

*Leave of Absence*

*Thursday, December 12, 1996*

**HOUSE OF REPRESENTATIVES**

*Thursday, December 12, 1996*

The House met at 2.00 p.m.

**PRAYERS**

[MR. SPEAKER *in the Chair*]

**LEAVE OF ABSENCE**

**Mr. Speaker:** Hon. Members, I wish to advise that I have received communications from the Member for St. Joseph (Hon. Mervyn Assam) who is out of the country on official business and has asked to be excused from today's sitting. This leave is granted.

**PAPERS LAID**

1. Draft Estimates of Expenditure for the year 1997. [*The Minister of Finance (Sen. The Hon. Brian Kuei Tung)*]
2. Draft Estimates of Development Programme for the year 1997. [*Hon. B. Kuei Tung*]
3. Draft Estimates—Details of Estimates of Recurrent Expenditure for the year 1997. [*Hon. B. Kuei Tung*]
4. Draft Estimates of Revenue and Expenditure of the Statutory Boards and Similar Bodies and of the Tobago House of Assembly for the year 1997.  
[*Hon. B. Kuei Tung*]
5. Public Sector Investment Programme for the year 1997. [*Hon. B. Kuei Tung*]
6. Draft Estimates of Revenue for the year 1997. [*Hon. B. Kuei Tung*]
7. Review of the Economy 1996. [*Hon. B. Kuei Tung*]
8. The Medium Term Policy Framework, 1997—1999. [*Hon. B. Kuei Tung*]

**GAMBLING AND BETTING (AMDT.) BILL**

*Leave of Absence*

*Thursday, December 12, 1996*

Bill to amend the Gambling and Betting Act, Chap. 11:19 [*The Attorney General*]; read the first time.

**APPROPRIATION BILL  
(BUDGET)**

Bill to provide for the service of Trinidad and Tobago for the year ending December 31, 1997 [*The Minister of Finance*]; read the first time.

**The Minister of Finance (Sen. The Hon. Brian Kuei Tung):** Mr. Speaker, I beg to move,

That a Bill to provide for the service of Trinidad and Tobago for the year ending December 31, 1997, be now read a second time.

Mr. Speaker, it is once more my distinct privilege and honour to present to this honourable House, and to the nation, our budget proposals for the year 1997. You would recall that when I presented the first budget of this administration—a Government of national unity—even though it was widely accepted and received with compliments from all sectors of the population, there were those on the other side who were saying that this administration would not last a month. Then, when a month had passed, they said it would not last three months; then six months; then they shut up. Mr. Speaker, after one full year of many successes, I am here again to present some of our policies and programmes for fiscal 1997.

In our 1996 Budget, we said that we would put people at the centre of all economic growth and development. In 1997, we would go even further as we strive to empower the population to transform Trinidad and Tobago into a total quality nation. Before I proceed into the 1997 policy agenda, permit me to review very briefly, some of the progress we have made since coming into office, a mere 13 months ago.

Our economy has grown by over three per cent in 1996. But perhaps even more noteworthy is that whilst output in the petroleum sector increased by 1.7 per cent, production in the non-petroleum sector expanded twice as fast, by 3.6 per cent. This is of particular significance since in our type of economy it is the non-oil sector that is the major source of employment growth. It is therefore not surprising, that the latest official data show that the unemployment rate reached its lowest level in 12 years, registering 15.1 per cent in this second quarter of this year.

You would recall that we had targeted a fiscal surplus of \$284 million this year. We are fully aware that we must pursue a programme of fiscal discipline while continuing to meet our debt obligations. In response, the Members on the other side questioned the integrity of the fiscal estimates and jeered about the use of “funny money” and “monopoly money.” Mr. Speaker, I wish to share with you the satisfaction of being able to inform the other side that I expect to realize a fiscal surplus of \$523 million for this year. [*Desk thumping*]

It is because of this fiscal discipline and supportive monetary policy, we have kept inflation in check with the rate averaging 3.6 per cent for the year, on par with our major trading partners. This also facilitated a strengthening of the foreign reserves position such that the country’s net reserves are now estimated at over US \$620 million. Mr. Speaker, we can honestly say that we have got the economics right, but, I believe that we have done much more than just that. We have been progressively creating an environment that would facilitate accelerated growth in investment, output and employment. In this regard, we have launched the Venture Capital Incentive Programme, and would soon do the same for the Securities and Exchange Commission. Regulations under the new Companies Act have been drafted and work on the proposed mutual fund legislation has commenced.

For all of these reasons, our country is now being acknowledged as the most strategic location for investment in the region. It is no surprise, therefore, that we have attracted record-breaking inflows of foreign investment, particularly in the energy and gas sector. For this year alone, foreign capital of about US \$4 billion has been committed for investment in this country, a very clear demonstration of foreign investor confidence in our economy and in this administration.

We have also been deeply conscious of the fact that the ultimate objective of economic development is the enhancement of the quality of life of the population as a whole so that in the social services, we provided immediate relief to thousands of individuals through a wide range of programmes. More recently, in October of this year, the Government launched the National Social Development Council to co-ordinate and rationalize these programmes such that they would be more focussed in the assistance provided to the less fortunate in our society.

Mr. Speaker, if we are to achieve a competitive edge in the global market-place we must have a well-trained, extremely skilled and highly motivated human resource base. To this end, we have set up, in conjunction with the private sector, training programmes in skills development and advanced technology.

We have secured additional places in private schools for students who have been successful in the Common Entrance Examination; expanded the School-Feeding Programme; frozen the introduction of new book lists for the academic year 1996—1997; and introduced Environmental Studies as part of the school's curriculum. Additionally, 111 schools have benefited from the School Repair Programme in 1996.

As evidenced by recent arrests and convictions of drug traffickers and the crackdown on criminal activity, we are delivering on our promise to get tough with crime. This has been possible in no small measure by the provision of equipment and increased manpower resources to the police service. The resulting high morale of the service justifies this strategy with consequent improvement in crime detention and prevention. In addition, we have signed several treaties with the United States including an Extradition Treaty and a Maritime Counter-Drugs Operations Treaty. We are also at an advanced stage in the establishment of a formalized Witness Protection Programme.

**2:10 p.m.**

Our major goals to take us into the future are centred on an appropriate industrial policy, social stabilization, and sustainable economic growth that would be shared by all our people. We therefore propose a number of strategies to achieve our objectives and these include:

Renew and expand basic infrastructure to facilitate a dynamic and energetic business climate;

Exploit our human resource potential through:

redesigning the educational and training systems to equip the workforce to deal with the new challenges of the technologically driven workplace;  
improving the quality of social and health services to ensure an energetic and productive workforce;

converting the creative energy of our diverse cultural backgrounds into more tangible economic activity.

Implement a sustained programme of crime prevention;

Improve the prospects for employment through facilitating growth of labour-intensive industries.

