

**THE
PARLIAMENTARY DEBATES**

OFFICIAL REPORT

**IN THE FOURTH SESSION OF THE FIFTH PARLIAMENT OF THE REPUBLIC OF
TRINIDAD AND TOBAGO WHICH OPENED ON NOVEMBER 27, 1995**

SESSION 1998—1999

VOLUME 13

HOUSE OF REPRESENTATIVES

Monday, October 05, 1998

10.30 A.M.

The House having assembled, and it being the first meeting of the Fourth Session of the Fifth Parliament of the Republic of Trinidad and Tobago, the Clerk of the House read the following Proclamation:

REPUBLIC OF TRINIDAD AND TOBAGO

No. 9

By His Excellency ARTHUR NAPOLEON RAYMOND
ROBINSON, T.C., O.C.C., S.C., President and
Commander-in-Chief of the Republic of Trinidad
and Tobago.

ARTHUR N. R. ROBINSON
President

A PROCLAMATION

Whereas it is provided by subsection (1) of section 67 of the Constitution of the Republic of Trinidad and Tobago that each session of Parliament shall be held at such place within Trinidad and Tobago and shall commence at such time as the President may by Proclamation appoint:

Now, therefore, I, ARTHUR NAPOLEON RAYMOND ROBINSON, President as aforesaid, do hereby appoint the Red House, Port of Spain, Trinidad, as the place at which the Fourth Session of the Fifth Parliament of the Republic of Trinidad and Tobago shall be held, and 10.30 a.m. on Monday the 5th day of October, 1998, as the time at which the said Session shall commence.

Given under my hand and the Seal of the
President of the Republic of Trinidad and
Tobago, at the Office of the President, St.
Ann's, this 25th day September, 1998.

PRAYERS

Leave of Absence

Monday, October 5, 1998

[MR. SPEAKER *in the Chair*]

LEAVE OF ABSENCE

Mr. Speaker: Hon. Members, I wish to advise that I have received communication from two Members of this honourable House who have asked to be excused from sittings of the House until October 23, 1998. Leave of absence is accordingly granted to the Member for Port of Spain North/St. Ann's West until October 23, 1998, and to the Member for Arouca South until October 23, 1998.

**SESSIONAL COMMITTEES
(APPOINTMENT OF)**

Mr. Speaker: Hon. Members, I also wish to advise that in accordance with the Standing Orders, I will today name the Standing Committees. These Standing Committees will be the Standing Orders Committee, the House Committee, the Committee of Privileges and the Regulations Committee.

Standing Orders Committee

Mr. Hector McClean (Chairman)
Mr. Ramesh Lawrence Maharaj
Mr. Trevor Sudama
Mr. Mervyn Assam
Mr. Gordon Draper
Mr. Fitzgerald Hinds
Mr. Barendra Sinanan.

House Committee

Mr. Ramesh Lawrence Maharaj (Chairman)
Dr. Reeza Mohammed
Dr. Morgan Job
Dr. Rupert Griffith
Mr. Kenneth Valley
Mrs. Camille Robinson-Regis
Committee of Privileges

Mr. Hector McClean (Chairman)

Mr. Ramesh Lawrence Maharaj

Mrs. Kamla Persad-Bissessar

Mr. Chandresh Sharma

Mrs. Camille Robinson-Regis

Mr. Martin Joseph

Regulations Committee

Mr. Hector McClean (Chairman)

Mr. Harry Partap

Dr. Vincent Lasse

Mr. Ganga Singh

Mr. Jarrette Narine

Mr. Roger Boynes

Mr. Speaker: Hon. Members, a Supplemental Order Paper has been circulated and the sitting of the House will be suspended for 10 minutes for the continuation of the Order Paper.

10.37 a.m.: *Sitting suspended.*

10.50 a.m.: *Sitting resumed.*

PAPERS LAID

1. The Report of the Auditor General on the accounts of the Restructuring Support Unit, Ministry of Planning and Development—The Business Expansion and Industrial Restructuring Project—Loan Agreement No. 3432 TR between Trinidad and Tobago and International Bank for Reconstruction and Development for the year ended December 31, 1997. [*The Attorney General (Hon. Ramesh Lawrence Maharaj)*]
2. The Report of the Auditor General on the accounts of the Project Execution Unit of the Ministry of Housing and Settlements Programme—Loan Contract No. 584/OC-TT between the Government of Trinidad and Tobago and the Inter-American Development Bank for the year ended December 31, 1997. [*Hon. R. L. Maharaj*]

Papers Laid

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3. The Report of the Auditor General on the accounts of the Environmental Protection and Rehabilitation Programme IDB Loan Contract No. 857/SF-TT for the year ended December 31, 1997. [*Hon. R. L. Maharaj*]
4. The Report of the Auditor General on the accounts of the Government Employees Provident Fund for the year ended December 31, 1997. [*Hon. R. L. Maharaj*]

Papers 1 to 4 to be referred to the Public Accounts Committee.

5. Annual Audited Financial Statements of Petroleum Company of Trinidad and Tobago Limited (PETROTRIN) for the year ended September 30, 1997. [*Hon. R. L. Maharaj*]
6. The Report of the Auditor General on the accounts of the Airports Authority of Trinidad and Tobago for the year ended December 31, 1995. [*Hon. R. L. Maharaj*]
7. First Citizens Bank Holdings Limited Auditors' Report and Unconsolidated Financial Statements for the year ended September 30, 1996. [*Hon. R. L. Maharaj*]
8. First Citizens Bank Limited and its Subsidiaries Financial Statements for the year ended September 30, 1997. [*Hon. R. L. Maharaj*]
9. First Citizens Bank Mortgage and Trust Company Limited Auditors' Report and Financial Statement for the year ended September 30, 1997. [*Hon. R. L. Maharaj*]
10. First Citizens Merchant Bank Limited Auditors' Report and Financial Statements for the year ended September 30, 1997. [*Hon. R. L. Maharaj*]

Papers 5 to 10 to be referred to the Public Accounts (Enterprises) Committee.

11. Draft Estimates of Expenditure for the year 1998/1999. [*The Minister of Finance (Hon. Brian Kuei Tung)*]
12. Draft Estimates—Details of Estimates of Recurrent Expenditure for the year 1998/1999. [*Hon. B. Kuei Tung*]
13. Draft Estimates of the Revenue and Expenditure of the Statutory Boards and Similar Bodies and of the Tobago House of Assembly for the year 1998/1999. [*Hon. B. Kuei Tung*]

Papers Laid

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14. Draft Estimates of Development Programme 1998/1999. [*Hon. B. Kuei Tung*]
15. Draft Estimates of Revenue for the year 1998/1999. [*Hon. B. Kuei Tung*]
16. Public Sector Investment Programme—1998/1999. [*Hon. B. Kuei Tung*]
17. The Medium Term Policy Framework: 1999—2001. [*Hon. B. Kuei Tung*]
18. Review of the Economy—January to September 1998. [*Hon. B. Kuei Tung*]

CRIMINAL PROCEDURE (AMDT.) (NO. 2) BILL

Bill to amend section 3 of the Criminal Procedure Act, Chap. 12:02 [*The Attorney General*]; read the first time.

**CRIMINAL PROCEDURE (PLEA DISCUSSION AND PLEA AGREEMENT)
(NO. 2) BILL**

Bill to establish a system of plea discussions and plea agreements and matters incidental thereto [*The Attorney General*]; read the first time.

FREEDOM OF INFORMATION (NO. 2) BILL

Bill to give members of the public a general right (with exceptions) of access to official documents of public authorities and for matters related thereto [*The Attorney General*]; read the first time.

EQUAL OPPORTUNITY (NO. 2) BILL

Bill to prohibit certain kinds of discrimination, to promote equality of opportunity between persons of different status, to establish an Equal Opportunity Commission and an Equal Opportunity Tribunal and for matters connected therewith. [*The Prime Minister*]; read the first time.

CONSTITUTION (AMDT.) (NO. 2) BILL

Bill to amend the Constitution of Trinidad and Tobago [*The Attorney General*]; read the first time.

TRINIDAD AND TOBAGO POSTAL CORPORATION (NO. 2) BILL

Bill to establish the Trinidad and Tobago Postal Corporation and for related matters [*The Minister of Public Utilities*]; read the first time.

OCCUPATIONAL SAFETY AND HEALTH (NO. 2) BILL

Bill respecting the safety, health and welfare of persons at work [*The Minister of Labour and Co-operatives*]; read the first time.

