

Republic of India (Visiting Delegation)

Friday, November 10, 2006

HOUSE OF REPRESENTATIVES

Friday, November 10, 2006

The House met at 1.30 p.m.

PRAYERS

[MR. DEPUTY SPEAKER *in the Chair*]

**REPUBLIC OF INDIA
(VISITING DELEGATION)**

Mr. Deputy Speaker: Hon. Members, I wish to acknowledge the distinguished presence of the hon. Vice-President of the Republic of India and the visiting Indian delegation. [*Desk thumping*]

**JOINT SELECT COMMITTEE
(APPOINTMENT OF)**

Mr. Deputy Speaker: Hon. Members, I have correspondence from the Senate and it says:

“Your letter of November 06, 2006 refers.

Please be informed that at a Sitting of the Senate held on Tuesday November 07, 2006, the following Resolutions which were moved by the Honourable Minister of Public Administration and Information were approved:

1. RESOLVED that a Bill entitled An Act to revise the law relating to Bankruptcy and Insolvency; to provide for the rehabilitation of the insolvent debtor and to create the office of Supervisor of Insolvency be re-committed to a Joint Select Committee for consideration and report; and

That this Committee be mandated:

- to consider public comments received and report back to the Parliament upon completion of its deliberations.
2. RESOLVED that the following five (5) Members of the Senate be appointed to serve with an equal number from the House of Representatives on the Joint Select Committee established to consider and report on the Bankruptcy and Insolvency (No.2) Bill, 2006:
 - Mr. John Jeremie, S.C.
 - Mr. Danny Montano
 - Ms. Christine Kangaloo

Joint Select Committee

Friday, November 10, 2006

- Mr. Wade Mark
- Mrs. Mary King

Please be advised accordingly.

Yours respectfully,

Senator the Hon. Dr. Linda Baboolal”

LEAVE OF ABSENCE

Mr. Deputy Speaker: Hon. Members, I have received communication from the Member for Arouca South, Mrs. Camille Robinson-Regis, requesting leave of absence from today's sitting of the House.

The leave which the Member seeks is granted.

PAPERS LAID

1. Report of the Public Service Commission for the year 2005. [*The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley)*]
2. Report of the Police Service Commission for the year 2005. [*Hon. K. Valley*]

ORAL ANSWERS TO QUESTIONS

The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley): Mr. Deputy Speaker, just before the Member asks the question, I simply wanted to request a deferral of question No. 5. There are two questions on the Order Paper and the Government is able to answer the first question. On question No. 5, Mr. Deputy Speaker, we are having difficulty getting the relevant information. [*Interruption*] Mr. Deputy Speaker, we have to request a further deferral of that question. I want to ask the indulgence of the House to give us a two-week period.

The following question stood on the Order Paper in the name of Mr. Manohar Ramsaran (Chaguanas):

Brian Lara Stadium

5. Could the hon. Minister of Sport and Youth Affairs state:

- (a) With regard to the Brian Lara Stadium, could the Minister advise:
 - (i) the status of work being conducted;

- (ii) the expected completion date; and
 - (iii) the cost overruns to date?
- (b) Could the Minister state what would the stadium be used for in relation to Cricket World Cup 2007?

Question, by leave, deferred.

Supply of Airships

1. Miss Gillian Lucky (Pointe-a-Pierre) asked the hon. Minister of National Security:

Could the Minister indicate:

- (a) the individual cost of each airship used over the past four (4) years;
- (b) who supplied the airships; and
- (c) whether the contracts to purchase the airships were subject to open tender, and if not, how were they procured?

The Minister of National Security (Sen. The Hon. Martin Joseph): Thank you very much, Mr. Deputy Speaker.

The first airship acquired by the Ministry of National Security for use by the Special Anti-crime Unit of Trinidad and Tobago (SAUTT) was delivered two years ago, in December 2004 and became operational in July 2005. The Ministry did not acquire any airship four years ago as implied by the hon. Member for Pointe-a-Pierre.

The airship was acquired to provide a real-time surveillance capability for law enforcement agencies. Prior to its acquisition law enforcement agencies had been incapable of providing a reliable means of conducting covert surveillance in crime hot spots or of providing reliable surveillance support to sensitive law enforcement operations. This deficiency was seen as a significant contributor to the prevalence of a number of criminal activities. [*Interruption*]

Hon. Members are therefore advised that a total of three airships have been acquired by the Government and used by the Special Anti-crime Unit of Trinidad and Tobago (SAUTT) in the period under question. Of this number two were purchased and one was leased.

The first airship, the Aeros 40B Sky Dragon from Aeros International Company of California, USA was acquired at a cost of US \$2 million or TT \$12.6 million.

Oral Answers to Questions
[SEN. THE HON. M. JOSEPH]

Friday, November 10, 2006

However, due to recurring mechanical and operational problems and the failure of the equipment suppliers to provide reliable operational and logistical support, there was difficulty in successfully integrating the system into law enforcement operations on a continuous basis. Consequently, a decision was taken to sell the Aeros 40B Sky Dragon and replace it with an airship with the appropriate capacity and capabilities required for national security mission objectives and which would be able to operate effectively within this country's inherent atmospheric conditions.

Having considered the available options the Skyship 600 was selected. In order to ensure that the airship was in keeping with the Ministry of National Security's specifications, a decision was taken to lease the airship from its supplier, Airship Management Services of the USA. The lease was initially for a three-month period from mid December 2005 to mid March 2006. However, to complete testing operations of the Skyship 600 the lease was extended for an additional two months. The final lease arrangement cost for the airship 600 was US \$759,340 or TT \$4,785,590.

Based on the performance of the leased airship Skyship 600, it was decided to purchase a new Skyship 600 from Airship Management Services at a cost of US \$4,500,000 or TT \$28,350,000—

Hon. Member: Jesus Christ!

Sen. The Hon. M. Joseph:—and to sell the then, Aeros 40B for US \$2 million or TT \$12,600,000. Therefore, with the US \$2 million saved for the Aeros 40B the Government paid Airship Management Services USA the remaining balance of US \$2,500,000 or TT \$15,750,000. Since its acquisition the Skyship 600 has been able to capture and transmit real-time information on activities as they occur, thereby providing a previously unavailable resource to law enforcement. [*Interruption*]

This capability has proven to be a tremendous utility as an investigative aid and as resource in the management of crime hot spots and has demonstrated significant practical application, especially in surveillance of vulnerable coastal areas or sensitive targets. It has also been used as an operational aid to enable rapid coordination among law enforcement officers and military personnel during joint operations. More specifically, the airship has assisted in providing:

- (a) A deterrent to criminal activity: The presence of the airship has served as a deterrent to criminal activity in several areas. It has enabled the detection of suspects fleeing from crime scenes.