Simplify the tax regime to encourage compliance;

*Appropriation Bill (Budget)*  
[SEN. THE HON. B. KUEI TUNG]

*Thursday, December 12, 1996*

Ensure a competitive market-place by promoting competition in various sectors of government and introduce the competition policy for the conduct of business.

Review the telecommunications sector to ensure that Trinidad and Tobago participates fully in the information revolution.

Further strengthen our energy policy;

Improve the delivery of public services through transformation of public administration.

I propose to first examine some of these areas more fully and then I will address the fiscal measures that I intend to introduce in support of the attainment of our goals. We see Trinidad and Tobago establishing a solid infrastructural base that fosters a dynamic and energetic business climate while conserving the environment; a twin-island nation that excites the imagination as a unique tourism destination, a thriving non-oil labour intensive sector generating permanent increases in employment; and a reorientation of the education system to match the technology driven changing world of business and work.

The vision is for a balanced and equitable society where poverty and homelessness no longer exist, and where law and order is once more restored. We intend to bring back the old time days when people enjoyed the comfort of their homes and were able to walk the streets without fear or anxiety. We have to once more engage a sense of community and re-establish family values.

To achieve this vision we must ensure that, among other things, economic conditions remain sound. On the basis of our proposed policies and programmes for 1997, economic growth is projected at around 4 per cent with a similar level of inflation. A central element of this effort will be our fiscal policy stance. Our fiscal policy must continue to focus on fiscal discipline and prudent financial management. We will further strengthen the tax administration and compliance, and encourage the savings and investment effort. In 1997, we will undertake a significant restructuring of the organization and operations of the Board of Inland Revenue. We will establish a new and distinct headquarters function; merge the income tax and value added tax administrations; introduce a unique taxpayer identification number; and strengthen the audit function. We will also continue our tax reform programme whereby the regime of many credits, allowances, and deductions that clutter and distort the tax system will be replaced by a simplified one which will be fair, transparent, and equitable.

The burden of generating the required level of national savings and investment is too often perceived as the primary responsibility of the private sector. Government also has a significant role to play in this effort; and in order to meet this challenge we must restructure our expenditure programme and reallocate a greater proportion of our resources to capital investment. We simply cannot continue to devote less than 10 per cent of our resources to an investment programme.

If we are to increase the share of resources devoted to investment then, we can either increase the level of Government revenues, reduce the level of current expenditure or maybe a combination of both. We do not intend to increase tax rates. However, we will ensure that tax revenues remain buoyant and responsive to compliance efforts so that total revenue will, in fact, increase.

We will restructure Government's expenditure to direct a larger share of resources to more urgent priority areas. This will entail a concerted effort to reduce the share in expenditure on wages and salaries and debt service payments. However, reducing such expenditures must be viewed in context of the current negotiations of wages and salaries in the public service and the recent increases in domestic interest rates.

Mr. Speaker, the strong fiscal stance of the Government will be reinforced by a supportive monetary policy to be implemented by the Central Bank. The major emphasis of monetary policy over the past year was on the promotion of a low inflation environment, stability in the exchange rate and an increase in the country's foreign reserves. This was pursued through the management of liquidity in the financial system which in turn was largely achieved by adjusting the reserve requirement of commercial banks and other financial institutions. However, while this mechanism has been relatively effective in achieving the desired objectives it also increased the cost of financial intermediation.

The Central Bank will continue to pursue similar policy objectives including the achievement of an interest rate regime supportive of the savings and investment thrust. I dare say these objectives are not mutually exclusive nor are they necessarily incompatible.

An important initiative would be the more intensive use of open market operations as a mechanism for liquidity control and less reliance on the reserve requirement. I want to state most emphatically, as these developments unfold, that I expect the commercial banks to share these benefits with their customers, as well

*Appropriation Bill (Budget)*  
[SEN. THE HON. B. KUEI TUNG]

*Thursday, December 12, 1996*

as the benefits that will result from improvements in their efficiency, by reducing interest rate spreads and service charges.

With respect to the foreign exchange market, while it has been somewhat volatile over the past few months, I believe that market participants (sellers, buyers, banks, and general public) are now much more aware of how the flexible rate system is expected to function. The flexibility will allow any strains in the system to be aired earlier rather than building up over long periods to result in a large change in the rate at one time. Given the underlying strength of the economy, there is no reason why the rate should not stabilize at around current levels or appreciate with some fluctuation from time to time.

In addition to the re-orientation of monetary policy, we will liberalize further, the financial sector, and deepen the level of competitiveness by encouraging an increase in the number of new players and entrants into the market, without compromising entry requirements and prudential standards.

With respect to mutual funds, there is a need to level the playing field for the domestic mutual funds industry. However, I wish to point out that the provisions of the Unit Trust Corporation Act are not in parity with the other acts governing the operations of other mutual funds, and result in the Unit Trust Corporation being constrained in its operations, both in its scope of business and in its distribution policies. I propose, therefore as an initial step, to amend the Trinidad and Tobago Unit Trust Corporation Act to permit the Unit Trust Corporation to conduct a wider range of business activities related to its core operations but not including any deposit-taking function.

In connection with the investments of insurance companies in mutual funds, I propose to amend the relevant legislation such that any mutual fund activity regulated by the authorities, located within the jurisdictions of the OECD countries as defined within the Second Schedule of the Insurance Act and approved by the Minister of Finance, will be eligible as assets in which statutory funds may be invested. The enabling legislation will be amended to give effect to the above proposals from January 1, 1997.

Mr. Speaker, we are developing a competition policy for Trinidad and Tobago and, accordingly, appropriate legislation will be ready for consideration by this Parliament by the third quarter of next year. However, while awaiting the legislative support to deal with the problem of monopoly there must be some interim measures in place to address certain industries and activities which have remained virtual closed shops. A case in point is pharmacies. Section 31 of the

Pharmacy Board Act creates a partial monopoly in favour of pharmacies with respect to the sale of non-prescription drugs.

The Act already permits shops, two miles away from a pharmacy in a rural district, to sell non-prescription drugs without the supervision of a pharmacist, and there is no reason why this should not be extended more generally as applies in other jurisdictions. We believe that free competition in the sale of non-prescription drugs will benefit the consumer. I propose, therefore, to introduce necessary legislation by the first quarter of 1997.

I will now focus on social and economic infrastructure. If we are to enhance our competitiveness, foster a dynamic business environment, position ourselves as a unique tourist destination, and promote a higher standard of living for all, then our economic and social infrastructure must be further upgraded. In fact, improving infrastructure services is key to poverty alleviation both as an end, for example, in terms of providing improved access to basic water and sanitation services, as well as a means to greater productivity and increased employment.