APPROPRIATION BILL 1998/1999

Bill to provide for the Service of Trinidad and Tobago for the financial year ending on the 30th day of September, 1999 [*The Minister of Finance*]; read the first time.

The Minister of Finance (Hon. Brian Kuei Tung): Mr. Speaker, it is a distinct pleasure for me to present to this honourable House and, by extension, the nation, our 1998/1999 Budget Statement. This is the fourth budget of this Administration and I am exceedingly honoured to have the privilege of presenting all four of them. Indeed, we look forward to delivering the fifth which would usher in the new millennium, and the sixth as well.

Mr. Speaker, the records would indicate that a budget has never been presented at the opening of Parliament, and this fact places this budget in a historic perspective on this first sitting of this session of Parliament. I remain confident that Members on the opposite Benches would have no problem in expressing the approval of how this Administration has managed the country's financial affairs in the face of very challenging circumstances in the shortened financial period just ended.

By the same token, I do not expect that hon. Members would have any reason for withholding their support for the strategies which we have devised to meet the challenges which we face as a small developing nation gearing up for the 21st Century, competing in a very uncertain global economy.

Mr. Speaker, the 1998/1999 budget is a Platform for Progress and Security for all the people of Trinidad and Tobago, as we move towards the new millennium. It is designed to strengthen our social and economic infrastructure.

As would be seen, it is a guarantee of meaningful security for large portions of the population and for all senior citizens. It is intended to place Trinidad and Tobago in a strong position among the most modern and industrialized of the developing economies, but if we are to achieve these objectives, we must move forward as one people, one nation. [*Desk thumping*]

This budget presentation signals a new era in the financial management of the economy of Trinidad and Tobago. Just last month, the Financial Year Bill which redefined the financial year from its customary calendar year to a new financial year starting from October 1 to September 30 was approved by this honourable House. This development has many positive implications for our economy.

The country, including Central Government, Municipal Corporations, State Enterprises and Public Utilities would now be able to maximize the utilization of the dry season by being able to plan, design and implement projects before the onset of the rainy season. It would also avoid the usual concentration of budget activities in December when most of the country is preoccupied with Christmas celebrations.

Mr. Speaker, I would like to emphasize that whereas Government has changed its financial year, the income tax year remains the same. There would be absolutely no disruption or inconvenience to the tax-paying public, and any tax change, unless otherwise stated, would take effect from January 1, 1999.

The change would have no impact on Government's fiscal accounts, except in the transition period of 1998, when only nine months of revenue and expenditure would be brought to account. Indeed, we resume the full 12-month cycle as of October 1, 1998.

Mr. Speaker, it would be remiss of me if I did not pay public tribute to this country's public servants at all levels for the extra work which was required for this year's shortened period for the budget preparation. Though the brunt of the pressure might have appeared to have been concentrated on the accounting officers in the public office, I know that all departmental heads would also have had to make extra effort to meet this year's deadlines. I thank all these officers for all they have done to make the smooth transmission from a January to an October budget.

I also thank my Cabinet colleagues for the assistance in making this October budget a reality.

I also give a special word of thanks to the officers in the Ministry of Finance who deserve to be recognized for their role in the conduct of the country's financial affairs. Of all the challenges with which they have had to cope, I suspect that the toughest was having to cope with a Minister who always demanded the impossible, and the occasional miracle as well. They never let me down, they never let the country down.

I also acknowledge the counsel, contributions and requests freely proposed by every sector of the society for consideration in this budget exercise. The labour movement, virtually every business sector, religious groups, the NGOs, professional associations, individuals, and even students. I listened to them all, and accepted many of their recommendations.

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This is their budget, Mr. Speaker, this is the people's budget.

Mr. Speaker, I assure you that on the completion of my presentation of this Platform for Progress, this affirmation of Security for All, the consensus would be that with relatively little, the Panday Administration has done a lot more for the aged and the poor. Moreover, this budget would provide opportunities, set out an agenda and ensure that the future of the nation's youth would be bright and secure.

11.05 a.m.

This is a dramatic departure from the paternalism, dependency and division imposed on us by the PNM.

Mr. Speaker, that failed PNM policy is the principal reason why a country so rich in natural resources and human capital has never come anywhere near achieving its full potential.

Perhaps, what is most unfortunate, is the extent to which development of our human capital was short-changed even during the period of windfall oil revenues. Had the proper foundation of enterprise and entrepreneurship been established for the society in the seventies through the early eighties, Trinidad and Tobago would have been better prepared to enter the new millennium.

Last year, the World Bank identified a number of key fundamentals for poverty reduction. These fundamentals included:

- A foundation of law;
- An investor-friendly policy environment;
- Macroeconomic stability;
- Investment in people, as well as infrastructure;
- Protection of the vulnerable; and
- Protection of the natural environment.

Mr. Speaker, the keen observer will recognize that these fundamentals are precisely what this administration has been emphasizing. A foundation of law, a respect for law, and the enforcement of law have been central on the agenda of this administration. Not only is law and order critical to civil society, it is also of significant concern to investors, both local and international. This Government understands that. We championed this cause in 1995.

Mr. Speaker, a law-abiding, orderly society is critical to the success of our policy objectives. Indeed, it pervades all aspects of national development.

We view the preservation of law and order as a fundamental objective of our administration. Therefore, we will continue to strengthen the national security infrastructure and improve the legislative framework governing the legal and judicial system. We have embarked on a number of programmes and projects aimed at achieving this objective.

Our national security has been strengthened by the recruitment of new police officers and defence force personnel and the police service has been made more mobile. Moreover, the introduction of computerization and other technologies in its operations has enhanced its accessibility to information and has aided the police in its fight against crime.

The Maximum Security Prison at Golden Grove was commissioned only last month. Several police stations, a coast guard administration building and Phase I of the women's prison are due to be completed this year. Furthermore, in 1999, construction will begin on six new police stations, including the restoration of the Police Headquarters building. In addition, construction will also begin on the new prison facility in Tobago and Phase II of the Golden Grove Women's Prison. Refurbishment of existing court buildings and the construction of new court buildings will also commence in 1999.

This year, the Ministry of National Security has been allocated a total of \$1,107 million to meet its expenditure. This is the second largest allocation to any Ministry or Department.

On many occasions, Government has expressed its concern about victims of crime who have little redress under the existing laws. In light of this concern, we would establish a system of compensatory justice to alleviate some of the suffering and hardship of these victims and their dependants. We will ensure that victims receive compensation in the shortest possible time for injuries suffered.

Accordingly, a new Criminal Injuries Compensation Bill will be brought to Parliament in the new year. The Bill will establish a Criminal Injuries Compensation Board which will receive and consider applications from the victims or their dependants for compensation.

In order to enhance the Legal and Judicial System, Government will implement a Judicial Sector Reform Programme that will promote the more effective administration of justice. As part of this reform programme, we propose to

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establish a Case Management Unit which would assist in alleviating the current backlog of cases and reduce the current average length of time taken to process matters through the judicial system.

We are concerned not only with the preservation of law and order, but also with improving our economic and social infrastructure. We have implemented a number of strategies geared to achieving our goals and objectives. The success of these strategies is reflected in the unprecedented levels of investment that Trinidad and Tobago is now attracting. This has enhanced the country's standing as an investor-friendly jurisdiction where the decision-making process on investment proposals is completed with speed and aggressiveness.

Trinidad and Tobago's first Liquefied Natural Gas plant is scheduled to begin operations in June next year. Furthermore, this administration is currently reviewing proposals for two more Liquefied Natural Gas plants, targeted to come on stream by the year 2002. I think that it would be fair to say that we have redesigned the paradigm in these matters. I believe that this proves very conclusively who talks the talk and who walks the talk. [*Desk thumping*]

This Government's policy of further liberalizing trade and investment has strengthened and expanded the country's attractiveness as an investment partner. If Trinidad and Tobago is to be really competitive in the global economy, and if we are to move to the top among the small nations in the world, we must be prepared to invest in the relevant infrastructure and in human development. This is exactly what we are doing.

In order to position Trinidad and Tobago in a world perspective, let me speak a bit about the global economy. I must remind the national community that the global economy is the arena in which Trinidad and Tobago has to compete and succeed. It is a volatile and merciless arena in which size does not insulate any nation from the brutal impact of the single, borderless economy. It is an economy characterized by mega trading blocs such as the North American Free Trade Area (NAFTA) and the European Union. And soon, we will see the formation of the Free Trade Area of the Americas, the largest trading bloc to be formed.