- (b) Transmission of digital imagery: The images recorded during the period of surveillance, both video and still images have been used to support anti-crime objectives.
- (c) Extended surveillance: The airship has facilitated extended covert surveillance of predetermined locations where criminal activity is suspected.
- (d) Surveillance of major occurrences: The airship has provided a platform for surveillance and security enhancement of major national events or occurrences. Example: Carnival, Independence Day celebrations, sporting events, et cetera.
- (e) Enhanced communications: The airship serves as a means of providing enhanced communications between law enforcement agencies operating in remote or difficult environments.

Hon. Members are therefore advised that at present there is one airship in use by the Special Anti-crime Unit of Trinidad and Tobago (SAUTT), the Skyship 600. However, as indicated before three airships have been in use by the Special Anti-crime Unit of Trinidad and Tobago from July 2005 to present.

The first airship, the Aeros 40B Sky Dragon, was supplied by Aeros International Company of California, USA. The second purchased airship, as well as the leased airship were supplied by Airship Management Services of the USA.

With regard to the tendering process for procurement of the two purchased airships, the Aeros 40B Sky Dragon and the Skyship 600, both were purchased through sole selective tendering.

Miss Lucky: Supplemental question, please, Mr. Deputy Speaker. Could the hon. Minister indicate whether the Government would be purchasing and/or leasing any further airships?

Sen. The Hon. M. Joseph: Mr. Deputy Speaker, at this point in time the answer is no.

Miss Lucky: Another supplemental, please, Mr. Deputy Speaker. Could the hon. Minister indicate whether there is any contract for the maintenance of any of the airships?

Sen. The Hon. M. Joseph: Mr. Deputy Speaker, I am not aware of any specific maintenance contract.

Dr. Khan: Supplemental, Mr. Deputy Speaker. Hon. Minister, could you just indicate to this honourable House who are the local agents for the purchase of the airships; if there are any at all?

Sen. The Hon. M. Joseph: I am not aware of any local agents for the purchase of the airship; it was strictly through the Special Anti-crime Unit of Trinidad and Tobago.

Dr. Khan: One final supplemental. I notice that you indicated that it was by sole selective tender, is that correct?

Sen. The Hon. M. Joseph: Yes.

Dr. Khan: Also, I remember last time the eye-in-the-sky was sole selective tender. Is that the new wave of contractual arrangements by the Ministry of National Security for sole selective tender without open tendering?

Sen. The Hon. M. Joseph: Mr. Deputy Speaker, as you are aware the Central Tenders Board Act makes provisions for the Ministry of National Security with respect to purchase of certain specific type of items to be able to go by way of sole selective tendering.

Miss Lucky: Supplemental again, Mr. Deputy Speaker. Could the hon. Minister indicate by what percentage have the aircraft been able to increase the rate of detection of crime in Trinidad and Tobago?

Sen. The Hon. M. Joseph: I am not in a position to provide the hon. Member for Pointe-a-Pierre with that information at this particular point in time.

Miss Lucky: Supplemental again, Mr. Deputy Speaker. Could the hon. Minister of National Security indicate what is the down time of each airship?

Sen. The Hon. M. Joseph: I am not in position to provide that information about each airship; I can only deal with the one that we currently have.

Mr. Deputy Speaker: I hear you. Hon. Member, I believe that should be the subject of another question.

Miss Lucky: As you please, Mr. Deputy Speaker.

DEFINITE URGENT MATTER

(LEAVE)

Brian Lara Stadium, Tarouba

(Heavy Gas Scint)

Dr. Adesh Nanan (Tabaquite): Thank you, Mr. Deputy Speaker. In accordance with Standing Order 12, I hereby seek your leave to move the adjournment of the

Definite Urgent Matter (Leave)

Friday, November 10, 2006

House, today, Friday, November 10, 2006 for the purpose of discussing the following matter as a definite matter of urgent public importance, namely, the recent heavy scent of gas following the piling of the Brian Lara Stadium site in Tarouba.

The matter is definite because this can pose a serious health risk to the workers and other people who are in danger of loss of limb and/or life if there is an explosion triggered by the seepage of the said gas.

The matter is urgent because the safety of workers and other people on the said site can be compromised. The matter is of public importance because thousands of people are expected to be in the stadium and can be in danger.

Mr. Deputy Speaker: Hon. Member, the matter may be important, but definitely, it does not qualify under this Standing Order. Standing Order 11 would be more appropriate. [*Interruption*]

Hon. Member, please, please! Hon. Member for Couva South, I know you are experienced, not only in this House but in respect of matters pertaining to oil and gas and what is dangerous, but if you require to change the Standing Orders you know what to do. Thank you. [*Interruption*]

Mr. Ramnath: I bow to your wisdom.

Explosion of Oil Well Facility (Wilson Road)

Mrs. Kamla Persad-Bissessar (*Siparia*): Mr. Deputy Speaker, in accordance with Standing Order 12 of this honourable House, I seek your leave to move the adjournment of the House at today's sitting for the purpose of discussing a definite matter of urgent public importance, namely, the explosion of an oil well facility off Wilson Road, Penal on Wednesday, November 08, 2006 spewing oil and sludge on homes, livestock and vegetative lands within a half mile radius.

The matter is definite as it pertains to a specific matter, namely, the consequences related to the explosion of the oil facility at Penal. The matter is urgent because there are concerns from residents over their welfare and safety, in immediate terms as well as in long-term effects on their health, and the issue of adequate and appropriate compensation to residents who have suffered loss of livestock, crops, damage to their homes and other property and who have experienced physical illness as well as emotional trauma as a result of the blowout of the well.

Definite Urgent Matter (Leave)
[MRS. PERSAD-BISSESSAR]

Friday, November 10, 2006

The matter is of public importance because of the concerns of residents for their own well-being and from the national community for the overall impact the incident will have on the natural environment, specifically effects on flora and fauna, and the need to ensure that these adverse effects are efficiently contained and the environment restored, and the need for assurances from the Executive, that is the Government, that these interests are being secured.

Mr. Deputy Speaker, I hereby seek your leave.

Mr. Deputy Speaker: Hon. Member for Siparia, this matter does not qualify; I advise that you raise it under Standing Order 11. [*Crosstalk*]

ARRANGEMENT OF BUSINESS

The Minister of Trade and Industry and Minister in the Ministry of Finance (Hon. Kenneth Valley): Mr. Deputy Speaker, the Government wishes to make two statements today but we want to ask for a deferral of this item on the agenda until later in the proceedings.