We will improve the quality of the country's infrastructure by accelerating projects under the 1997 Central Government Public Sector Investment Programme, the PSIP, which has been introduced with the other budget documents. The resources which Government will spend under the PSIP on capital works—and these include roads, highways, health centres and schools—will more than double to some \$1.7 billion. It is interesting to note that over the last six years actual money spent by Government on capital investments barely averaged \$700 million per annum.

Mr. Speaker, please allow me to highlight some of the major initiatives to be implemented in the new year.

In the area of transportation, priority will be given to rehabilitating significant sections of the country's main and secondary roads and highways. In early 1997 construction will begin on the long-awaited overpass at the intersection of the Churchill Roosevelt and Uriah Butler Highways. Those long frustrating hours spent in crawling traffic with the corresponding loss in productivity will soon be a thing of the past. We will accelerate also the construction of rural access roads and bridges. Similarly, to relieve passenger congestion and to improve one of our gateways to international trade, we will commence construction on the National Airport Complex.



*Appropriation Bill (Budget)*  
[SEN. THE HON. B. KUEI TUNG]

*Thursday, December 12, 1996*

Mr. Speaker, with respect to drainage, Government will undertake a comprehensive drainage programme beginning with five projects aimed at easing the flooding problem in the country. These projects will address the flooding of the Golden Grove road to the Piarco Airport area and downtown Port of Spain, and improve the sanitation of the St. Ann's River downstream of the Beetham Highway—a public health hazard since the late 1980s. The sluice gates in the Caroni irrigation area will also be rehabilitated and new tidal exclusion gates will be constructed to protect prime agricultural lands in the Oropouche lagoon from saline intrusion. The first phase of the project is estimated to cost \$101 million.

In the housing sector, Government will focus on providing shelter to lower-income families. The primary areas of operation will include squatter regularization and infrastructure upgrade of squatter communities; development and distribution of serviced lots, core houses and full houses; technical assistance towards shelter construction; and apartment refurbishment and replacement. The housing programme will cost \$102 million in 1997.

In the health sector, Government will accelerate implementation of the health sector reform programme with \$73 million being spent in 1997. In addition to upgrading the physical infrastructure, special emphasis will be placed on three critical areas in the delivery of health care, namely: overcrowding at the major hospitals; waiting times at the casualty department, outpatients clinics, pharmacies; and waiting time for surgical operations.

Mr. Speaker, when this administration came into office, we had to undertake a review of a number of projects started by the previous administration at significant cost to the Treasury. One of the projects placed under review was the National Library Building Complex. Our review indicated that the initial capital cost of the project was \$161 million with an estimated operating expenditure of \$20 million annually. Funding was in place for only \$99 million; no estimate was made of the cost of running the National Library building; nor were arrangements in place for funding the expected \$20 million recurrent annual expenditure.

**2.25 p.m.**

I am pleased to advise this honourable House that the redirected National Library building project will commence in 1997.

In order to optimize the use of the land area, Government will redesign the National Library building, increasing the gross floor area from 180,000 square feet to 240,000 square feet, with the additional space being made available on

commercial terms to the private sector. Discussions on a revised funding mechanism for the entire project have already begun, and there is expected to be considerable savings to Government.

Infrastructure upgrade in the education sector will continue with the construction and renovation of 35 schools; designs for 23 new schools; the provision of furniture, equipment and books; and the establishment and refurbishment of 20 early childhood care and education centres. A total of \$156 million will be spent in 1997.

Government will provide appropriate facilities and mechanisms to ensure crime reduction and the efficient administration of justice. In 1997, we will spend \$64 million in improving facilities. The refurbishment of nine existing Magistrates' Courts and the construction of two new Magistrates' Courts in Sangre Grande and Port of Spain, as well as the Judicial Complex in Arima will commence in 1997.

The Police Accommodation Project will continue with the completion of two new divisional headquarters. A number of police posts will be constructed in high-risk/high-crime areas, and several police stations will be repaired through the Unemployment Relief Programme.

Mr. Speaker, we do not propose to ignore the Fire Service. Construction will also commence shortly on new fire stations at both Santa Cruz and San Fernando.

With respect to the public utilities sector, the Water and Sewerage Authority and the Trinidad and Tobago Electricity Commission will be required to focus on providing a reliable and high-quality service to the population while at the same time maintaining financial viability. These utilities will be rehabilitated and expanded as necessary, to meet the fast growing demands of the tourism, industrial and residential sectors. Particular emphasis will also be placed on monitoring public utilities' performances and ensuring that private sector participation meets the expectations of our citizens. Government will also ensure that the less fortunate and disadvantaged are not deprived of utility services.

Under the Public Sector Investment Programme, \$130 million will be spent on the commencement of a water and sewerage programme which includes the laying of pipelines, construction of dams and wastewater treatment plants and the rehabilitation of the Beetham sewerage facilities. To enforce a more customer-driven and service-oriented public utilities sector, Government has already implemented new guidelines and procedures with respect to billing policies and practices of the Water and Sewerage Authority and the Trinidad and Tobago

*Appropriation Bill (Budget)*  
[SEN. THE HON. B. KUEI TUNG]

*Thursday, December 12, 1996*

Electricity Commission. This involves the establishment of clear guidelines for payment mechanisms, the arbitration process, and time limits on retroactivity.

With respect to telecommunications, a competitive and effective telecommunications sector is critical to the growth of a vibrant economy. We therefore must take a serious look at the telecommunications sector to determine what role TSTT will continue to play and what arrangements need to be made to facilitate a more open telecommunications policy.

In this information era, we need to provide a telephone service at reasonable rates for citizens requiring such a service. Already, call-back services are a reality in this country. Conflicts between internet service providers have already found a way into our courts. There are also complaints about the price of overseas calls and therefore, the cost of doing business and keeping in touch in the communication age is much too high.

Consequently, there is need to examine the role of the telecommunication sector and, therefore, during 1997, the sector as a whole, including the role of the TSTT, will be reviewed and rationalized.

I will now focus on the energy sector. We fully recognize that until such time as the diversification of the economy is achieved and the production base expands substantially, the energy sector will continue to dominate the economic fortunes of this country.

Our energy policy will take into account the declining level of domestic crude production and the increasing reserves and production of natural gas. In 1997, emphasis will be placed on finalizing a national energy policy which will include the review of the natural gas pricing structure, and which will establish the framework within which the full potential of the sector can be realized.

Government will continue its efforts to attract foreign investment into the sector in order to promote exploration and production activity. A number of international oil and gas companies are currently involved and will continue in the sector either independently or in joint-venture partnership.

Government is also developing a support policy for the promotion of downstream activity including: MTBE, plastics, resins, polyester fibers, acrylic and PVC. To complement this strategy, emphasis will shift from ammonia and methanol production to other downstream projects in the petrochemical sector.

