will continue to be placed on the productive sectors in keeping with the objective of moving the economy from a mode of stabilization to growth. Intra-sectoral allocations in 1993 have however been influenced by the existence of a number of lumpy programmes which commenced in previous years."

In sectors such as agriculture, energy, manufacturing, and so on. Table 1 in this document gives a breakdown of the sectoral allocations of the Public Sector Investment Programme for 1993. It goes on:

4.10 p.m.

"This expenditure will finance the expansion, maintenance and major rehabilitation of key elements of economic infrastructure..."

I will repeat that so the Member would understand what economic infrastructure is.

"...key elements of economic infrastructure including the secondary and rural road network..."

A road is economic infrastructure;

"...bridges, water mains and tourism infrastructure."

That is economic infrastructure if the Member did not know.

Development Loans (Amdt.) Bill
[HON. C. IMBERT]

Friday, November 18, 1994

Let us now go on:

"Consistent with Government's concern to improve the scope and quality of delivery of social services...\$328 million of expenditure on social infrastructure projects is planned for 1993. ...Upgrading of primary and secondary school plant will continue along with substantial work on the upgrading of hospitals and health centres."

I think I have made it absolutely clear. There are productive sectors or industrial sectors—where we invest in upgrading of plant and so forth; economic infrastructure—where we invest in various elements—the fabric of our economic infrastructure roads, drains and so forth; and social infrastructure, like hospitals and schools.

These are the three purposes for which we borrow money as contemplated by the Development Loans (Amdt) Bill which we are debating today. The borrowings under this Bill have spanned the wide spectrum of public sector construction and development.

Having said all of this, I wish to extend an invitation to the Member for Caroni East, and the Member for Oropouche, to join the Sunday morning tutorials by the Member for Diego Martin Central where they can get some tutelage in fiscal and monetary policy; some explanation on how the banking sector works; what is the meaning of the terms "liquidity", "money supply" and so forth so they can properly understand their meanings. *[Interruption]* No. Most importantly, the meaning of the words "debt", "bond", "financial instrument", and the difference between "a paper transaction" and "an exchange of paper instruments". *[Interruption]* Not this Sunday, Madam Speaker, we would be busy.

The Member for Oropouche would be invited to a number of different workshops and seminars, over time, on the precise meaning of "development"; the three primary development sectors: productive, economic and social, and would be exposed to why governments borrow to build schools, hospitals and roads, in addition to getting involved in investment and industrial projects.

I think I have dealt with this matter and I ask Members to please engage in more preparation and be more serious about matters when they come to this House and raise the level of debate to a standard so that crosstalk would not emanate from this side. The real reason for the crosstalk is the standard of the debate coming from the Members on the other side, somewhere down at the level of a high school debate.

Thank you, Madam Speaker.

Mr. Raymond Palackdharrysingh (*Caroni Central*): Madam Speaker, I am sure that after hearing the Member for Diego Martin East, if one were to walk outside, one would see a heaven out there. That is the impression the Member tried to give, of one finding all the good things in life after he has spoken.

Madam Speaker, one knows very well that from the moment one leaves this Chamber and goes outside, one is going to meet the reality of life that is so terrifying it disturbs the soul, and one wonders what manner of Government we have in this country.

I want Members to understand this because we have never had more trauma, suffering, despair, crimes, collusion and insecurity in this society than we have today. When one listened to the Member for Diego Martin East today, one wondered whether that Member lives in a world of reality. Maybe, he has created an illusion in which he lives, and in that respect he calls it development.

Let us start with development. Development must have the human person as its centre. If development cannot focus on the human being as the most important and critical element, I am afraid that the Government does not understand what its mission is. If the human resource is the most important asset, and must be central to development, one has to ask: Why is this nation in the throes of desperation and destitution?

I want Members to understand that we cannot come and talk about development without saying development for whom and developing what for whom. Is there development when a bus service is withdrawn from schoolchildren and our senior citizens are left to the mercy of unscrupulous people who will not have a heart or conscience for them?

With all the “amen” the Government wants to introduce, it will be a threefold “amen” for the PNM Government under the leadership of the Member for San Fernando East, one of the most conniving politicians I have ever met in this country. This Government cannot come to talk about development unless people begin to wear smiles on their faces and embrace an emotional security within themselves that tells them that at least their future and the future of their children are assured.

Do you know that there are more broken homes in this society today? Do you know that there are more suicides taking place in this society today? Do you know that in this society today there is so much dislocation that even the gates of the prisons cannot contain those who are battered and bruised by the administration of this Government?

Mr. Valley: Madam Speaker, I know a while ago my colleague was talking about Sunday school, but this is not Sunday and I do not think we need a sermon. I wonder whether the Member could get back to the Bill, please.

4.20 p.m.

Madam Speaker: I was waiting with patience. Having made your introductory remarks, I hope you move on to the Development Loans (Amdt.) Bill now.

Mr. R. Palackdharrysingh: Madam Speaker, it is also important, and I have to make the point, that one cannot debate an issue without a context of reference as a locus. [*Desk thumping*]

Since that is the case, I will not be deterred by what they say. The so-called euphoria in heaven that the Member for Diego Martin East has been speaking about is merely total illusion.

Dr. Rowley: Collection time!