Now, we have the onset of mega companies with annual revenues four to five times our own domestic product as well as that of the majority of the economies of developing nations.

For instance, Mr. Speaker, the merger of Citibank and Travelers has created the largest financial institution in the world and a very potent intermediary and

arbiter in major investment decisions globally. Two months ago, we learnt of the merger of Amoco and British Petroleum and this produced the largest ever industrial merger and the third largest petroleum company worldwide.

We have seen the intention of British Airways and American Airlines to develop an alliance and, even more recently, the intention by United Airlines, Air Canada, Lufthansa, Scandinavian Airlines, Thai Airlines and Varig to also develop an alliance in the provision of air transportation services. These mergers are the new and intimidating dimension to the world economy and they have special significance here in Trinidad and Tobago.

Several of these financial industrial giants have had a long standing presence in this country and, as such, any change in their international policy could directly impact on our economy. We must be prepared to redefine the ways in which we conduct business with these mega companies and we must respond quickly to this emerging trend and move to seize the inevitable new opportunities which result from globalization. We must respond by transforming Trinidad and Tobago into a knowledge-based society and increase our technological capability.

Recent and ongoing developments in the emerging economies demonstrate the vulnerability of these economies to international shocks, as well as the interdependence of the world's economies. A mere hint of instability in any of the major financial markets rocks the financial centres worldwide.

The financial world was jolted in the 1994 Mexican crisis, the so-called "Tequila effect" and, more recently, by the Asian crisis and its contagion effect. Then the Russian crisis threatened the emerging financial markets and that country's major investment partners. These crises have, in fact, affected investor confidence worldwide and, consequently, impacted on the stock markets. For example, the Dow Jones Industrial Average recently plunged 512.6 points in a single day's trading, the second largest decline in the 100-year history of the New York Stock Exchange. However, the market was able to recover from this decline.

This demonstrates that not even the strongest economy is insulated from these developments and since the United States is our major trading partner, we must be alert to events that affect the US economy.

In the broader framework, financial flows that might have been available to developing economies such as ours, are now being diverted to bail out the Russian and Asian economies. For example, Mr. Speaker, the most recent emergency

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support funding directed to Russia is in excess of US \$20 billion. In the case of South Korea, it was US \$16 billion.

Mr. Speaker, one consequence of the diversion of funds is that the cost of borrowing for developing countries like ours increases as international interest rates react to these crises. For instance, closer to home, Venezuela's borrowing rate has risen to 14 per cent. Jamaica's borrowing rate has now increased to 15 per cent.

In our case, our international credit rating remains favourable, with a positive outlook, as confirmed by Standard and Poor's in July of this year. As a result, Government has arranged financing of a ten-year US \$200 million bond issue at a rate of interest of 8.25 per cent, the same rate at which we borrowed last year.

This is testimony to our professional management of the economy, and the confidence which the domestic and international financial communities have in our abilities.. [*Desk thumping*] We must continue to strengthen our macroeconomic fundamentals to further insulate our economy against adverse external developments.

This was driven home to us by the steep decline in oil prices in 1998. The price of our crude oil averaged US \$14.50 per barrel for the first three quarters of the year, US \$4.50 less than budgeted. As a result, we were unable to aggressively implement some of the projects we had targeted in the 1998 Budget. However, these have been included in the 1998—1999 Budget.

Mr. Speaker, I wish to advise this honourable House that last year when we prepared the 1998 Budget using an oil price of US \$19.00 per barrel, we were severely criticized by the so-called experts. However, we arrived at this price after discussions with a number of reputable international institutions and organizations. For instance, the International Monetary Fund had recommended that we use a price of US \$21.00. Our own domestic crude averaged US \$20.77 in October, US \$20.02 in November and for the whole of 1997, US \$20.10.

Therefore, Mr. Speaker, our budgeted price of US \$19.00 was not unrealistic. Regrettably, the oil price averaged \$14.50 for the nine months of 1998 and this drop in oil prices has resulted in a loss of \$850 million in revenues. Methanol, ammonia and urea prices were also significantly lower than last year. However, these price shortfalls were, to some extent, offset by the startup of operations of an additional methanol plant and two new ammonia production facilities.

We expect that oil prices in 1999 will remain soft. We have, therefore, based the 1999 Budget on an oil price of US \$14.10 per barrel which is more conservative than the projection of \$14.51, for Brent Crude made by the

International Monetary Fund. Given current international trends, Government considers this a realistic forecast and what this implies is that we must continue our policy of fiscal discipline.

We must seek new and innovative strategies to increase our domestic savings rate and avoid future financing problems. This must be supported by an appropriate monetary policy as we seek to strengthen our capital market and continue to enhance the environment to attract further investment. The greater the diversification of our economic base, the less vulnerable we will be to the vagaries of the international environment.

Mr. Speaker, I now turn to the performance of the Trinidad and Tobago economy and the quality of management that we have brought to the handling of the country's economic affairs. In spite of declining oil prices, sagging petrochemical prices and the global effects of currency crashes in Asia and Russia, our economy is poised to grow by 5 per cent this year. [*Desk thumping*]

11.20 a.m.

Mr. Speaker, this will be the highest rate of growth this economy will experience in 18 years. Mr. Speaker, it is not my estimate, this is the conservative projection of the Central Statistical Office based on actual data received for the period January—June, 1998. The position therefore, is that Trinidad and Tobago's growth rate this year is projected at more than double the growth rate of the global economy, which is expected to be around 2 per cent.

While expansion in the domestic energy and petrochemical sectors has been providing the impetus for sustained growth, the non-petroleum sector continues to exhibit dynamism and to pick up momentum. It is evident therefore, that this Government's strategies for economic diversification are bearing fruit, as this year the non-oil sector is set to record a growth rate of 6 per cent, the highest in the last five years.

Within the non-oil sector, growth has been particularly strong in construction, manufacturing and tourism sectors. This has been driven by higher capital investment by both the private and public sectors, increased activity in agro-processing and by an intensified effort to position Trinidad and Tobago as a destination of choice for the discriminating traveller. Because of these efforts, the construction sector expanded by 5 per cent; manufacturing by 15 per cent; and tourism by 21 per cent.

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Mr. Speaker, although we have been successful in reducing our dependence on oil and gas, we recognize that the energy sector will continue to be the engine of growth for some time to come. Therefore, we will continue to improve the institutional and incentive framework in order to win increased private sector investment in this sector. Indeed, Trinidad and Tobago is now recognized as the most attractive investment location in the region and is currently the largest US investment partner in the Western Hemisphere, after Canada. Over the last three years, this country has attracted over US \$4 billion of foreign direct investment.

Mr. Speaker, the energy sector is now growing at an unprecedented rate. With eight ammonia and five methanol plants, this country is now a significant player on the world commodity markets. We are also poised to become a leading global exporter of liquefied natural gas. We can confidently predict that investment inflows into the energy sector will remain robust well into the new millennium. This is a credit to the policy environment that we have shaped, and to our astute economic and financial management.

Mr. Speaker, this unprecedented expansion in economic activity in the country has been reflected in the creation of new employment opportunities. In fact, notwithstanding an increase in the labour force of 13,300 persons, we have created a total of 22,300 new jobs. As a result, the unemployment rate fell to 13.4 per cent by the end of June this year; the lowest level of unemployment recorded by this country in 14 years. I wish to reaffirm this Government's commitment to create new employment opportunities and further reduce the unemployment rate.

The inflation rate was increased from 3.8 per cent at the end of 1997 to 5 per cent in July, 1998. This was not totally unexpected. The key factor influencing the increase has been the rise in domestic food prices brought on by the unusual weather pattern over the last year, as well as the introduction of the national minimum wage. However, food prices in Trinidad and Tobago are still the lowest in the Caribbean.

On the fiscal account, our financial management skills were put to the test, as oil prices dropped to ten-year lows. Even in this unexpected scenario, we maintained our commitment to achieving a fiscal surplus. The Government is resolute that we should avoid a significant slippage in our fiscal performance. We therefore placed renewed emphasis on improving the administrative efficiencies of all revenue collecting agencies, and we resisted any temptation to take the easy way out by imposing new taxes. Instead, we adjusted expenditure as dictated by reduced revenue levels. The result is that despite a loss of \$850 million in oil

revenues, we have been able to achieve a surplus of approximately \$39 million. In other words, despite the very challenging and difficult financial situation, the Panday Administration has again delivered.