Mr. Speaker, the retail petroleum sector is currently faced with several shortcomings usually associated with state monopoly and a regulated market, including:

- a sub-optimal retail network;
- deteriorating plant throughout the service station network;
- a range and quality of services that are below customer expectations;
- dealership arrangements that are not necessarily commercial; and
- a potentially huge environmental liability.

Mr. Speaker, we have developed a vision of the sector into the year 2002 and identified a process by which the transformation of the sector would be managed. Our vision is that of a sector which is driven by competition, a sector which is customer-focussed, dynamic, environmentally sensitive, and yielding fair returns to the investor, employees, and the state. This will be achieved within the framework of a liberalized and deregulated market. The process of transformation, however, will be a managed one, with the ultimate goal of the free market to be reached in five years.

We believe that competition is needed to improve customer satisfaction and, as such, the market would be opened up and deregulated in three phases. In phase 1, the market will be opened to local entrepreneurs only. The number of additional marketers to be allowed in the first phase will be determined by market forces and the quality of proposals received. In phase 2, other marketers may be allowed to join, and in phase 3, the market would be opened to all players. The National Petroleum Marketing Company will continue to play a significant role in the market-place.

Mr. Speaker, for many years successive governments have repeatedly acknowledged the need to diversify the economy, yet the economic base is still narrow and lopsided. This Government will not pay lip-service to this urgent priority. Government will “walk the talk” in developing the non-oil sectors of the economy, particularly, the sectors which have the potential to make a significant impact on the unemployment levels. Accordingly, Government’s policy for the agriculture sector will be designed to:

- increase employment opportunities;
- promote national food and nutrition security;

*Appropriation Bill (Budget)*  
[SEN. THE HON. B. KUEI TUNG]

*Thursday, December 12, 1996*

- facilitate an increase in foreign exchange earnings;
- promote sustainable management of land, water, forest and marine resources, which will contribute to social stability and the empowerment of rural communities; and
- facilitate the development of agriculture in Tobago.

Increasing employment opportunities and growth within the sector will depend on the implementation of strategies to facilitate the development of the agro-industry. This includes providing technical support to small farmers; addressing praedial larceny; increasing the access of farmers, fishermen and aquaculturists to agricultural credit and taking steps to develop linkages with the agro-processing and tourism subsectors.

Mr. Speaker, another part of our diversification strategy from the energy sector is the development of the non-oil sectors particularly the tourism sector. We intend to strengthen our tourism drive in 1997. Among the projects scheduled to commence in 1997 are the Lowlands Estate Project, Courland Bay Project, No Man's Land Project and a major development in Speyside. The promotion of Tobago as a premier unspoilt destination will be enhanced by increased airlifts including a daily service out of Puerto Rico and weekly flights from the United Kingdom, Germany and Argentina.

Despite the efforts and resources we are currently expending in developing the tourism sector, Trinidad and Tobago is still faced with significant challenges and opportunities. Attracting tourism investment is always a major undertaking, particularly for a country like ours, long regarded by international markets as a destination not interested in tourism. Mr. Speaker, we are targeting the higher end markets of Europe and North America in order to attract tourists who no longer regard casinos as an exotic facility of the past, but as an amenity. The more the market expects the amenity the greater the response must be from the destinations. I am of the view that the inclusion of such gaming facilities will enhance the long-term competitiveness of Trinidad and Tobago as a tourist destination.

We expect that some of the benefits from introducing this facility will include accelerated investment in hotel and resort plant; linkages with the business, cruise and entertainment segments of the markets; and creation of much needed employment opportunities. Consequently, in seeking to attract tourism investment, improve our tourism product and so increase the number of visitors to Trinidad and Tobago, I propose to introduce regulations to permit casino-type gaming by

amending the Betting and Gambling Act. We are also in the process of developing the appropriate legal and administrative framework to address the possibility of money laundering and other undesirable activities.

Mr. Speaker, we should note that casino-type gaming currently obtains in Antigua, Bahamas, Curacao, Aruba and Venezuela—all relatively successful tourist destinations.

In addition, we also recognize the need to train potential recruits for the hospitality industry. As a result, legislation governing the establishment of the Tourism Training Institute will be brought to Parliament. Amendments to the Hotel Development Act will be finalized in extending fiscal benefits to approved tourism projects including integrated resort development.

The accelerated development of Tourism in Tobago will be targeted for immediate action.

Mr. Speaker, in the area of culture, one of the distinctive features of Trinidad and Tobago is its cultural diversity. Government intends to maximize this potential while increasing its employment generating capacity. In fact, Government views the various expressions of our culture, through the creative and performing arts, as avenues for both social identity and integration, as well as opportunities for income generation and employment. Consequently, the approach to the further development of our culture will centre on encouraging widest participation and enhancing professionalism through skills development.

To facilitate the professional development of our artistes, Government has earmarked the Old Fire Station Headquarters for the Trinidad Theatre Workshop, and preliminary work on the construction of a centre for the Creative and Performing Arts on the Princes Building grounds will begin in 1997.

Mr. Speaker, one of the main areas of focus will be on the continued development and promotion of the steelpan, our national instrument. We will enhance the status of the steelpan as a national treasure by expanding the existing two-year certificate course in music at the University of the West Indies to a full degree course in which the steelpan would be the chief musical instrument of instruction. We shall also construct a national pan college or theatre for the development of the steelpan. In addition, we will establish a National Steel Orchestra, members of which will function as cultural ambassadors for this country and will be full-time employees of the state.

*Appropriation Bill (Budget)*  
[SEN. THE HON. B. KUEI TUNG]

*Thursday, December 12, 1996*

Mr. Speaker, unemployment is perhaps the most serious areas of concern as it directly impacts on the level of poverty and social displacement in this country. Let me state categorically, this Government is committed to increasing the level of sustainable employment. To achieve this, the country must direct a greater share of its investments into the labour intensive non-oil sector to create the required number of jobs.

The agricultural sector, for instance, has the potential to provide numerous job opportunities and Government, in recognition of this, will implement strategies which will contribute to the development of this sector including agro-industry.

In the tourism industry, the development of hotels and guest houses, the development of the yachting industry, and the promotion of cultural tourism will serve to increase employment opportunities in the medium term. A viable non-oil export manufacturing sector will also create opportunities for our people.

Some of these strategies, I must admit, will not produce results overnight. Yet the unemployed and impoverished cannot wait until such time as these policies take effect or sustainable jobs in the non-oil sectors become available. Accordingly, several short-term employment programmes will be implemented, targeting in particular, the youth and female heads of households. Self-employment will be promoted also, through opportunities for training, improved access to finance, provision of grants to start up micro enterprises, and better access to markets.

In order to assist female heads of households to improve their earning capability, we will continue a number of specific training programmes in construction skills, business management, marketing, and the creation of business opportunities. Some 15 export centres will be used to train approximately 1,800 semi-skilled individuals to produce high-quality craft products, utilizing indigenous material for the export market.