Agreed to.

FREEDOM HOUSE (INC'N) BILL

Question put and agreed to, That a Bill for the incorporation of Freedom House and for matters incidental thereto, be now read the first time.

Bill accordingly read the first time.

HERITAGE AND STABILISATION FUND (NO. 2) BILL

Order for second reading read.

The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill): Thank you, Mr. Deputy Speaker. I beg to move,

That a Bill to provide for the establishment and management of the Heritage and Stabilisation Fund and for matters related thereto, be now read a second time.

Mr. Deputy Speaker, the economy of Trinidad and Tobago will grow by 12 per cent in 2006, up from 8 per cent in 2005. This is driven by increased activity in the energy sector which is forecasted to grow by 20.6 per cent and will account for 41.2 per cent of total GDP.

Driving this growth in the energy sector is a 16.9 per cent increase in the exploration and production of oil and natural gas and a 37.4 per cent increase in the refining of those products based on the first full year of production from Atlantic Train 4.

The non-energy sector growth is expected to remain at 6.5 per cent in 2006 with the subsectors of finance, insurance and real estate contributing 7.5 per cent; distribution and restaurants, 3.2 per cent; construction and quarrying 14.5 per cent; and transport, storage and communication, 4.0 per cent. The manufacturing sector is expected to maintain a strong expansionary trend with a growth rate of 11.8 per cent. All the subsectors of this group are expected to grow, especially food, beverages and tobacco.

Mr. Deputy Speaker, notwithstanding these positive statistics there are challenges faced by our economy and it will be necessary for all to participate in this process of nation building. One such challenge that this country faces is how do we ensure that future generations can benefit from non-renewable resource wealth, notwithstanding the depletion or the depletable nature of our resources. Another challenge revolves around how much should we spend today and how much saved for future generations, or for the uncertainties regarding future energy prices.

Drawing from the experiences of the past it is clear to us that in order to mitigate the effects of energy price volatility a stabilisation mechanism must be created. This, however, is not sufficient because it is also necessary to ensure that we save some of our revenue and create a stream of financial assets that can earn for us sufficient income over time to provide an alternative source of revenue from the investment of financial assets thereby reducing the risks associated with a depleting asset.

Mr. Deputy Speaker, our fortunes from hydrocarbon resources over the past three decades have been mixed and therefore this administration believes that it is an appropriate time to formalize a mechanism to manage and eventually reduce this risk. This is to be achieved by a number of strategies, including the diversification within the energy sector, by introducing downstream industries and by focusing on the structured development of selected industries in the non-energy sector.

This Government, by the introduction of this Bill, is formalizing an arrangement which essentially saves for long-term stability and will contribute to the well-being of our people. The Bill before this House seeks to establish the Heritage and Stabilisation Fund as a response of the Government in recognition that our petroleum and gas resources are by their nature limited and inevitably would be depleted.

The Interim Revenue Stabilisation Fund was established under the provisions of section 43(2) of the Exchequer and Audit Act, Chap. 69:01. Since its establishment

Heritage and Stabilisation Fund Bill
[SEN. THE HON. C. ENILL]

Friday, November 10, 2006

the Government has been keeping its commitment to the population by making appropriate deposits to the fund. Let me indicate the levels of deposits made to the fund each year since its inception in 2000.

In 2001, \$415.3 million; in 2002, \$1.0153 billion; in 2003, \$1.0153 billion; in 2004, \$1.5669 billion and in 2005, \$2.8459 billion; at the end of September 2006 the amount standing to the credit of the Interim Revenue Stabilisation Fund including interest and other earnings was \$8.6 billion or US \$1.365 billion.

Upon the enactment of the Bill the Interim Revenue Stabilisation Fund would be retired under the relevant provisions of the Exchequer and Audit Act and the proceeds in that fund would be transferred to the Heritage and Stabilisation Fund.

Mr. Deputy Speaker, the operational and management framework of the legislation before this House seeks to ensure that a portion of our oil and gas resources would be used for savings, to ensure that when the price of these commodities decrease there should be resources available to the people of Trinidad and Tobago for maintaining a reasonable standard of living while we reorder priorities and respond appropriately. This objective supports our drive to achieve developed country status by the year 2020, if not before.

The challenge for many resource endowed countries, whether they are oil and gas producing or copper producing or even diamond producing is the adequate, economic and fiscal management of these resources. We have also noted that many other resource-endowed countries like Trinidad and Tobago have been able to adapt a sustainable and sound fiscal policy framework which ensures that the country invests in developing social infrastructure to improve the quality of life for its citizens, but also saves a substantial amount of its earnings from those resources. This is necessary to finance education, health, housing, social services, national security and infrastructure which are critical in developing and delivering sound and sustainable economic growth, improved employment opportunities and reliable and affordable public social services.

For this reason, Mr. Deputy Speaker, the Government has pursued a long-term fiscal strategy in the formulation of its economic and social agenda. Our fiscal objective is to ensure that our budget is always in approximate balance or in surplus. Our expenditure, therefore, has taken this into account and we ensure that it is based on a conservative projection of revenue. This Bill is further evidence of our intention—

Mr. Deputy Speaker: Hon. Members, the hon. Vice-President of India and his delegation would like to leave, please.

[The Vice-President of India and delegation leave the Chamber.]

2.00 p.m.

Sen. The Hon. C. Enill: We are convinced of the need to now institutionalize this level of savings in Trinidad and Tobago and to develop a model to be used in the utilization of the resources that are being gathered for the enhanced protection of the nation. We now need the legal mechanism. In other words, we, who now have the authority, given by the people to pursue the development of Trinidad and Tobago are prepared to exercise restraint, by putting aside some of the current resources to ensure the security of this country. It should therefore be obvious that this Bill is not based on any desire for political advantage, but is one that puts country first, something, which has always characterized the actions of those on this side of the House.

The Government of Trinidad and Tobago, after extensive dialogue with a number of academics, policy-makers and officials of international institutions, and following a careful review of the objectives and practices of similar funds, in oil-producing countries such as Norway, Kegakstan, Mauritius and Sao Tome, has now brought this Bill for the consideration of this honourable House. We have developed a body of best practices, which we are now seeking to put into law. In addition, we have had the benefit of the implementation experience of other countries with such funds. We have participated in a forum on Commodity Funds jointly hosted by the Central Bank of Trinidad and Tobago and the World Bank and which was also attended by some Members opposite.

Mr. Deputy Speaker, this Bill, which is now before this House is in sharp contrast to the one which the other side had proposed to bring in 2001. The fund that we are seeking to establish treats not only with stabilisation as they proposed, but there were the issue of stabilisation with adjustment in one instance and also provides for inter-generational issues in the second.