Mr. Speaker, prudent fiscal and monetary management has allowed us to withstand the current problems of the international financial environment. In the face of the worst doom and gloom predictions of the Opposition spokesman on matters of finance, the Trinidad and Tobago dollar has stood its ground, and is even appreciated against other currencies. The country's foreign reserves position has improved remarkably, with gross reserves at the end of June, 1998 being in excess of \$1,100 million or more specifically, US \$1,146 million. At that level, our foreign reserves provide the equivalent of four months import cover, well above the international benchmark of three months import cover. Our debt service ratio has also improved, measuring 10 per cent in 1998. Next year it is targeted to decline even further.

It is instructive to contrast how we have managed the current difficult situation with the performance of the Government in 1982, when a similar decline in the price of oil occurred. The PNM administration, oblivious to any consideration of fiscal discipline, continued its wild spending. This they did, in spite of the fact that the economy was contracting, inflation rates were spiralling out of control and the unemployment rate was increasing. This spending spree continued unabated until the PNM's crushing defeat and removal from office in 1986. The incoming Government was left no choice but to cut public service salaries, reschedule the public debt and seek financial assistance from the Washington-Based Institutions with the attendant consequences.

By contrast, in similar challenging circumstances, this is what the Panday Administration did. We have expanded the economy by 5 per cent. We generated a fiscal surplus of \$39 million. We reduced the unemployment rate to 13.4 per cent. We contained inflation to 5 per cent. We built up our foreign reserves to over US \$1 billion. We paid our debts, including the debt to public sector workers. We became current in the agreements with public sector unions. We honoured all public sector wage agreements and more than that, we increased old age pension.

Mr. Speaker, this administration's performance has not gone unnoticed. Just last month the influential *New York Times* reported that Trinidad and Tobago was rapidly emerging as the region's foremost economic success story. By any criteria, we have managed the economy successfully. We will ensure that sustainable

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economic growth with meaningful job creation and significant diversification of the economy remain our imperative.

Government's economic policies have always been spelt out in its Three-year Medium Term Policy Framework, which has been laid in Parliament. Nonetheless, I wish to take this opportunity to briefly describe this administration's economic policy. Government's policies are designed to increase the level of economic activity in all sectors of the economy and to provide increasing employment opportunities for all. These objectives will be achieved in an environment in which investors, particularly local investors, will have the confidence to invest, develop and grow, and which will stimulate and encourage national savings. A key component of this environment is an interest rate policy that is consistent with national objectives. It is therefore desirable that the Central Bank pursue a complementary monetary policy marked by measures that will facilitate savings and investment, contain price increases and stabilize the exchange rate.

In order to achieve a sustainable increase in economic activity, it is necessary that we continuously improve the competitiveness of the Trinidad and Tobago economy, particularly the export sectors. This will be achieved through continuation of the trade liberalization programme, implementation of targeted sectoral programmes and further development of market access opportunities. Our trade liberalization programme includes entry into the North American Free Trade Area and the establishment of Free Trade Agreements with the Andean Community, the Central American Common Market, Mexico, Panama and Costa Rica. We have concluded Free Trade Agreements with Colombia and the Dominican Republic and a Partial Scope Agreement with Venezuela.

Another critical component in the economic environment is a harmonious industrial relations climate. This can be achieved only when labour agreements are concluded expeditiously and are meticulously honoured. We recognize labour as integral to the nation building process.

A major policy objective is the capacity to provide for the health, education and other social needs of the population. To this end, we must maintain a revenue base sufficiently adequate to provide the funding to meet these requirements. We must ensure greater efficiency in Government operations so that we get maximum value for every dollar spent from public funds.

An appropriate debt management strategy is also vital in the management of the country's finances. Therefore, we will continue to explore various mechanisms,

including hedging, to manage our debt exposure and to reduce the debt service obligations attached to high cost debt incurred in the early 1980s. We will ensure that this country maintains a high credit rating. We will strive to obtain an investment rating which will reduce significantly the cost of borrowing to us.

Our economic strategies for the 1998/1999 financial year are designed to deliver on our commitment to strengthen the social and economic fabric of this country. We will transform the health sector so that improved health services will be readily available to the people of Trinidad and Tobago. We will refocus the direction of our agricultural sector. We will create opportunities for young people between the ages of 18 and 35 by assisting them to acquire entrepreneurial know-how and marketable skills by means of education and training, and by providing financial support to micro businesses and small business ventures. We will protect our senior citizens and the less fortunate in the society. We will enhance Trinidad and Tobago's standing as an investor-friendly nation.

Mr. Speaker, now that I have established the broad economic policy framework, let me now turn to some of our sectoral policies. First, the energy sector. The goal for the energy sector is to achieve optimal returns from the utilization of the country's natural resources and to provide for the impetus for the growth of the non-energy sectors. The major areas of focus for the sector will include:

- Promotion of upstream hydrocarbon exploration and development activities.
- Commercial development of the country's natural gas reserves.
- Development of new and renewable energy options.
- Increasing the efficiency of the retail marketing operations.
- Research, development and transfer of technology; and
- Strengthening of the administrative machinery of the energy sector.

Mr. Speaker, the energy sector is currently experiencing an increasing level of activity in upstream operations. In the first quarter of this year, Government signed production sharing contracts with Arco, Exxon and Shell/Agip, while Amoco, Enron and British Gas announced considerable offshore petroleum finds in the east coast marine area. By the end of 1998, it is anticipated that crude oil and condensate production will average over 123,000 barrels of oil per day, and this level is expected to increase during 1999.

The level of downstream activities has increased as well, with the commissioning of three petrochemical plants and the construction of other natural

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gas based plants, one of which is the country's first liquefied natural gas plant at Point Fortin. The commissioning of the Methanol IV Plant in March this year and Titan Methanol I, which is scheduled to commence operations in September 1999, will increase annual methanol production in Trinidad and Tobago to approximately 3 million metric tonnes. The PCS and Farmland MissChem ammonia plants, which were both commissioned this year, are two of the largest ammonia plants in the world, each with a production capacity of approximately 660,000 tonnes per annum. Based on anticipated production levels, full realization of Government's current expansion programme will make Trinidad and Tobago one of the world's leading exporters of ammonia and methanol by year 2000.

Another major area of focus for this administration is the tourism sector. This sector continues to increase its contribution to the domestic economy and reflects our successful strategy to develop niche markets in preference to targeting mass tourism. Positioning Trinidad and Tobago as a destination for leisure, nature adventure, sports and cultural diversity, has generated a 7 per cent increase in arrivals in 1998.

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Government is intent on generating even further growth in the tourism sector. The first draft in the new Tourism Development Bill has been completed and the issues which have been addressed will include treatment of the cost of bridging finance for tax purposes; fiscal incentives for the refurbishment and expansion of hotel projects; development of incentives for integrated resort projects; and vehicles for the tourism trade.

Additionally, Mr. Speaker, prospects are good for continued growth in tourism and we expect increased interest from the trade following a number of welcome developments. Some of these developments include:

- (1) the resumption of British Airways service into Tobago;
- (2) the commencement of Canada 3000 service to Tobago;
- (3) the introduction of an additional flight by Condor Airways of the United Kingdom to Tobago;
- (4) the completion of the first phase of the Tobago Hilton project which is scheduled to open on October 1, 1999;
- (5) the continued development of local sites and attractions and a vibrant base for domestic tourism; and

- (6) the increased marketing of the destination which is already beginning to bear fruit with increased arrivals from the South American market.

Mr. Speaker, the Premier Four Seasons Hotel and Resort chain is presently negotiating with Government for the development of an integrated tourism resort complex on 344 acres of land in Tobago. This project will include an ultra luxurious, five star, 200-room hotel in the Tobago Four Seasons. Total investment in the project is estimated at US \$105 million. During construction the complex is expected to employ 800 persons while another 800 permanent workers are expected to be employed when the complex becomes operational.

Mr. Speaker, Trinidad and Tobago is carving out its own niche in the Caribbean tourism industry. In testament to this we have recently been short-listed for the Caribbean Hotel Association's prestigious Crystal Palm Award, the winner of which will be announced in London next month in November. This is the second year of this award which is presented to the Caribbean Government doing the most to promote tourism in the region. Last year's winner was the Bahamas. Trinidad and Tobago, I am told, is a serious contender for this prestigious award.