Mr. Speaker, in order for our nationals to take advantage of employment opportunities that will become available, they must be prepared for the changing work environment. New entrants in the labour market must be skilled and prepared for the job market, particularly in the information industry.

Training and retraining are therefore critical components in our strategy to alleviate the unemployment situation. Accordingly, in order to remove the bureaucracy in the training process, the National Training Agency will function as a state-owned private company. Technical/vocational education and training will

be made more relevant to our emerging market needs. Access to National Skills Development Programme for heavy industry and advanced technology will be increased through an increase in the number of centres offering the programme, and the partnership with the private sector will be strengthened via increased funding sponsorship.

**2.40 p.m.**

In addition to the programmes already mentioned in respect of female heads of households, we will continue the retraining programme for 4,500 displaced workers 25—50 years old, as well as provision of apprenticeship for 850 persons 14—21 years old. New programmes to link the youth development centres with industries and the community will take effect in 1997, and the quality and marketability of graduates of youth training programmes such as YTEPP will be enhanced. These new programmes will provide training for over 14,600 individuals.

We will continue also, the numerous skills and small business training programmes. For instance, the Entrepreneurial Development Programme which provides intensive skills enhancement in several areas will train some 1,200 persons in 1997, while the Domestic Support Programme which is targeted to low-income households will provide training to approximately 7,000 individuals.

Mr. Speaker, 1997 signifies the beginning of the United Nations Decade for the Eradication of Poverty and Government has formulated a holistic approach to address the issue of poverty and social displacement. For this reason, the Government has established the National Social Development Council, as mentioned earlier, with the mandate to develop and implement a plan of action for poverty eradication.

In addition, in keeping with our objective to put people at the centre of the development process and to foster a balanced and equitable society, Government will ensure the following:

- all citizens, especially the less fortunate members of our society have access to basic amenities—health facilities, shelter, potable water, electricity, education and other social services;
- needy citizens will be provided with relief, particularly the vulnerable groups, such as the elderly. Government recognizes that they are at a significant disadvantage and insists that both immediate and long-term



*Appropriation Bill (Budget)*  
[SEN. THE HON. B. KUEI TUNG]

*Thursday, December 12, 1996*

measures are necessary to ensure that the grant of old age pension is adequate. In fact, the current grant of old age pension, and the food subsidy which stand at \$356.15 is significantly below the monthly requirement for an individual.

This suggests that those old age pensioners who have little or no other source of income or support beside the grant of old age pension are likely to be experiencing severe hardships because of their limited purchasing power;

- a number of strategies to improve the condition of persons with disabilities are implemented, including the recently approved disability assistance grant which will take effect from January 1997. This grant will provide additional financial assistance to approximately 2,000 persons with disabilities who are over 40 years of age. In addition, Government has approved, in principle, a national policy on persons with disabilities, which when fully implemented will provide for changes in education, training, and employment. Legislation governing the design of public buildings and amenities will provide for special needs of the physically challenged.

Mr. Speaker, some \$424 million will be spent on old age pension and disability assistance grants in 1997.

Mr. Speaker, it is often argued that there is an inextricable link between the level of poverty and law and order in the society. While we are devoting considerable resources to addressing the social conditions, the re-establishment of law and order will continue to be a major focus of this Government in collaboration with social partners to improve the quality of life.

Over the medium term, Government will provide the protective services with the necessary manpower, equipment and vehicles to protect lives and property. In addition, to release a greater share of the resources of the Police Service to focus on reducing the level of criminal activity, we will introduce a Traffic Warden System, commencing next year with pilot projects in the cities of Port of Spain and San Fernando. Traffic Wardens will enforce certain functions having to do with traffic flows and specific offences such as illegal parking, breaking of traffic signs and traffic signals. Traffic Wardens will also be required to enforce the provisions of the Maxi-Taxi Act No. 6 of 1994, and legislation regarding the operation of public service vehicles including taxis.

Mr. Speaker, the Police Service cannot fight crime without the appropriate legislative teeth and judicial support. The successful conclusion of several infamous trials was primarily due to a number of new laws which were introduced. Among them were the Jury (Amendment) Act, the Indictable Offences Act, the Administration of Justice Miscellaneous Provisions Act, the Coroner (Amendment) Act, and the Supreme Court of Judicature Bill. Government acknowledges that law reform will complement the efforts of the police in dealing with the crime situation and will continue to press for the necessary legislative changes.

Mr. Speaker, a critical aspect of the structural reform process is the need to remove the public service administration bureaucracy and re-engineer the Public Service to face the challenges of the future. In this context, the Public Service will re-assess its critical role as implementor and facilitator of Government's policies and programmes. The service will enhance its functional relevance and build structures and systems that are flexible and adaptable to the changing realities of the world today.

The continuous improvement and reform of the Public Service will be intensified, focussing on the creation of a new public administration. By the end of the first quarter of 1997, we will establish human resource management units throughout the service; restructure core human resource management agencies; and develop an information technology policy for the Public Service. Emphasis will be placed on the delivery of quality service to the population.

In its attempt to bring Government closer to the people, to ensure transparency in Government and for greater communication of Government information to the national community, the Government's public relations strategy will be made more effective.

Mr. Speaker, in order to enhance our registry information systems and eliminate entirely the present bureaucratic delays encountered, we have begun extensive modernization of both the physical infrastructure and systems used in the government registries. This includes improvements in the Land Registry and the Civil Registry; development of the Companies Registry in line with international trends; and the establishment of an Intellectual Property Registry.

This modernization thrust which entails legislative and system reform, is key to the survival and development of the business sector in the open industrial and trade environment.

*Appropriation Bill (Budget)*  
[SEN. THE HON. B. KUEI TUNG]

*Thursday, December 12, 1996*

Mr. Speaker, I now address the Tobago House of Assembly. The new Tobago House of Assembly Act, 1996 now gives Tobago its rightful place in the unitary state of Trinidad and Tobago, and brings the structure of the administration in Tobago to the same level as that which obtains in Trinidad. The new Act also gives the Assembly a much wider range of authority including responsibility for state lands, town and country planning, education including curriculum, statistics and information, Customs and Excise, and housing.

Under the new provisions, the Assembly will be institutionally stronger and there will be regular discussions between the Assembly and the administration in Trinidad with a view to formulating administrative and legislative mechanisms for the promotion of the affairs of Trinidad and Tobago.

Under the Act, the Minister of Finance in developing the national budget is now required by law to take into consideration the physical separation of Tobago from Trinidad, the isolation of Tobago from the principal growth centres, the limited opportunities for career fulfilment, and the impracticability of residents of Tobago participating in the major centres of education in Trinidad. Mr. Speaker, by the time this new Act had been passed, it was too late to make appropriate arrangements as the budget exercise had been virtually completed. In order to ensure that the spirit and intent of the new legal provisions are complied with, I propose to undertake a comprehensive review of the allocations that have been made in respect of Tobago. Allocations due by virtue of the budget will be deposited quarterly in advance *en bloc* in the Tobago House of Assembly Fund thus enabling the Assembly to formulate its plans and execute them with a greater degree of certainty and efficiency.