Mr. R. Palackdharrysingh: Madam Speaker, I want to indicate that today we have before us this Bill—[*Desk thumping*] the Development Loans (Amdt.) Bill and the Member for Oropouche was extremely right to insist that there must be some measure of accountability. They have only spoken about accountability, there have been no tangible efforts made at all to have this accountability. As a matter of fact, they have moved away from accountability. Every time they weaken the Auditor General's Department—they do not staff it or they take away the function of auditing from the Auditor General's Department, that is movement away from accountability. That must be a central point in having us monitor what is taking place, because, the rate at which there is mismanagement in this society, if there is no parliamentary mechanism for that monitoring, we will continue to have what are called write-offs.

Much has been said about Caroni Limited. They give the impression that Caroni Limited is now well on the way to what is called viability. Let me remind them that prior to 1975, Caroni Limited was a viable company but the moment the PNM put its hand on Caroni Limited, it became a hotbed for corruption.

The impression is often given that it is at the grace and mercy of the PNM Government that Caroni Limited exists.

Mr. Valley: Madam Speaker, just a question to the hon. Member. I wonder whether he would tell the House why the PNM Government, as he said, got involved in Caroni Limited.

Mr. R. Palackdharrysingh: The Member knows very well why they got involved, but I will tell him. I have here a report of the committee appointed by the Cabinet to undertake an independent investigation into the financial affairs and management practices of Caroni Limited, June 1990. Let me read some selected passages from the report. The Member for Diego Martin Central would understand why they got involved in Caroni Limited.

I read from page 20, section 67 of this report. It says of a department in Caroni:

"The Department is grossly over-staffed..."

that is, the transport and field engineering—

"...with managers and supervisors who have no professional qualifications and have acquired no managerial skills. In many instances these old-boys are less qualified and less competent than their subordinates. The Human Resources Department whose role is purely advisory, is unable to intervene."

Here is a report telling us that one of the major concerns about a state enterprise was the fact that the management system was not in place. It goes further to indicate that there was an old-boy syndrome, and that is what the PNM has been accustomed to.

One simply has to ask the question—

Dr. Rowley: For my benefit, could the Member say to what date that report refers? I thought I heard him but—

Mr. R. Palackdharrysingh: I said June 1990. You saw what was happening. That report showed that every year after 1976, that company made a loss, every year. It is not because of Mr. Panday or those little unions, it is because of the topheavy managers sent from the PNM. That is the reason.

While this report is dated June, 1990, it deals with the entire history of the company. You have to understand.

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 be now adjourned to Wednesday, November 23, 1994 at 1.30 p.m. as per our previous discussion.

Adjournment
[HON. K. VALLEY]

Friday, November 18, 1994

In adjourning the House to Wednesday, I want to inform Members that we would continue with this debate on that day and also take the Supplementary Appropriation Bill, which was considered today in the Finance Committee, through all its stages.

Madam Speaker, we plan to ask that the House sit on Thursday also at 1.30 p.m. as per discussion with the Chief Whip, who has informed me that he may have certain objections.

I explained to him that the purpose of that sitting is to consider the Trinidad and Tobago Electricity (Amdt.) Bill which is to be considered in the other place on Tuesday.

As the Minister of Finance indicated, the budget is to be read on Friday of next week and given our deadline for that transaction, it is important that we have that legislation out of the way before we get into the budget. So that while I know it would cause some problems, I ask Members to understand the need, given Government's agenda, to have to sit on Wednesday, Thursday and Friday of next week.

I thank you.

Mr. Ramesh L. Maharaj (*Couva South*): Madam Speaker, I merely want to register our total disapproval of the way the Government is dealing with this matter.

The Trinidad and Tobago Electricity (Amdt.) Bill is a very serious matter. We do not have a throne speech here. We had no indication at the commencement of this session of Parliament what they were going to deal with. The Government comes a few days before—because it is a few days—to indicate to us on such an important piece of legislation, that we must come here and be prepared to debate it and go right through in one night. We consider that as totally unsatisfactory. Then come back the next day for the budget speech, because they want to pass the Bill. This Government has been treating this House with contempt.

Perhaps the time has come for us to demonstrate to this country, in some tangible way, the contempt with which this Government treats the people of Trinidad and Tobago.

Hon. K. Valley: Madam Speaker, the T&TEC Bill has been on the Order Paper for quite some time. We are now in the last session. It has been on the Order Paper and one would hope that the fact that a Bill is on the Order Paper would indicate to Members that the Government plans to debate that Bill, so that at least the research on the Bill would have been done.

I understand, but I simply want to make the point that the Government, as indicated, has a certain agenda and we are asking Members to understand that. That is why we are saying it today, to give Members at least seven days' notice.

Mr. Maharaj: Madam Speaker, I do not think it is fair and accurate for the impression to be given that because it was on the Order Paper that we would be able to debate it. We have had several other matters on the Order Paper and we have had now a very busy week, and the Government deliberately wants to push these matters when my Leader has to go to court. They have arrested him and he has to attend court.

Miss Nicholson: I have been away from my island for three consecutive days and I consider that very—*[Desk thumping]*

Madam Speaker: The Member has given an indication as to further sittings of the House. The Speaker has no control over that at this time.

The Member for Couva South has registered his objection, and so has the Member for Tobago West. All the Speaker can do is to note these objections.

I hope that the parties can get together to see whether they can work out a legislative programme and a schedule for debates in this House. There is nothing more I can do.

Question put and agreed to.

House adjourned accordingly.

Adjourned at 4.35 p.m.