In designing the fund, we were confronted with two major issues: the first was related to the finite nature of the non-renewable resource. The question was therefore raised as to how much oil and gas income should be spent on the present generation and how much should be saved for future generations?

The second issue was related to the uncertainty of the revenue flows from oil and gas. And the question raised was, how should Government adjust its spending to cushion the domestic economy from the impact of volatile oil revenue, due to sharp and unpredictable changes in oil prices?

Mr. Deputy Speaker, the technical aspects of these issues could be reasonably overcome, but the difficulty of determining a long-run equilibrium oil price and

predicting whether price swings were temporary or permanent, certainly posed substantial operational and practical challenges. In our design of the Heritage and Stabilisation Fund, we have overcome these challenges and intend to put in place a fund to save and invest prudently, surplus petroleum revenue which would be foreign-currency denominated.

The fund has three principal aims: firstly, to have an economic stabilisation function by cushioning the impact on or sustaining public expenditure capacity during periods of revenue downturn, whether caused by a fall in the prices of crude oil or natural gas; secondly, to generate an alternate stream of income, so as to support public expenditure capacity as a result of revenue downturn caused by depletion of non-renewable petroleum resources; and thirdly, to provide savings for future generations.

Mr. Deputy Speaker, the Heritage and Stabilisation Fund will consist of productive and performing assets, whose earnings will be available to Trinidad and Tobago as revenue from the investment of financial assets rather than revenue, from gas and oil sales.

The operational framework which would govern the fund will have the following broad elements:

- First, there would be one portfolio: the Financial Investment Portfolio.
- Second, there would be one account: the Financial Investment Account; the resources of which will be invested in a wide spectrum of high-quality international investment instruments, including highly liquid fixed income securities as well as bonds and equities.

In order to ensure that the management of the fund meets the best international practice, the fund would be managed by reputable investment managers, approved by the Central Bank of Trinidad and Tobago, in accordance with the established criteria to meet budgetary commitments and liquidity needs.

- Third, the governance structure of the fund would be managed by the Board of Governors, which would comprise a Chairman and four other members appointed by the President on the advice of the Minister of Finance.

Moreover, not more than two members would be officers of the Central Bank of Trinidad and Tobago or the Ministry of Finance. Members of the Board of Governors would be individuals of proven competence in matters

of finance, economics, business, management and law. Those members would be appointed for a term of three years and would be eligible for re-appointment. A quorum of the Board, which is three, would only be satisfied if either the representative of the Central Bank of Trinidad and Tobago or Ministry of Finance is present.

- Fourth, fund implementation responsibilities: The Board of Governors would determine operational and investment procedures and guidelines for the fund, but may delegate its day-to-day management to an investment entity recommended by the Central Bank of Trinidad and Tobago, by way of a management contract. That management contract would set out the terms and conditions for the management of the fund, including fees, the policy and strategies of the fund, the benchmark portfolio against which performance would be measured, the levels of liquidity required, and the quality of financial assets and target levels of returns.
- Fifth, transparency and accountability: For reasons of accountability and transparency, the Board will submit an annual report on the fund to the Minister of Finance. Furthermore, within four months at the end of the financial year, the financial statements of the fund, which would be prepared in accordance with generally accepted accounting principles, would be laid in Parliament.

In addition, the Board would submit to the Minister of Finance a quarterly investment report, an annual investment report and at the request of the Minister, a report on the operations and performance of the fund, which should be provided within one month of the request.

The fund would be a public account fund for the purposes of section 116 of the Constitution and would be audited annually by the Auditor General or by an auditor authorized by the Auditor General in writing for that purpose.

On completion of any audit of the fund, the Auditor General or such authorized auditor would immediately draw to the attention of the Minister of Finance and the Board any irregularity disclosed by the audit, which in the opinion of the Auditor General or the designated auditor is of sufficient importance to justify doing so.

The Auditor General will submit the audited financial statements and a report on its audit to the Minister of Finance immediately following the completion of the audit.

All Board members will be subject to strict confidentiality conditions and a breach of such conditions would result in a heavy fine of \$500,000 and two years imprisonment.

- Sixth, deposits to the fund: Upon the enactment of this legislation, the Interim Revenue Stabilisation Fund established under the Exchequer and Audit Act will cease to exist. The resources standing to its credit will be transferred to the Heritage and Stabilisation Fund.

Mr. Deputy Speaker, this Bill seeks to ensure that a minimum of 60 per cent of the difference of oil and gas revenues received over the budgeted amounts will be deposited into the fund during a financial year, but would be done on a quarterly basis. That quarterly time frame process would facilitate a more accurate calculation of surplus oil and gas revenues and, as such, the deposits would coincide with the quarters pertinent to the Board of Inland Revenue.

Surplus oil and gas revenues will consist of supplemental petroleum tax and petroleum profit tax payable under the Petroleum Taxes Act and royalties payable under the Petroleum Act. Resources of the fund will also consist of assets acquired and earned from investments. Those deposits to the fund will not require an appropriation, since under the legislation the transfer of those deposits would be a charge to the Consolidated Fund.

The requirement to make deposits must meet the benchmark of petroleum revenues collected in each quarter exceeded by at least 10 per cent, the estimated petroleum revenues. If that benchmark is not met, the Minister of Finance will make a decision as to whether all or part of the excess revenue would be deposited to the fund.

- Seventh, the deposits in the Heritage and Stabilisation Fund would be invested in a wide spectrum of highly liquid international investment instruments, including highly liquid fixed income securities as well as in bonds and equities. Foreign denominated investments would also ensure that the value of such investments would be insulated from changes in domestic economic and financial conditions.
- Eighth, withdrawals from the fund: Withdrawals may be made from the fund for stabilisation purposes on an annual basis whenever petroleum

revenues collected in any financial year fall below the estimated petroleum revenues for that year by at least 10 per cent indicating that there would be— *[Interruption]*

Mr. Sharma: Minister, you advised that during the period 2001 up to 2005, the total earning including the deposits was 8.6 per cent, what was the earning during that period and why was it so low?

Sen. The Hon. C. Enill: Okay.—indicating that there would be a requirement to introduce a measure of adjustment in the context of a minimal fall in petroleum revenues.

The formula for a withdrawal would be the lesser of 60 per cent of the shortfall of petroleum revenues or of the relevant quarter, or 25 per cent of the balance standing to the credit of the fund at the beginning of the relevant quarter.

Mrs. Persad-Bissessar: Would the hon. Minister give way please? A related question, the moneys put into the fund. What percentage of the moneys in excess of the benchmark or the estimated price was put into the years 2002, 2003, 2004 and 2005? What is the same percentage that was previously put in?