Moreover, there will be established a body to be known as the Dispute Resolution Commission which will undertake to resolve disputes between the Assembly and the Government on budgetary allocations to the Assembly and matters in connection therewith.

Mr. Speaker, the conservation of the environment poses a special challenge to the national community. Our vision will be inconceivable if we do not put a stop to the damage being done to the environment. Our strategy will be one of prevention. As such, emphasis will be placed on engendering environmentally responsible behaviour in industry and among the population in general. While this strategy will employ a mix of instruments, including economic and non-economic incentives, the focus will be on voluntary compliance. In this context, a national programme of public awareness and education will be developed.

Mr. Speaker, we cannot take advantage of the opportunities in the global market if we do not adhere to international environmental standards, particularly as they relate to trade and tourism. Accordingly, there must be widespread adoption of new standards, such as the ISO 14000 series, which prescribe requirements relating to the environmental management systems for industrial and commercial enterprises. Towards this end, increased efforts would be directed to encouraging training, certification and accreditation.

Mr. Speaker, I have sought to highlight, very briefly, only some of the policies and strategies we will pursue in 1997 and the medium term. The full details of these policies, I am sure, will no doubt emerge during the course of the debate that will inevitably follow.

Mr. Speaker, I now turn to the specific measures which will give effect to our policy agenda in 1997.

We propose to generate another surplus amounting to \$269 million on our fiscal operations in 1997, the equivalent of 0.7 per cent of GDP. Mr. Speaker, let me assure you that this policy stance is consistent with our commitment to keep economic conditions sound and on track.

Budgeted expenditure, including capital repayments and sinking fund payments, is estimated at \$12,399 million, approximately \$1,680 million greater than the revised position for 1996. Several factors account for this increase and include:

- the increased cost of the various social programmes that are so urgently needed; and
- payments to the utilities in keeping with Government's obligations regarding the debt of these entities prior to private sector participation.

More importantly, we intend to accelerate our infrastructure investment efforts, so as to facilitate the sustained growth of the economy.

Mr. Speaker, you will recall that in 1996 we spent approximately \$721 million in infrastructure. In 1997, the central government PSIP will be more than doubled to \$1.7 billion, or just under five per cent of GDP—a modest beginning. Let me hasten to add that this expanded programme is still short of the country's needs so that any increase in revenue collection, or savings in expenditure, will be devoted to increasing the share of the PSIP in Government's expenditure and, in particular,

*Appropriation Bill (Budget)*  
[SEN. THE HON. B. KUEI TUNG]

*Thursday, December 12, 1996*

the programme designed to improve the quality of the social and economic infrastructure.

Mr. Speaker, we expect to collect \$10,127 million in revenues in 1997 some \$497 million more than we did in 1996. Oil revenues are estimated at \$1,816 million, or 17.9 per cent of total revenues based on an oil price of US \$20.00 per barrel and an average daily production of 129,051 barrels. The non-oil sector is expected to generate \$8,311 million in revenues as a result of a targeted real growth rate of around four per cent.

Mr. Speaker, I now propose to highlight some of the specific measures which will be implemented in 1997.

With respect to employment creation, I propose to re-introduce the employment allowance which was removed in 1989. Prior to its removal, an employer was entitled to claim an allowance of an amount equivalent to 150 per cent of the wages of the additional worker. I propose to increase the allowance to 200 per cent for each individual worker hired on or after January 1, 1997. This measure will take effect from January 1, 1997.

With respect to the common external tariff, the third phase will be introduced on January 1, 1997. In this phase, the CET will be reduced by five per cent except for those items which are already at the five per cent level.

I also propose to unify the import duty on motor vehicle parts and accessories, excluding body shells, at 30 per cent. In the case of motor vehicle body shells, the rate of import duty will be increased to five per cent.

These measures will take effect from January 1, 1997.

However, with respect to primary agricultural products, I propose to leave unchanged the existing rates of customs duty. A full listing of the items affected will be contained in the *Provisional Collection of Taxes Order*.

Mr. Speaker, one of the fiscal measures for the year 1996 included the imposition of a 15 per cent tax on interest payments made to the Trinidad and Tobago Unit Trust Corporation and to a trust operated by a financial institution carrying on mutual funds business. It should be noted that dividend income was removed from the charge to tax in 1996.

The decision to locate the tax on interest at the point of receipt rather than at the point of distribution to unit holders was based on the apparent difficulty of

imposing the tax at the distribution point where the distribution comprised both dividend income from equity holdings as well as interest income. I have since been assured that this difficulty is not insurmountable.

Mutual funds have made the point that the application of the 15 per cent tax on gross interest income has reduced the value of funds under management and, by extension, their interest-earning capability. Accordingly, I propose that with effect from January 1, 1997, the 15 per cent tax on interest be imposed at the point of distribution in respect of all mutual funds as obtained prior to 1996.

**2.55 p.m.**

Mr. Speaker, in order to promote Trinidad and Tobago as a premier tourist destination, the Hotel and Tourism Association has advocated the establishment of a fund managed by the Tourism Marketing Corporation, and financed by contributions from the private sector, for the purpose of supporting the increased marketing of Trinidad and Tobago as a tourist destination. I propose that contributions by participating private sector companies to the fund should qualify for a deduction equivalent to 150 per cent of the contributions actually made.

I wish to point out that under the Income Tax Act and the Corporation Tax Act, a deduction equivalent to 150 per cent of promotional expenses actually incurred is allowed in respect of the export of goods and agricultural produce and certain services relating to the building industry. Therefore, a similar incentive in respect of the tourism industry would appear to be appropriate, since this industry is considered to be part of the export sector.

It is also proposed that subject to Government being satisfied that the funds will be used exclusively for promoting Trinidad and Tobago as a tourist destination, the corporate entity—the Tourism Marketing Corporation—would be exempt from corporation tax.

Mr. Speaker, when the Petroleum Taxes Act was introduced in 1974, the rate of tax applicable to the domestic petroleum marketing business was 45 per cent, the same rate as that applicable to companies under the corporation tax regime but lower than that for companies in petroleum production and exploration.

Since 1980, however, significant amendments to the taxation regime of petroleum operations have been made, as a result of which a flat rate of tax has been applied to all petroleum operations. During this period, no differentiation was made for domestic petroleum marketing businesses which were made to bear

*Appropriation Bill (Budget)*  
[SEN. THE HON. B. KUEI TUNG]

*Thursday, December 12, 1996*

petroleum profits tax at the rate of 50 per cent and unemployment levy at the rate of 5 per cent. This was a departure from the original concept that domestic petroleum marketing businesses would be taxed at the same rate as other non-petroleum companies.