When one discusses tourism one must refer to Tobago. I, therefore, would like to turn my attention to the affairs of our sister isle. Mr. Speaker, one of my responsibilities as Minister of Finance is to manage the finances of the country in a lawful way. I am guided by the Exchequer and Audit Act and the Constitution of Trinidad and Tobago. These laws require me to disburse funds from the Consolidated Fund according to clear monitoring rules. Among those rules is the requirement for adequate reporting concerning previous disbursement of funds to a ministry.

I know that the Tobago House of Assembly is not a Ministry. However, nothing in the Tobago House of Assembly Act tells me that this Act invalidates the Constitution of Trinidad and Tobago and the Exchequer and Audit Act. Therefore, in pursuing my responsibility to the people of Trinidad and Tobago, early in the year I requested the responsible public servant to provide the information with respect to the following:

- the previous allocations from the Consolidated Fund into the Tobago House of Assembly Fund;
- how these funds were used and whether it was consistent with the estimates of expenditure as approved by Parliament.

It is not my pleasure, Mr. Speaker, to report that it was only in August 1998 that I was able to receive the requested information from the Tobago House of

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Assembly. In the circumstances, consistent with my responsibilities as laid out in the Exchequer and Audit Act, I was unable to disburse, before that time, the total amount of funds requested by the Tobago House of Assembly.

Mr. Speaker, the people of Tobago have had less investment this year even considering the necessary cutbacks than would have been the case had the Tobago House of Assembly complied with the requirements of the law as I understand it. I have no problem with allocating funds from the Consolidated Fund according to the interpretation of the Tobago House of Assembly Act No. 40 of 1996 as has been articulated by the Chief Secretary if the appropriate legal authority or court instructs me that I would not be in violation of the law by so doing. I am willing to comply with the view of the Tobago House of Assembly when I have been so advised.

This Government has a duty to be fair and just to all the people of this country including the people of Tobago. *[Desk Thumping]* Over the years the people of Tobago have suffered unjustifiable neglect and inefficient management from Central Government. We are willing to negotiate mutually acceptable solutions to the problems of budgetary allocations to Tobago and the management of such funds according to law.

The Ministry of Finance will engage in negotiations and discussions with the Tobago House of Assembly on the matter of budgetary allocations. I want to state, Mr. Speaker, that I do not hold any prior prejudice against any suggestion, including proportional allocation, that may come from the Tobago House of Assembly. I would like to advise this honourable House that Cabinet has agreed to do all those things, up to and possibly including triggering the dispute resolution provisions contained in the Tobago House of Assembly Act.

In principle, Government fully supports the ideas that the Tobago House of Assembly should be allowed to manage the funds which have been allocated to it by Parliament. There is, however, some difference in the interpretation of the legislation by both the Government and the Tobago House of Assembly. For example, where funds are appropriated by Parliament for the use of the Assembly, the fact remains that there must be proper accountability by the designated accounting officer for these funds to the Treasury, the Auditor General and, ultimately, to Parliament. The financial regulations governing funds expended by the Assembly should be no different from that governing any other public body. I cannot over emphasize that moneys appropriated by Parliament and entrusted to the care of the Assembly are to be applied to purposes that are permissible under the Constitution and all other laws of Trinidad and Tobago.

Mr. Speaker, this Government has every intention of working with the Tobago House of Assembly to assist them in achieving its objective of developing Tobago and improving the quality of life for the people of Tobago. Therefore, in this new fiscal year I will be working with the Tobago House of Assembly to make this a reality within the context of achieving the common good for all citizens of Trinidad and Tobago. To this end I plan to meet with the Tobago House of Assembly to discuss the probability of allowing the Tobago House of Assembly to access grants and/or loans for developmental purposes from external sources. *[Desk thumping]*

Mr. Speaker, I now wish to address the health sector. This Government is totally committed to the health sector reform programme. The provision of an efficient health care delivery system to the entire population is one of the pillars of our social policy programme. To this end the capability of the regional health authorities to fulfill their mandate for providing health care services is being strengthened. Substantial improvement works have been completed at two of our major hospitals and additional work will continue with the allocation of \$43 million to finance the refurbishing of hospitals and health centres throughout the country.

Mr. Speaker, an area of deep concern to this Government is the increasing incidence of heart disease among children in our nation. In the majority of cases the parents of these children are unable to afford the cost of the required surgery for their children. To meet this end, Government is developing the local capacity to perform cardiac surgery for children in Trinidad and Tobago. Only last month 10 children had such surgery performed at the Eric Williams Medical Sciences Complex and in this year's budget the sum of \$1 million has been allocated for the continuation of this programme.

This Administration is also concerned at the alarming rate at which the cost of pharmaceuticals for certain illnesses such as glaucoma, diabetes, hypertension, heart disease and asthma has grown. We are aware of the hardship this places on the finances of those who are chronic sufferers of these diseases, particularly our elderly citizens. In order to alleviate some of the financial burdens this imposes, Government will initiate a programme early in 1999 which will enable patients to purchase pharmaceuticals directly from pharmacists at prices significantly lower than the regular retail price. *[Desk thumping]* Mr. Speaker, given the importance of this sector in our social infrastructure programme, we have allocated a total of \$889 million to the health sector in 1999. *[Desk thumping]*

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Mr. Speaker, I turn now to the agricultural sector. The agricultural sector is of strategic importance to the national economy contributing some \$480 million to the gross domestic product in 1998 and employing 6 per cent of the labour force. This sector is also important to the provision of national food and nutrition security and to the sustainable development and management of the natural resource base of land, water, forest and marine resources. Previous efforts to transform the sector have not produced the desired outcome. Farmers have generally not used incentives that are available to them either due to a lack of information on these incentives or basic institutional and administrative weakness within the sector.

Over the last two decades the incentives granted to the agricultural sector have been largely on an *ad hoc* basis and devoid of the necessary support and ancillary services. If we are to optimize this sector's potential more support is required to enhance the competitiveness of the sector in order to make it a viable area of economic activity. We need to direct resources to those subsectors with the potential for increasing output, employment and foreign exchange. We must put in place mechanisms to minimize price distortions in the market and to develop incentives that are transparent and easy to access and administer. We need to invest in the sector and we must encourage our farmers to increase their production so that they can earn meaningful income. Therefore, we will institute new strategies aimed at increasing output, attracting high levels of investment, introducing new technologies and increasing new levels of efficiency and productivity.

In this context, the mechanisms of the new agricultural incentive programme are designed to support the agricultural subsectors by means of the following:

increasing access to low cost technology;

reducing input cost and improving incentives for commodities in those subsectors which have the potential for becoming internationally competitive.

Greater equity among the key stakeholders of the sector is also essential.

The programme will also address the constraints to agricultural production, marketing and distribution within the context of trade liberalization. It is intended to expand the linkages between the primary producing and agro-processing sectors. The primary objectives of the new programme will be to improve farm incomes, reduce rural poverty and enhance the standard of living of the farming community.

Mr. Speaker, in examining the agricultural sector one must also address the issue of Caroni (1975) Limited. This enigma continues to present a seemingly

daunting challenge and tinkering, to my mind, is not the solution. The companies comprise of a number of integrated operating divisions many of which, if not all, are incurring losses. A proposal which is geared to converting these divisions into separate distinct profit centres is presently under consideration. It is proposed that these divisions be restructured to become stand-alone companies. This can only take place after a comprehensive review of all operating divisions and a full due diligence of the company have been completed. Cabinet has agreed, therefore, to the establishment of a subcommittee to define the involvement of Government, labour and the private sector in the restructuring of Caroni (1975) Limited. We intend to devise a definitive and lasting solution for Caroni (1975) Limited.

Mr. Speaker, an equally important challenge facing this Administration is the need to provide adequate housing accommodation for the nation. This Government is working to develop viable sustainable settlements which will provide acceptable and affordable shelter for all citizens. To achieve this objective the emphasis of Government's housing policy will shift from the provision of rental accommodation to ownership by occupants. I wish to inform this honourable House that all suitable National Housing Authority units will now be offered for sale to its legal occupants. *[Desk thumping]*

In addition, a new state agency has been established for the provision of lands to citizens without the means to access land. The land settlement agency is responsible for regularizing squatters on state and state enterprises land and for making land available to the poor in the society for construction of their own homes. Furthermore, we propose to put in place mechanisms which will provide the necessary funding for the poor to acquire their homes. Mr. Speaker, later in my presentation I will elaborate further on the mechanisms we intend to introduce to achieve these objectives.