Sen. The Hon. C. Enill: Let me just deal with them. Insofar as investments in the fund, it is held at an account in the Central Bank, and therefore, it basically attracts the same interest that the Central Bank investments would attract for funds in an account, which is near cash.

Mr. Yetming: You said it is competitively earned.

Sen. The Hon. C. Enill: Yes, that is the new fund. Right now we have an Interim Stabilisation Fund; moneys that are put inside there are invested by the Central Bank. The investments accrue, but we do not have a permanent mechanism to determine how that fund should be invested and this is what we are seeking to do now with this Bill. Insofar as the amounts that were placed into the Interim Revenue Stabilisation Fund, in the year 2006, it was 100 per cent of excess revenue; in the year 2005, it was close to 96 per cent; in the previous years, it was somewhere between 60 and 80 per cent; not sure what the exact numbers were, but in all it was a minimum of 60 per cent and we went to 100 per cent in the last fiscal year.

Mrs. Persad-Bissessar: And in the Bill?

Sen. The Hon. C. Enill: In the Bill, 60 per cent.

Mrs. Persad-Bissessar: Sixty per cent?

Sen. The Hon. C. Enill: Yes. The formula for a withdrawal, which I think is an important element, is that it would be the lesser of 60 per cent of the shortfall of petroleum revenues or 25 per cent of the balance standing to the credit in the fund. It therefore means that at any one point in time, there is a limit to what would be withdrawn from the fund.

Mr. Deputy Speaker, I wish to emphasize that at no time on the basis of construct of this Bill, would withdrawals from the fund exceed 25 per cent of the balance accruing to the fund. In other words, a minimum of 75 per cent of the fund will always remain to be invested for future generations.

- Ninth, the annual budget price and estimated petroleum revenues: Budgeted oil and gas revenues would be determined on the basis of the long-term price per barrel of crude oil as well as gas prices quoted using Henry Hub.

Right now, we get that information from the IMF and from the Organization of Petroleum Exporting Countries that provide professional advice on that estimate and we have used that from time to time. As a result—*[Interruption]*

Mr. Sharma: Hon. Minister, now that you have indicated that the fund is going to be invested and there will be some returns, today, a financial giant declared that they have lost \$700 million, how does this tie in with what you are proposing?

Sen. The Hon. C. Enill: As a result estimated petroleum revenues other than royalties would be calculated on the basis of a unit price for petroleum derived from an 11-year moving average for prices at which crude oil and natural gas were disposed of in a current financial year. What that means is that we basically looked at five years before today; we take the projections for five years in the future and we use that number as the basis for determining the basic price, that then becomes the expenditure price and the difference that you get as a result of that goes to the revenue, Heritage and Stabilisation Fund.

Mr. Ramnath: You are very optimistic.

Sen. The Hon. C. Enill: Mr. Deputy Speaker, through you, it smooths out the volatility on immediate price risk and it also balances it out over an 11-year period.

- Tenth, a review mechanism: In this Bill, the Government would undertake a review of the provisions of the Act every five years to determine whether there is need to change its construct or whether there is a need to

rethink, review, reorder priorities, change allocations and that type of activity.

Mr. Deputy Speaker, basically, we are convinced that with the suggested rules and regulations, the fund will be managed in an effective and transparent manner and will add to the economic security and social stability of Trinidad and Tobago in an increasingly interdependent and fiercely competitive world.

In relation to the question asked by the Member for Fyzabad, as it relates to portfolio management, one of the reasons why we have put in the fund an international investor, is that we believe that any portfolio, especially portfolios of the size that we are looking at, must be handled by specialists who have the ability globally to deal with these issues. This will be similar in a sense to how reserves are in fact invested, because what you are attempting to do in a lot of instances is basically to invest in blue chip type securities. What that does, is that it reduces the risk for those kinds of things happening and it also puts a constraint on what you can or cannot do.

In the Norwegian model for example, the fund manager determines in what sectors the fund can or cannot invest based on specific rules, either rules of transparency as it relates to business in a particular country or a sector, or as it relates to projected weaknesses, in particular stocks investments and that kind of thing. But those details are going to be dealt with in the selection of an international manager who could deal with that.

Mr. Yetming: Single or plural, or is it a body?

Sen. The Hon. C. Enill: It would be a body.

Mr. Yetming: You have mentioned at least twice international manager, I am not seeing in the Bill anything about international manager; it speaks about an investment entity. Where is international coming into it, apart from the currency being US?

Sen. The Hon. C. Enill: The Bill has investment manager— *[Interruption]*

Mr. Yetming: Entity.

Sen. The Hon. C. Enill: Entity—and the intention is that the Central Bank would select that investment entity.

Mr. Yetming: *[Inaudible]*

Sen. The Hon. C. Enill: Yes.

Mr. Yetming: You talked about international not—[*Inaudible*]

Sen. The Hon. C. Enill: That was in the context of the requirement for the kind of expertise you require in relation to the Heritage and Stabilisation Fund.

We are doing quite well as we continue to benefit from increased foreign trade, including exports, and from an impressive flow of foreign direct investment into the economy. In the last five years, for example, we have seen an annual average inflow of \$1 billion of direct foreign investment into this country. In fact, we are of the view that our economy today is stronger than it has ever been in our nation's entire history. Under our watch, it has been growing at an average of 8.4 per cent and is projected to grow by 12 per cent by the end of fiscal 2006.

This year the gross domestic product is expected to reach \$114.5 billion, which means, as we have already indicated and which bears repeating, that the size of the economy has more than doubled since 2001, when we on this side assumed management of the nation's affairs. We are not just quoting macroeconomic statistics; the economy is producing jobs. We created almost 80,000 new jobs since we took over office in 2001. We reduced unemployment from 12.2 per cent to a historic low of 8.0 per cent in 2005, and the average for the year so far is 6.9 per cent and falling. We are now close to a full employment for the first time in the history of Trinidad and Tobago. This is nothing short of historic and is already recorded for the inspiration of future generations, who will assess our performance, clinically and dispassionately.

They will also see the present strength of our economic growth in other important ways. Our foreign reserves have grown from US \$1.5 billion in 2001 to the point where it is expected to be in excess of US \$6.5 billion at the end of this year, representing about 10 months of import cover. Additionally, we have been reducing the country's debt and our sovereign ratings are today among the highest in Latin America and the Caribbean with comparator countries.