I, therefore, propose to remove the taxation of domestic petroleum marketing businesses from the Petroleum Taxes Act, and place it under the Corporation Tax Act. Accordingly, both the National Petroleum Marketing Company and the National Gas Company would now be taxed at the rate of 35 per cent under the Corporation Tax Act. This measure will take effect from January 1, 1997.

Mr. Speaker, for some time now, business enterprises in Trinidad and Tobago have been engaging in activities which could be interpreted as promoting lotteries without permission being granted under the Gambling and Betting Act. These businesses sometimes promote contests in which purchasers are invited to participate with the view to winning prizes. Since the method of determining the winner in these contests is based on chance, it is not clear whether such activities conform with the law as it now stands.

Mr. Speaker, these contests are recognized as acceptable forms of marketing strategy in a free-market economy. We, therefore, propose that legislation be amended to allow for these activities provided that they are structured within the context of a commercial transaction. The Minister of Finance will be the approving authority for such contests in consultation with the National Lotteries Control Board. I propose to introduce legislation to give effect to this measure very soon.

I also propose to change the basis upon which fees are charged for the grant or renewal of certificate to clubs which carry on gambling activities. As the law currently stands, fees for the grant of annual certificates to gambling clubs are based on the level of membership of the club.

I now propose to base the annual tax payable by gambling clubs on the number of gaming tables and other gaming devices to be used on the premises. Accordingly, the Registration of Clubs Act will be amended to include a schedule showing the tax payable on such tables or other gaming devices. The schedule of applicable taxes is contained in the annex to the *Budget Statement*.

This new tax is designed to ensure that gambling activities carried on at clubs are brought under statutory control involving a system of certification on an annual basis. This measure will take effect from January 1, 1997, under the Provisional Collection of Taxes Order.

Mr. Speaker, earlier this year we removed the motor vehicle tax and lowered the import duty on new motor vehicles with engines sizes of 1599cc and less, and introduced a special motor car registration fee in order to accommodate the registration of locally re-assembled used vehicles. These measures were aimed at bringing the cost of motor vehicles within the financial reach of the ordinary citizen. It resulted in a mushrooming of a domestic industry in the re-assembly of imported used vehicles. However, concerns have been expressed over the quality of these cars and the reliability of after-sales services provided. In the circumstances, we have decided to move with dispatch to regulate the used-car market, verify the quality of the product, and safeguard the rights and expectations of the consumer.

Accordingly, early in the new year we will introduce a regime to govern and regulate the used-car market, including the re-assembly of imported used cars. This regime will provide for, among other things:

- the importation of fully assembled right-hand-drive motor vehicles by dealers for the retail trade;
- the registration, licensing and inspection of all motor vehicle dealerships, spare parts outlets, service shops and garages;
- regulations relating to the age and quality of imported used vehicles, and locally re-assembled used vehicles, as well as standards for the inspection of all used vehicles and garages undertaking refurbishing and structural works;
- the provision of warranties, and the guarantee of supply of spare parts.

Imports of used vehicles will be subjected to the same level of import duty, value added tax, motor vehicle tax and other fees and charges as that on new vehicles. However, in the case of the motor vehicle tax, imported used vehicles will qualify for a reduction of 10 to 75 per cent of the motor vehicle tax based on the age of the vehicle as follows:

- where the age of the used vehicle is greater than one year but does not exceed two years, the reduction in motor vehicle tax would be 10 per cent;
- where the age of the used vehicle is greater than two years but does not exceed three years, the reduction of motor vehicle tax would be 25 per cent;
- where the age of the used vehicle is greater than three years but does not exceed four years, the reduction of motor vehicle tax would be 50 per cent;



*Appropriation Bill (Budget)*  
[SEN. THE HON. B. KUEI TUNG]

*Thursday, December 12, 1996*

- where the age of the used vehicle is greater than four years but does not exceed five years, the reduction of motor vehicle tax would be 75 per cent.

The collection of the motor vehicle tax on imported used vehicles will be at the port of entry and will be collected by the Comptroller of Customs and Excise when the used-car regime is introduced.

Mr. Speaker, the introduction of the motor vehicle tax with respect to imported used vehicles will take effect from January 1, 1997.

Registration of locally assembled used vehicles would be subjected to the higher of the special motor car registration fee or the applicable motor vehicle tax on used vehicles. The motor vehicle tax on locally assembled vehicles will be introduced with effect from January 1, 1997, and will be collected by the Transport Commissioner.

These are but some of the provisions that will fall within the purview of the used vehicle regime. Further details of these are contained in the annex to the *Budget Statement*.

Mr. Speaker, it is a perennial complaint of the motoring public about the long lines, the slow process and the general inconvenience experienced during the annual renewal of the motor vehicle licences. It should be noted also that less than 75 per cent of the motoring public actually pay the annual licence fee. Government is determined to remove the problems encountered by the public, improve the efficiency of the revenue-collecting mechanism, and bring the large number of delinquents into the tax net.

I therefore, now propose to remove the annual licence fee for all classes of motor vehicles effective January 1, 1997. Those individuals who have already paid their motor vehicle licence fee for 1997 would be entitled to a refund from the Treasury of the amount paid. Applications for refund should be made at the point at which payment was made. This measure will result in a revenue loss of \$50 million.

In order to partially compensate for this revenue loss, I propose to increase the retail price of gasoline by 10 cents per litre, diesel by three cents per litre, and CNG by two cents per litre. Mr. Speaker, paying at the pump will ensure an equitable distribution of the burden among all road users, while broadening the revenue base. This measure is expected to raise only \$44 million in revenues and will take effect from January 1, 1997.

In the case of corporation tax, there will be no change in the rate in 1997. However, several organizations and companies have been calling, for a number of years, for the introduction of group relief to the corporate tax system. The real benefit of group relief is that companies can utilize losses in the same financial year rather than having to wait until the loss-making company becomes profitable.

I therefore, propose to introduce a limited form of group relief in the first instance, whereby losses of a company could be set off against a proportion of the chargeable profits of other companies in the group.

The loss set-off will be allowed up to a maximum of 25 per cent of the corporation tax that would have been payable in the absence of group relief. Consequently, the reduction of tax payable should not result in less than 75 per cent of the amount which would have been payable, had the set-off not been allowed. Group relief will be applicable to companies other than those under the petroleum tax regime. Further details with respect to group relief are contained in the annex to the *Budget Sstatement*. This measure will take effect from January 1, 1997.

Mr. Speaker, as part of our drive to increase the level of exports, I propose to extend the export allowance under section 8 of the Corporation Tax Act to include the following services:

“Architectural, engineering, design, quantity surveying or contracting services in connection with the building industry where such services are performed by a person resident in Trinidad and Tobago.”