Let me now focus on education, Mr. Speaker, one of the major planks in this Administration's platform for progress. It is our duty to ensure that our education system is relevant to fundamental values of civil society and that it is geared to equip our young people with the skills that they will need for the world of work in the 21st Century. To do this we must employ sound policies to effectively manage and develop our country's most valuable resource: our young people.

The hon. Prime Minister has set out to mobilize the nation in what he has described as a revolution in education in Trinidad and Tobago. There are many components to this revolution which is underway in the nation. I would like to outline some of them.

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In March of this year, the Prime Minister announced that the Common Entrance Examination is to be abolished by the year 2000. The country will also be aware of the achievements of the basic education project with a special emphasis on early childhood care and education, the National Energy Skills Centre, the Distance Learning Programme and the National Training Agency.

Mr. Speaker, if we are to transform Trinidad and Tobago into a knowledge-based nation, we must enhance the technological capability of our schools. This requires that our school population become computer literate and be at home on the Internet. To this end it is necessary that every student in the nation's schools should have access to a computer. One of the most critical and far-reaching reforms envisaged in the elimination of the double shift system at the junior secondary level—this is a critical part of the secondary education modernization programme—is a four-year programme which will begin in the new year. The unification of the various secondary streams will give every child access to free secondary education in single shift schools, which is a fundamental change from the onerous and sometimes dangerous double shift system. [*Desk thumping*]

Another major aspect of the programme will be the modernization of the secondary level education system which would involve activities ranging from school construction to curriculum reform. A pivotal outcome of the national revolutionary education will be the establishment of local school boards in the current school year. Mr. Speaker, school boards will be established in all Government schools but will be optional for Government-assisted schools. Membership on these school boards will be for a two-year period and these school boards will:

- i. Generally advise and assist school principals in the development and implementation of strategic plans for the school;
- ii. Be involved in the annual evaluation of the performance of the schools; and
- iii. Provide liaison with the community at large, thereby mobilizing community support for and involvement with the schools.

It is intended that each school board will comprise a wide cross-section of the community in which the school is located so as to engender broad-based participation at the local and community levels.

Post-secondary education is critical to achieving our objectives in the development of our human resource base. The Government's Student Revolving Loan Programme provides for the grant of concessionary financing to students in pursuit of specific areas of tertiary education. In an effort to eliminate an existing anomaly between interest rates on student loans provided by the private sector and those provided by the Government programme, I will seek to transfer the management of the Government student loan facility to the banking sector.

One of the strategies we will pursue in making the education system more relevant would be review and analysis of the operations of the Ministry of Education. To this end, Government plans to recruit a team of management consultants who will critically examine the efficiency and effectiveness of administrative procedures and practices as well as develop standards for the critical areas of the ministry's plans and programmes.

Mr. Speaker, I have outlined the broad agenda for the revolution in education. In support of our thrust to make our education policy a reality, I have allocated the sum of \$1,308,000,000 to the education sector. [*Desk thumping*] This represents 11 per cent of the total funds allocated in the budget. This new thrust in education must be matched by an appropriate framework within which such training can be successfully utilized.

I, therefore, now wish to address the area of enterprise development. This Government is committed to nurturing the enterprise of our young people when they enter the world of work. In many economies, both small and large, micro-enterprises and small businesses are major contributors to job creation. A government's responsibility to the nation's youth should, therefore, include the provision of the necessary support mechanisms to facilitate this transition. We will, therefore, establish an enterprise development support system, designed to mobilize, develop and expand the business sector in Trinidad and Tobago. It will seek to link funding with training and provide support for existing opportunities for skills acquisition by our young people. The key objective of the programme is to increase the number of small businesses that are successfully owned and managed by persons between the ages of 18—35 years.

Mr. Speaker, other features of the Enterprise Support Development Programme include the development and encouragement of a spirit of business enterprise, beginning in primary schools, and the provision of business counselling to young people who have completed other formal training programmes designed

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to encourage entrepreneurship. Government will seek to encourage credit unions, co-operatives, banks and other financial organizations to participate in this programme. In support of this venture, Government will shortly establish an Implementation Task Force that will be mandated to review the roles of the Small Business Development Company, FundAid, the Venture Capital Incentive Programme and other small business initiatives to ensure that the roles of these organizations are effectively co-ordinated.

Many of the previous initiatives aimed at promoting entrepreneurship have tended to focus on the unemployed and unskilled. However, there is also an obvious need to stimulate the spirit of entrepreneurship among the young and highly educated. The aim is to encourage youth to consider entrepreneurship as a career option, therefore, training programmes and micro and small business development will be made available to students in all schools.

Mr. Speaker, if we examine the Venture Capital Incentive Programme, we will realize it has not fulfilled its mandate. It has not been able to induce established investors to participate in small, growing businesses with good profit making potential. It was anticipated that these investors would have added value to the companies through the active involvement on the board of directors and by providing expertise and experience, but this has not materialized. In fact, it is significant that only two venture capital companies have been registered in two years. It is, therefore, necessary to refocus the Venture Capital Incentive Programme if it is to achieve its original objective.

Mr. Speaker, after the world of work there is retirement, therefore, I now wish to address the issue of pension reform. In the 1998 budget presentation, I stated that Government would undertake a comprehensive reform of the pension system in Trinidad and Tobago. I am, therefore, gratified to advise this honourable House that work on the first phase of the reform programme is near completion.

Mr. Speaker, for many years our retired citizens have been crying out for relief from living in poverty. Last year Government increased the benefit received by old age pensioners from \$420 per month to \$520. For many of our senior citizens, this benefit is their only source of income. Senior citizens are entitled to an old age pension only if their total income is less than \$416 per month. At this level they are entitled to receive an old age pension of \$520, providing a combined income of approximately \$936 per month. However, if their total income is more than \$416—even by a single dollar—they lose the entitlement to old age pension. In

other words, for having an extra dollar of income the pensioner loses the entire \$520 per month. This is a grave injustice which must be addressed.

The National Insurance System—another component of the pension system—pays a maximum benefit of \$388 per month which is much lower than the old age pension. The level of benefits and contributions of the National Insurance System has not changed in 18 years. If nothing is done to address this adverse situation, then the National Insurance System will become increasingly irrelevant and completely marginalized. It must be recognized, however, that given the historical neglect of the National Insurance System, it is not possible to correct all of these deficiencies at once. The required increase in cost would be unbearable to both the employee and employer, but this can no longer be ignored and must now be done on a phased basis.

Another serious problem is that there is no pension plan for Government's daily-rated employees. These employees currently receive a retirement severance lump sum at age 60. This is non-contributory and, therefore, not funded in advance. Payments to these retirees are made as they fall due, out of the general revenues of Government. If they leave the service before age 60 there is no benefit and if they die in service the accumulated severance benefit at the date of death is paid. During retirement, Mr. Speaker, these daily-rated employees must rely on their own savings as well as the social security system. Between the ages of 60 and 65—that is before they are entitled to old age pension—they experience a significant reduction in income. They are left with little choice but to use their retirement lump sum benefit to meet the day-to-day living expenses, and this is often consumed within a short period. Mr. Speaker, we have to correct all of these problems and we propose to do this through the implementation of several strategies and measures.

Mr. Speaker, having outlined the challenges facing the country and the policies for fiscal year 1998/1999, I will now turn to some of the specific strategies that Government will undertake in the coming year to achieve our goal of prosperity, progress and security for all. In the first case, Mr. Speaker, rapid advances in technology have made it possible for individuals to access financial services, including a number of insurance products through the Internet or directly from corporations abroad. At the same time, local insurers are not allowed to write foreign currency denominated insurance products. This Government believes that everything possible should be done to encourage buyers of financial services to purchase all of their products from local companies. In order to achieve a fair and

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competitive environment, I propose to make an amendment to the existing legislation to allow local insurance companies to issue foreign currency denominated insurance products. [*Desk thumping*]

Mr. Speaker, although the economy is performing creditably, we must continue to exercise financial restraint. One critical aspect of this process is to dampen consumer demand. Consequently, I propose to address the rate of import duty on new cars. In the case of gasoline-powered private motor vehicles, the rate of customs duty on vehicles of a cylinder capacity not exceeding 1599, will increase from 20 per cent to 25 per cent; vehicles of a cylinder capacity exceeding 1599 but not exceeding 2000 cc, the rate of customs duty will increase from 25 per cent to 35 per cent; vehicles of a cylinder capacity exceeding 2000 cc but not exceeding 3000 cc, the rate of customs duty will increase from 30 to 40 per cent; vehicles of a cylinder capacity exceeding 3000 cc, the rate of customs duty will increase from 40 to 45 per cent.