We accept the fact that the present rate of inflation is cause for concern and we acknowledge that developmental expenditure in both public and private sector has contributed to the situation. But let me assure this honourable House and the entire country that steps are already under way, through our intervention for increased food production and a reprioritization of expenditure, to bring inflation down to acceptable levels. We are taking the agreed approach and are aiming at a reduction of 7 per cent by the end of the new fiscal year, with the ultimate goal being 5 per cent.

Mr. Deputy Speaker, we are proud of our management of the nation's economy, which today, many of our political opponents silently admire but attempt, for

political purposes, to publicly criticize. This is understandable, but there comes a time when as office holders in an enlightened democracy, we must place the common good, above and beyond all else. This Bill now before the House is an excellent opportunity for such an approach. This Bill is rooted in the philosophy of responsible fiscal management, spending for growth, but saving for the future.

Whilst we modernize our physical and social infrastructure for domestic development and improved international viability, we are establishing the Heritage and Stabilisation Fund to further strengthen our economic foundations and make more secure, the sustainable development of our nation. In other words, we continue to march towards transforming Trinidad and Tobago into a developed nation, of which a significant characteristic is the ability to be equal to all challenges presented by the unpredictability of life.

The Heritage and Stabilisation Fund will definitely contribute to making the future of Trinidad and Tobago more certain. I therefore ask hon. Members to support the legislation now before the House.

Mr. Deputy Speaker, I beg to move. [*Desk thumping*]

Question proposed.

Mrs. Kamla Persad-Bissessar (*Siparia*): Thank you, Mr. Deputy Speaker. [*Crosstalk*]

Mr. Deputy Speaker: Hon. Members! [*Crosstalk*] [*Interruption*]

Mr. Ramnath: Why do you not focus on Port of Spain East and the accusation of corruption?

Mr. Deputy Speaker: Please, hon. Members.

Dr. Rowley: Accusation of corruption?

Mr. Ramnath: That is what Transparency International said. Why are you taking it personally?

Mr. Deputy Speaker: Hon. Members for Couva South and Diego Martin West, would you please allow the hon. Member to proceed?

Mr. Ramnath: I beg your pardon.

Mrs. K. Persad-Bissessar: Thank you, Mr. Deputy Speaker. As I listened to the hon. Minister pilot this long awaited legislation, it seemed as though there was no institutional memory within the Ministry of Finance. But clearly, there was no memory at all with respect to the hon. Minister himself in terms of the genesis of

Heritage and Stabilisation Fund Bill
[MRS. PERSAD-BISSESSAR]

Friday, November 10, 2006

this fund. At least if the Minister's memory did not serve him well, I would have thought that the Ministry of Finance would have had institutional memory that would have enlightened the Minister and brought to the Minister's attention, that this entire fund and the rationale behind it was indeed a brainchild of the UNC Government. [*Desk thumping*]

In 1999, the Minister of Finance then was the hon. Brian Kuei Tung. In the 1999 budget statement, the UNC then in Government, based oil prices—estimated a budgeted oil price of \$16 a barrel for the 1999/2000 fiscal year. In this House, the UNC then promised that should we realize higher oil revenues than budgeted that we would set up an oil stabilisation fund in which part of the additional revenues would be placed. So that should the revenues coming in from oil and gas go higher than the budgeted price, part of the excess would go into a stabilisation fund.

Our stated purpose then for that fund was to provide exactly what the Minister is now saying this Bill is to do. We stated that our purpose was to provide a cushion against unexpected drop in oil prices and to strengthen public sector savings. That promise was made in the UNC budget of 1999/2000 and the UNC kept the promise in fiscal 1999/2000. The oil revenues were higher than it was estimated and as a result of that increased oil price and production, the Interim Revenue Stabilisation Fund was born.

We saw in that fiscal year from as early as December of that same year 1999, and therefore by March of 2000, that the petroleum revenues which included the supplemental petroleum tax (SPT) and which included the petroleum profit taxation (PPT) and royalties had reached up to, by the end of December 1999, \$27.8 million in excess of the budgeted revenue and \$17 million more for the quarter ended March 31. So the excess petroleum revenue by the end of March 2000 was in the vicinity of \$48.8 million. As I have said, from December into March we had realized that we were going to realize increased revenues above the benchmark budgeted price. With that in mind, the Cabinet considered proposals and took decisions with respect to the setting up of the fund in the context where the oil revenues were in excess of that budgeted.

On May 10, 2000, the UNC Cabinet agreed to the establishment of an Interim Revenue Stabilisation Fund to be set up under section 43:02 of the Exchequer and Audit Act, Chap. 69:01 of the Laws of Trinidad and Tobago, and up today, that is indeed the fund in which moneys have been put. And as the hon. Minister has disclosed, a total of \$8.6 billion now lies within that fund set up under the Exchequer and Audit Act.

Mr. Deputy Speaker, just prior to the end of fiscal year 2000, by way of a Supplementary Appropriation Bill, we transferred the sum of TT \$415.272 million into the fund for fiscal year 1999/2000. Again, just before the end of fiscal year 2000/2001, when the revenues exceeded the budget estimated amounts for that fiscal year, we transferred a further sum of TT \$600 million into the RSF. This means that when the UNC demitted office, we had saved within that Interim Revenue Stabilisation Fund just over TT \$1.15 billion, [*Desk thumping*] under a UNC Government. Our rationale for that fund was very clear and that remains the rationale that guides the legislation that is before us as we debate this Heritage Stabilisation Fund Bill.

What has happened basically is that the name has been changed—I always quote for you, every time the PNM comes to change a name of an institution to distance it from the UNC, we say what is in a name, a rose by any other name will smell just as sweet. And therefore, this RSF now rechristened by the PNM, as a Heritage Stabilisation Fund is indeed one and the same that had been established by the UNC and carried forward.

Our rationale then, which holds water up today, is that we recognized that Trinidad and Tobago being a very small, very open economy, producing oil, that our petroleum tax revenues had been for decades subject to really extreme volatility.

2.30 p.m.

We have seen that over the period 1973 to 1982 we benefited from very sharp increases in prices, but the Government, then as now, took no steps to diversify the economy during those boom years. The manufacturing and agricultural bases were eroded as a result of the overvalued exchange rate. Thereafter, over the period 1983 to 1993, we saw a drop, the recession that we went into. Persistently low oil prices pushed our economy into a decade long recession, which resulted in the emergence of fundamental economic imbalances. We saw then in the period of bust, because we did not save in the period of boom, that our inflation rate reached double-digit levels. Once again we are seeing double-digit levels in a period of boom.

Mr. Ramnath: Poor fiscal management.