The export allowance will not be applicable to services exported to Caricom countries. This is the case with respect to export of goods to Caricom. This measure will take effect from January 1, 1997.

Mr. Speaker, I propose to reduce the business levy to 0.33 per cent with effect from January 1, 1997.

Government is currently undertaking a comprehensive evaluation of the old age pension and public assistance schemes. Immediate attention is being accorded to the old age pension as this is the less complex of the two in terms of administration. More importantly, our evaluation has shown that in light of the findings of the recent report on poverty in this country, the current level of old age pension payments is inadequate. Accordingly, I propose to increase the level of support to our senior citizens by raising the pension component of such payments from \$286.00 per month to \$349.85 per month. This, together with the food

*Appropriation Bill (Budget)*  
[SEN. THE HON. B. KUEI TUNG]

*Thursday, December 12, 1996*

subsidy of \$70.15, would result in an increase in the overall payments to our old age pensioners from \$356.15 per month to \$420.00 per month. This measure will cost \$50 million and will take effect from January 1, 1997.

Mr. Speaker, as you are aware, a resident individual who has attained the age of 60 years is exempt from tax on interest income on savings or other accounts with banks or other financial institutions, or with any person carrying on a trade or business who in the ordinary course of the trade or business receives and retains money in such circumstances that interest becomes payable. However, when such a resident individual receives interest on loans secured by bonds or other similar investment instruments, no such exemption is provided. I see no reason for this omission, and I propose to introduce an exemption on such interest income in respect of a resident individual who has attained the age of 60 years in order to correct what appears to be an obvious anomaly. This measure will take effect from January 1, 1997.

Mr. Speaker, in our first budget I indicated in our medium-term strategy that we would strengthen the tax base, lower tax rates, reduce the burden of taxation and improve the competitiveness of the tax regime. We started the process of simplifying the tax regime in 1996 by removing a number of nuisance taxes and the myriad of exemptions, deductions and concessions that distort the regime and constrain our ability to lower tax rates. In keeping with this programme, I propose to further amend the tax regime with respect to the individual income tax. Each resident individual taxpayer will now be allowed a basic deductible allowance of \$20,000 per annum. This allowance will replace a number of deductions, allowances, and tax credits thus greatly simplifying the tax regime.

In addition to the basic deductible allowance, the taxpayer will be entitled to claim annually a further deduction of up to \$18,000 consisting of mortgage interest payments, interest on a loan for the purpose of financing construction of a house, contributions to an approved pension plan or annuity approved and registered by the Board of Inland Revenue, and contributions to the National Insurance Scheme either singly or in combination. This implies that an individual taxpayer who qualifies for the full deduction is entitled to claim \$38,000 per annum before he becomes liable to be taxed. A tax rate of 28 per cent will be applied to the first \$50,000 of chargeable income, while a rate of tax of 35 per cent will be applied to chargeable income in excess of \$50,000.

**3.10 p.m.**

What this implies, Mr. Speaker, is that under the present tax system an individual with a gross income of say, \$30, 000 would pay taxes of \$3,301. In the new system, the same taxpayer would pay only \$2,734, a saving of \$567.

In the case of a gross income of say \$60,000, the current system would result in a tax liability of \$6,392. Under the new system the tax liability would be reduced to \$6,160, a saving of \$232.

At a gross income level of \$90,000 per annum, the individual's tax liability would increase by \$859, and at a gross income level of \$150,000, the increased liability is estimated at \$1,307, thereby preserving, to some extent, the progressivity of the system.

In keeping with the thrust of the proposed new tax system, the following existing deductions or allowances, will be removed:

Claims by individuals with respect to deeds of covenants and settlements to charities and sporting bodies.

Deductions for investment in approved hotel or tourism projects up to a maximum of 25 per cent of the investment as contained in section 13A of the Income Tax Act. This incentive can now be accommodated under the venture capital regime.

Membership fees in respect of trade union dues and associations under the Prison Service Act, Police Service Act, and Fire Service Act not exceeding \$200.

The exemption in respect of a meal voucher not exceeding \$10 per work day under section 8(1)(n) of the Income Tax Act.

Savings accounts free of tax under section 8A of the Income Tax Act. This exemption was introduced in 1991 and was never fully utilized.

The following tax credits will also be removed:

Personal Credit of \$600;

Spouse Credit of \$600;

Further Credit of \$600 for pensioners;

Child Credit of 100 per child;

Credit with respect to the purchase of credit union shares;

*Appropriation Bill (Budget)*  
[SEN. THE HON. B. KUEI TUNG]

*Thursday, December 12, 1996*

Marginal relief of \$1,200 less 12 per cent of the Chargeable Income in excess of \$20,000.

The tax credit in respect of investments in certain qualifying companies under the provisions of section 48G of the Income Tax Act will also be removed. These incentives were introduced in 1988 and were not utilized.

I wish to point out, Mr. Speaker, that the deduction in respect of travelling in the performance of duties of the employment or office, and the deduction in respect of maintenance and alimony have been preserved.

These measures will cost the Treasury \$100 million in 1997 and will take effect from January 1, 1997. The full details of these measures are contained in the annex to the *Budget Statement* entitled, *The Measures—Budget 1997*.

In concluding this presentation, I would simply wish to say that it is not humanly possible for any government to be all things to all people at all times. We will only be deluding ourselves if we think this is feasible. We seem to forget, and understandably so, that the myriad of problems and difficulties facing this country did not happen overnight. Rather, they have been some time in the making. Equally important, is that solving these problems would take some time and considerable resources—resources which we do not always have in the quantities we desire. We must therefore prioritize those issues which must be dealt with immediately, put them to rest, and return to the others as circumstances permit.

In our first year in office, we tried to address as many of these issues as possible. While a great deal has been achieved, we recognize that there is much more to be done—which we will get done. You have seen the results of our efforts to date.

We ask that the policies and measures be given time to take hold and produce the benefits they are expected to deliver, and that the national community work with us in moving the country ahead. We have charted a course to take this country into the dawn of a new century. The path ahead will not always be as smooth as we wish, but the nature of the road that we travel and the distance we are able to cover will depend upon everyone of us.

Mr. Speaker, I beg to move.

Mr. Speaker, in accordance with Standing Order 63 (4), I wish to announce that the debate on the Second Reading of this Bill will resume on Tuesday, December 17, 1996 at 10.00 a.m.

*Appropriation Bill (Budget)*

*Thursday, December 12, 1996*

Thank you, Mr. Speaker.

*Motion made and question proposed,* That the House do now adjourn to Tuesday, December 17, 1996 at 10.00 a.m.

*Question put and agreed to.*

*House adjourned accordingly.*

*Adjourned at 3.15 p.m.*