In the case of diesel-powered or semi-diesel-powered motor vehicles, the rate of customs duty on vehicles of a cylinder capacity not exceeding 1500 cc will increase from 30 to 35 per cent. Those vehicles of a cc exceeding 1500 but not exceeding 2000, the rate of customs duty will increase from 30 to 40 per cent. Those vehicles of a cylinder capacity exceeding 2000 cc but not exceeding 2500 cc, the rate of customs duty will increase from 30 to 40 per cent. Vehicles of a cylinder capacity exceeding 2500 cc, the rate of customs duty will increase from 30 to 45 per cent.

Mr. Speaker, with respect to special registration fee on locally assembled foreign-used vehicles, I propose to increase the special registration fee as follows: motor vehicles with engine sizes not exceeding 1799 cc, the special registration fee will be increased from \$20,000 to \$30,000; motor vehicles with engine size exceeding 1799 cc but not exceeding 2499 cc, the special registration fee will be increased from \$30,000 to \$50,000; motor vehicles with engine size exceeding 2499 cc but not exceeding 2999 cc, the special registration fee will be increased from \$30,000 to \$70,000; and motor vehicles with engine sizes exceeding 2999 cc, the special registration fee will be increased from \$30,000 to \$90,000. These measures, Mr. Speaker, will take immediate effect.

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It is also expected that these measures would reduce congestion on the nation's roads as well as reduce the level of environmental pollution.

Mr. Speaker, since coming into office as Minister of Finance I have been inundated with calls to remove the business levy. The criticism has been that the tax is punitive or wrong in concept since it is not a tax on profits. What is very surprising though, is that many of these businesses which claim losses for tax purposes continue to remain in business and even expand their operations year after year.

I publicly state that the Business Levy is not a punitive tax. Instead, it should be regarded as a company's minimum contribution to national development. Nevertheless, to address the concerns of legitimate loss-making companies, I propose to restructure this tax and finally debunk any theories of it being anti-business. I, therefore, propose to reduce the Business Levy to the level at which it was first introduced, that is, to a quarter of one per cent. I also propose to increase the threshold for exemption from business levy from \$150,000 to \$200,00. All new businesses would be exempt from this levy for the first three years after commencement of their operations.

In addition, in an effort to facilitate the small business and micro-enterprise sector, the value added tax threshold would also be increased from \$150,000 to \$200,000. These measures will take effect from January 1, 1999.

Government would continue to pursue strategies aimed at increasing the contribution of the energy sector to the economy. Once such strategy is the promotion of onshore oil production. Accordingly, I propose to introduce a new royalty formula for onshore oil production on a field by field basis. This formula would encourage the maximum possible recovery from each field, as it would eliminate the royalty payments at a production level of five barrels per day per well. What this means is that no royalty would be payable on these wells. This measure will take effect from November 1, 1998.

Mr. Speaker, Government has continuously demonstrated its support for the physically challenged among us. In 1996 we introduced the Disability Assistance Grant which brought relief to thousands. This year, we intend to alleviate the hardships that many of our physically challenged citizens face in obtaining health care equipment and accessories which are critical to their daily existence.

Therefore, I propose to exempt from both custom duties and value added tax, items such as artificial joints, artificial limbs, pace-makers, hearing aids, crutches, surgical belts and trusses. [*Desk thumping*] This measure would take immediate effect.

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As I pointed out earlier, we need to invest in the agricultural sector, encourage and reward our farmers as we strive towards self-sufficiency in food production, and seriously promote agriculture as a viable industry.

Government proposes, therefore, to introduce a new Agriculture Incentive Programme designed to support and complement the short and medium term policies and programmes of the agricultural sector.

Some of the key elements of the programme include:

- (i) a new schedule of subsidies beginning at 15 per cent for agricultural vehicles, machinery and equipment;
- (ii) incentives for water for agriculture - this would include the grant of a subsidy of 25 per cent of the cost of wells, dams, ponds and water pumps for agricultural purposes up to a maximum amount;
- (iii) incentives for soil conservation - which include placing greater emphasis on farmer training in scientific soil conservation practices and granting of increases in the subsidy for expenditure incurred in soil conservation techniques; and
- (iv) incentives for land preparation - which include provision of a subsidy to farmers to offset part of the cost of ploughing operations.

This programme is expected to boost the level of agricultural production and increase the sectors productivity, while ensuring sustainability and protection of the environment and would take effect from January 1, 1999.

In support of our thrust in the housing sector, Government proposes:

- 1) To amend the Corporation Tax Act to allow the Trinidad and Tobago Mortgage Finance Limited to issue tax free housing bonds for the purpose of lending to first time homeowners.
- 2) To sell to *bona fide* occupants, all suitable National Housing Authority-owned rental accommodation, at concessional interest rates. Purchasers who qualify will be offered 100 per cent, long-term mortgages at Government subsidized rates that range between 2 and 5 per cent. [*Desk thumping*].
- 3) To have the Trinidad and Tobago Mortgage Finance Limited introduce a tiered interest rate structure for lending to low income earners. In this programme, the first \$10,000 would be interest free. Thereafter, an effective incremental rate of interest of one per cent per \$10,000 would be applied up to a maximum of \$90,000. For example, a loan of \$50,000

would attract a rate of 4 per cent, while a loan of \$90,000 would attract a rate of 8 per cent.

The hon. Prime Minister has alluded to the need for a "revolution in education" in Trinidad and Tobago. This would include a total re-focusing of the education system, ranging from early childhood to post tertiary and adult education. In order to implement this education revolution, we intend to pursue a number of bold and innovative strategies.

Currently individual taxpayers can claim a deduction of \$18,000 per annum in respect of payments made for mortgage interest. I propose to amend the Income Tax Act to broaden the coverage of this deduction by making provision for taxpayers to also utilize this facility for tertiary education at institutions approved by the Ministry of Education. [*Desk thumping*] This facility applies to the taxpayer as well as the children of the taxpayer, [*Desk thumping*] and would take effect from January 1, 1999.

I also propose to eliminate import duties and value added tax on all computer hardware, computer software and computer accessories. [*Desk thumping*] This will contribute to keeping our human resources on the cutting edge of the new information technologies in the 21st Century. This measure will take effect immediately. [*Desk thumping*].

Furthermore, I have also made the necessary provisions that every school would have the equivalent of one computer for every class. [*Desk thumping*] What this means is that every child, in every class, in every school, would have access to a computer in 1999. [*Desk thumping*] To achieve this I have also allocated a sum of \$50 million in this year's budget. [*Desk thumping*] Additionally, businesses that invest in the education, training and retraining of employees would be granted a 150 per cent tax exemption on such investment. This measure will take effect from January 1, 1999.

Mr. Speaker, it is also Government's intention to introduce incentives for private sector participation in the provision of school facilities and educational programmes for both Government and Government assisted schools. [*Desk thumping*]

I referred earlier to the anomaly between the Government's Student Revolving Loan programme and that offered by the private sector. In an effort to correct this anomaly I propose:

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- 1) To transfer the management of the Government Student Loan Programme to the private sector and have the commercial banks manage the programme.
- 2) To continue the guarantee under the loan programme.
- 3) To subsidize the rate of interest on student loans up to 10 per cent.
- 4) To increase the maximum amount of the loan from \$80,000 to \$100,000 annually for a maximum of five years. [*Desk thumping*]

This facility will be limited to areas of study approved by the Ministry of Education. I propose to hold discussions with the banking sector on these issues as a matter of priority. This measure will take effect from January 1, 1999.

Government acknowledges that small and medium sized business development is a key component in the economic transformation of the economy. To this end, we intend to consolidate our business development initiatives and facilitate the expansion of this sector. We will, therefore, establish the Enterprise Development Support Programme which will provide funding up to \$150 million.