Mrs. K. Persad-Bissessar: We saw the unemployment rate reach a high of 22 per cent. We saw the fiscal and current account balances remain at very unsustainable positions. We saw the exchange rate being devalued on two occasions. Therefore, when we were in government and the country started to benefit from more stable oil

Heritage and Stabilisation Fund Bill
[MRS. PERSAD-BISSESSAR]

Friday, November 10, 2006

prices, we started to diversify the economy further. I will give some examples of the percentages of the gross domestic product (GDP), to show that when the UNC was in government, we were not so dependent on the energy sector for the composition of our GDP. Even though we saw fairly stable oil prices, we were very concerned that the economy remained very dependent on the petroleum revenues.

At the time when we created this fund, it was in the context of the OPEC production agreement being due to expire on March 31, 2000, so the near term outlook for oil prices remained very uncertain. We were of the view that given the severe impact that reduced oil prices would have on our revenues, prolonged oil price volatility would continue to be a major factor contributing to fiscal and external disequilibrium. It was in that context that we decided to address the volatility in prices. We decided to set up the Interim Revenue Stabilisation Fund.

When we demitted office in 2001, a total of over \$1 billion had been placed in the fund. We had agreed that it should be governed by legislation. The legislation to give effect to that fund should have been presented to the Parliament later in 2001. History would have it that we would no longer be in office, and so, it fell to the new government to bring the legislation. Five years after assuming office, the Government has finally brought the legislation. It has taken five years for it to come. In every single budget presentation the hon. Minister of Finance promised that it would come in that fiscal year. Now when it has come, after five years to draft this Bill, it is our view that they have failed to include provisions to guarantee best practices in the operation and management of the fund.

It is our view that the provisions of the Bill reflect the modus operandi of this Government, namely, its desire to manipulate and control every independent institution in the land, so that they would do their bidding and be at their beck and call. As we examine the provisions, we will see that is the tendency in the Bill. They are provisions which really make for a situation that does not comply with international best practices when it comes to setting up funds of this nature to look after future generations so as to cushion against volatility in oil prices.

I will spend a few minutes looking at what the international best practices are and then we will look at the provisions themselves in the Bill. *[Interruption]* Best practice characteristics required of a Heritage and Stabilisation Fund is contained in a document put out in 2005 by the International Monetary Fund (IMF). It is entitled *Trinidad and Tobago: The Energy Boom and Proposals for a Sustainable Fiscal Policy*.

The authors noted that the economic hardships prompted the collapse of oil prices in the late 1970s. This Working Paper published in 2005 cautioned:

“The challenge for the policymakers is to choose the right kind of projects, so as not to repeat the mistakes of the past and hamper, rather than promote, growth.

Short-term fiscal policies, as described in annual budgets, should be coordinated and embedded in a medium-term strategy aimed at: maintaining of macroeconomic stability, spending energy resources efficiently, and strengthening the non-energy sector.

High public expenditures can lead to an overheating of the economy, fueling inflation and real appreciation of the exchange rate.

This, in turn, can negatively affect the non-energy tradable sector, which is the engine of employment for the economy and the long-run generator of growth when energy resources are exhausted. Furthermore, if a negative shock occurs, cutting expenditures abruptly can generate macroeconomic instability and could be disruptive for economic activity.

Consequently, fiscal policy should aim at smoothing the non-oil balance over the medium-term and should move gradually toward the sustainable non-oil deficit.

Finally, energy resources must be spent efficiently, to help promote macroeconomic stability, to target development in the non-energy sector and avoid implementing projects with low rates of social return, leading to a waste of resources.”

All these words came out of that document; all the cautioning and warning. It seems as though this Government pays no heed to any experts in the field in terms of its handling of the economy, fiscal policy and especially with respect to its runaway spending.

If we look at the best practice for the Heritage Fund we can again use this very same paper put out by the IMF where they have utilized three main headings for a breakdown of best practice. They break it down into the operational aspects, asset management and transparency and accountability. When we look at the items of best practice, out of a total of 13 there are only three with which the provisions of this Bill comply. So there are 13 items of best practice, but only three of those are given any life within this Bill. That is why I said that the Bill failed to take into account best practices with respect to heritage funds.

Firstly, with respect to operational aspects, the IMF has identified that there should be coherent integration within the national budget; the fund and the national budget. This is not in the Bill. Secondly, flexible rules, such as fund financing the overall budget balance, are not in the bill. Thirdly, that the funds assets should constitute the net savings of government is not in the Bill. Fourthly, Parliament should approve expenditures; this is not in the Bill. Countercyclical fiscal policies should be adopted; this is not contained in the Bill.

On the second category of best practice indicators under the heading “Asset Management”; firstly:

“The central bank or private investment managers may manage the fund’s assets.”

I will speak a little more on this, but this is one area in which the Bill complies, to some extent, because you have the Central Bank or private investment managers. They are talking about getting private investment managers, but what they are going to be doing is setting up a board to manage it. I will speak on this when I come to that specific item. So it is in the Bill, but not in the manner in which international best practice, in terms of operations of asset management, is predicated in other countries.

The document continues:

“Assets should be placed abroad.”

This is the second area that is within the Bill; remember I said that there were only three out of fifteen areas.

“Explicit consideration of mix of assets, currencies, liquidity and maturity of assets.”

This is not in the Bill, but will be made in rules which are subject to the approval of the Minister. Such rules, subject to the approval of the Minister, we would want to see them subject to the affirmative resolution of Parliament. We are talking about future generations. We are talking about billions of dollars of savings; therefore, we are not of the view that matters should be just left at the discretion of and in the hands of any government minister, regardless of which party is in office. It should be the Parliament of the people to whom these decisions should be brought.

The other item has to do with:

“Explicit restrictions to borrow, lend, make capital expenditures directly or to use fund’s capital as collateral.”

This is not in the Bill. It may be contained in the rules, which, at the moment, are subject to the approval of the Minister. Again, such rules must come forward for affirmative resolution of Parliament.

The third category has to do with transparency and accountability. Basically, out of four items, only one is partly contained in the Bill. The first has to do with transparent rules and operations; that is not in the Bill. When we look at what happens in Norway, for example, they have disclosure on the Internet even. They have information going backward and forward. They come inter-year and report to the Parliament. Transparent rules and operations are not within this Bill. They may come in other rules, but we have not seen those; we have no sight of them, therefore, we cannot be satisfied that we are going to see transparency and accountability with respect to these rules and operations.

Secondly, the document continues:

“Regular and frequent...reporting of the fund’s operational guidelines, its asset flows, and the allocation and return on assets should be submitted to legislature and made publicly available.”

They are speaking about inter-year reporting when it comes to Parliament. At the moment I believe that there is a provision in the Bill for reporting of audited financial statements to be laid under the legislation which governs the Auditor General.