Under this programme, I propose to subsidize the interest rate on financing provided to micro and small sized businesses by non-governmental financial institutions. For businesses sourcing loans up to \$250,000, Government subsidized interest rates will be 4 per cent. [*Desk thumping*] For businesses sourcing loans between \$250,001 and \$500,000, the Government subsidized interest rates would be 5 per cent. This measure will take effect from January 1, 1999. [*Desk thumping*]

I propose to allocate \$30 million to the Small Business Development Company. It is estimated that approximately 4,000 aspiring entrepreneurs would benefit from access to these loans. [*Desk thumping*]. Furthermore, I propose to exempt from tax, the interest income on loans extended under the Small Business Development Company regime and made by any financial institution, to fund projects within the small business sector. [*Desk thumping*]. These measures are expected to have a positive impact on the entrepreneurial spirit of the people in this country and to provide a more secure capital base to the Small Business Development Company. This measure takes effect from January 1, 1999.

To complement this initiative, the Venture Capital Incentive Programme would be placed within the purview of the Small Business Development Company. This would effectively strengthen the Venture Capital Incentive Programme's ability to carry out its mandate.

I now turn to pension reform. Mr. Speaker, for years our senior citizens have been crying out for help. In answer to their cries and to provide security for all retirees, Government would implement a number of strategies to bring some measure of relief to our senior citizens. In the case of the Government's daily rated employees, I propose to introduce a pension plan with effect from January 1, 1999. All new daily rated employees joining the public service from January 1, 1999, will be required to join the plan as part of their condition of employment. Existing employees can join the plan at their option. The details of this plan are currently being discussed between the unions and the Chief Personnel Officer.

I indicated earlier that we must address the deficiencies in the National Insurance System on a phased basis, if we are to make it relevant again to the needs of the people. The system has been neglected for 18 years and in the words of the last actuarial review, "it is at risk of being completely marginalized if contributions and benefits provisions are not substantially revised".

I propose, therefore, to increase the contributions payable by raising the current insured earning ceiling from \$1,000 per month to \$3,600 per month, and introduce a new earning class system while retaining the current total contribution rate at 8.4 per cent.

The first four earning classes of the National Insurance System will be consolidated to form one class. Further, to take account of increased incomes, the National Insurance System classes will be increased from 8 to 12. The new contributions will be as follows:

- For an individual earning below \$1,000 per month there would be no change.
- For an individual earning \$1,000 per month, his National Insurance contribution will increase from \$6.45 to \$7.28 per week.
- For an individual earning \$1,200 per month, his contribution will increase from \$6.45 to \$7.28 per week.
- For an individual earning \$1,500 per month, his contribution will increase from \$6.45 per week to \$9.10 per week.
- For an individual earning \$2,000 per month, his contribution will increase from \$6.45 to \$13.02 per week.
- For an individual earning \$2,500 per month, his contribution will increase from \$6.45 to \$17.08 per week.

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- For an individual earning \$3,000 per month, his contribution will increase to \$19.32 per week.
- For an individual earning \$3,600 per month his contribution will increase to \$22.68 per week.

In order to make the National Insurance System benefits more meaningful I propose to increase the benefits payable under the system as follows:

- An individual earning \$1,000 per month and who would have been entitled to a pension of \$338 per month will now receive a pension of \$423 per month. [*Desk thumping*]
- An individual earning \$2,000 per month and who would have been entitled to a pension of \$338 per month will now receive a pension of \$606 per month. [*Desk thumping*]
- An individual earning \$3,600 per month and who would have been entitled to a pension of \$338 per month will now receive a pension of \$1,055 per month.

This means that the existing 38,000 National Insurance retirees will receive higher pensions than they now receive at no additional costs to themselves. A number of other benefits including maternity, sickness, employment, injury and medical expense benefits will also be increased under the National Insurance System.

These are the minimum adjustments necessary at this time. We recognize that the operations of the National Insurance Systems must be reviewed on a more frequent basis if it is to meet the needs of the people it was designed to serve.

12.20 p.m.

In addition, I would urge employers to give serious consideration to the harmonization of the existing pension plans with the National Insurance System for their employees. Subject to Actuarial review, these proposals would be implemented by the National Insurance Board from February 01, 1999. Furthermore, I propose to link the National Insurance Retirement Pension and other income to the Old Age Pension by the introduction of a sliding scale as part of the harmonization process.

In the case of Old Age Pension, I propose to consolidate the food subsidy with the pension payment into a single pension payment with effect from February 01, 1999. I also propose to increase the income qualifying ceiling under Old Age

Pension from the current level of \$5,000 per annum or \$416.00 per month to \$7,440 per annum or \$620.00 per month. [*Desk thumping*] This would enable 8,000 additional senior citizens to access Old Age Pension.

Furthermore, I propose to increase Old Age Pension from \$520 to \$620—an increase of \$100 per month. [*Desk thumping*] This increase in Old Age Pension and the income ceiling qualification would ensure that all senior citizens over 65 years of age would have at least a minimum monthly income of \$620.00.

I want to assure every retiree, every pensioner, that no one would suffer any reduction in income or other benefits as a result of the harmonization of the two systems. These reforms effectively remove every single senior citizen from living below the poverty level and restore some dignity to their daily existence.

Mr. Speaker, as part of the tax administration reform programme, and the strengthening of our compliance and enforcement effort, I propose that taxpayers earning \$50,000 or less per annum, whose sole source of income is from office or employment, should no longer be obligated to file a tax return with the Board of Inland Revenue. [*Desk thumping*] This measure means that approximately 100,000 taxpayers or one third of the tax paying public would no longer be required to file a tax return. It does not, however, exempt the taxpayer from paying his income tax. The onus would continue to be on the employer to ensure that his employees' taxes are properly deducted and remitted to the Board of Inland Revenue. This measure would take effect from January 01, 1999.

Mr. Speaker, given our policy agenda for fiscal year 1998/1999, and given an oil price of US \$14.10, we expect to generate revenues amounting to \$11,528 million. This is comparatively better than our estimated collection in 1998, when we had budgeted revenues of \$11,140 million at an oil price of US \$19.00. Our total expenditure programme for the 1998/1999 fiscal year would amount to \$11,437 million, including a Public Sector Investment Programme of \$1,122 million. The result is that we would generate a surplus of \$91 million which is equivalent to 0.2 per cent of our Gross Domestic Product. This surplus, though smaller than we would have liked, is consistent with our policy of fiscal discipline.

Mr. Speaker, our country is at a critical stage in its development and Trinidad and Tobago needs the input of all stakeholders—labour, the private sector, the religious bodies, NGOs and Government.

We must work together in the common cause of providing a better life for every citizen. We must provide the opportunity for every stakeholder to become a

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stockholder in the businesses that would drive the market-led economy that would power sustainable development in Trinidad and Tobago.

To do this, we must make a substantial investment in the development of our most valuable resource, or human capital, our people. We must put our immense talents and natural resources to the best possible use, and we must do this increasingly to the benefit of all the people. We must enhance our international reputation as a democratic nation with modern infrastructure and a highly literate and adaptable workforce. Our streets and homes must be made safe from the criminal elements.

We must ensure that our senior citizens and the otherwise less fortunate among us are well cared for and are provided with the opportunity and the means to conduct their lives with dignity. We must continue to demonstrate to the world that we are a nation of achievers. This budget moves our country a considerable distance in that direction.

Mr. Speaker, please allow me to end on a personal note. Nothing that I have done in my life has given me greater satisfaction than that which I have experienced in being in a position to steer the process which would lift so many thousands of our most vulnerable citizens above the poverty line; which would give so many poor people the chance to own the homes for which they have been paying rent; and which would give to every child in this country the opportunity to be, in every way, as good as the best in the world.

For this privilege, I wish to thank the hon. Prime Minister. It is not possible for anyone to serve in Prime Minister Panday's Government, or to work closely with him, without sharing his obvious yearning to make a better life for the poor, and for all who are vulnerable in the society.

That is the spirit that has directed the human content in the 1998/1999 Budget; which I now beg to move.

Mr. Speaker, I wish to announce that the debate on the Appropriation Bill 1998/1999 would be resumed at 1.30 p.m. on Monday, October 12, 1998.

Motion made and question proposed, That this House do now adjourn to Monday, October 12, 1998 at 1.30 p.m. [Hon. R. L. Maharaj]

Question put and agreed to.

House adjourned accordingly.

Adjourned at 12.30 p.m.