Within the Bill, the fund has been made a public account and, therefore, is subject to auditing by the Auditor General and, therefore, falls within the provisions of audited financial statements to be laid in Parliament. But that is not good enough; we need to have inter-year reporting of the fund’s guidelines, its asset flows and allocation and return on asset. Just the financial statements will not be sufficient in terms of satisfying best practice relating to transparency and accountability.

“Clear assignment of responsibilities and accountability.”

I do not know if that is in the Bill. We have a board. We are being told about something called an “investment entity”. In the definition section there is absolutely no interpretation of what an investment entity is. There is absolutely nothing in the Bill as to how such an entity would be chosen, except to say that the Central Bank may choose it, but there is nothing that tells us what the guidelines and criteria are and how these persons would be chosen. We can only, once again, speculate that in typical PNM style it is to give PNM friends and family “big wuk”. That is all we can see.

Heritage and Stabilisation Fund Bill
[MRS. PERSAD-BISSESSAR]

Friday, November 10, 2006

There are absolutely no guidelines, no criteria as to how this investment entity would be retained. Indeed, I say further, there is absolutely nothing in terms of what the term “investment entity” means. The Member for Fyzabad did ask whether it would be a person, a body corporate or a firm. Clearly, this does not make for transparency and accountability.

Under transparency and accountability it speaks also of:

“Independent audit of investment performance.”

There is provision for financial audit in the Bill, so this is one of the three things.

We will look at the provisions themselves, but we see that out of the thirteen items of best practice, only three are in the Bill. I am still uncertain about two of them that are partially within the Bill. These best practice items are not contained within the Bill. So you took five years to draft this Bill and bring it here and you still cannot get it right; you still cannot comply with best practice. I would tell the hon. Minister that when we come to committee stage, there are several amendments we would want to make. This needs serious rethinking, because we are dealing with the heritage of our youth, our children and the future generations. It is vital that we get this right.

I remind the hon. Minister and the Government that in the past, with the last oil boom, several stabilisation funds were set up and within a very short space of time, they ran through, just like a dose of salts. I believe that within a three-year period, they were all drawn down; billions of dollars just taken out. People did not even know about it, but the Government had set up funds. It is true that they did not legislate for those funds. They kept under the Exchequer and Audit Act, therefore, it was easy to access and pull the money out anytime the Government ran into trouble.

This legislation is not just for the sitting government. It should be for any government that is in office, so that the legislation could protect you from any excesses or temptations when you are running low on funds or you have to impress people to do projects, that you dip your hand into the fund and utilize the money in certain ways.

We have already seen where we had serious conflicts of interest when it came to the Bombardier issue. We have seen with respect to the boats, that persons have been fired; so we need to set proper checks and balances within the legislation, when we come to speak about an investment entity and the guidelines that would govern the criteria chosen.

In terms of best practice, the Bill has failed to address and include the majority of items under best practice. When we come to the actual provisions, we

will see further the long arm of the Government. They must control and manipulate and have everything within their own hands and power, in the same way they have tried to influence every single institution in this country. We will not support that. We will not support the possibility of political interference with respect to this fund, as we come to the specific provisions.

The absence of clear assignment of responsibilities and accountability, as described by the authors of the IMF report, raised the potential for ministerial influence in fund management. This was raised by the Director of Norges Bank Investment Management, Mr. Kjaer. I am not very good at pronouncing Norwegian names, K-J-A-E-R. He was one of the speakers at a forum on commodity funds. The Minister referred to that forum held in Trinidad and Tobago in December 2004, organized by the Central Bank and Treasury Department of the World Bank.

His words at that forum were very instructive, revealing why his country has had a very successful fund. In a way it pointed to some of the difficulties that would occur here as a result of the modus operandi of this Government; therefore, it is noteworthy that we repeat what he said. This report was in the *Trinidad Guardian* of December 02, 2004, titled:

“No micro managing oil fund by Ian Gooding

Kjaer said that after Norway had taken the decision that the fund was to be managed by investment professionals, it also decided that the management must be done at arm’s length.”

I quote the direct words of Mr. Kjaer:

“I can assure you that since I started, I never got a call from the minister of finance regarding future investment or speaking about managers or things like that...”

Can we imagine that? Can we expect this to happen with respect to this Government?

Dr. Rowley: Yes.

Mrs. K. Persad-Bissessar: We have a history in this country of a Minister of Finance calling the Marabella Police Station. We have a history in this country of the Government intervening and interfering. We have seen where the hon. Prime Minister is reported to have called the Chief Justice in and said, “Resign or be charged.” We have seen interference at every level. We have seen it with respect to the Marlene Coudray issue, the Devant Maharaj issue and the Maha Sabha licence case. We are asking: Can we expect this? [*Crosstalk*] If we can expect it,

given the modus operandi of the Government, we must make sure that the provisions within the Bill are of such that they will prevent the kind of interference we are speaking of.

Mr. Kjaer said that there were four occasions on which he had to formally answer all questions and queries regarding the fund, in the presence of all interested stakeholders, including the media.

“‘We are very, very transparent,’ he said. ‘Sometimes I feel too transparent, but it is the country’s money and we have to account for every penny.’

He said that in Norway, it was not his company but Parliament, representing the owners of the fund, that would take the decision on what percentage of the fund should be used in risk of equity investments.”

When we come to the provisions of the Bill, again, we see with respect to deposits and withdrawals that there is no provision for parliamentary sanction; we can then understand what Mr. Kjaer was saying. We ask that any withdrawal from that fund should be subject to parliamentary approval.

Our fund, I am told, has \$8.6 billion. According to the International Monetary Fund (IMF), for the State to truly maximize its earnings it must follow the best practice and, as far as it can, fashion the fund after the Norwegian model. Our Stabilisation Fund is based more on short-term price swings, while the Heritage Fund focuses on a long-term solution to the changes of our resource-based economy.

In order for Trinidad and Tobago to emulate the success of the Norway State Petroleum Fund (SPM), several operational asset management and transparency standards should be followed. Norway’s State Petroleum Fund has been branded as the model for other nations to follow. I wonder to what extent the hon. Minister and his assistants have sourced this legislation out of Norway and have been able to utilize it. We do not have to reinvent the wheel. To what extent have we been able to pick up the transparency and accountability issues, as contained in the State Petroleum Fund in Norway?

In Norway, for example, because of their commitment to transparency and accountability, their SPM is open to public scrutiny as its audited reports are made public. With the fund they have set up, they would send out their reports on the Internet; their reports go to Parliament on a regular basis and, therefore, the accountability and transparency are there.

I turn now to specific clauses within the legislation. I start with clause 3 which establishes the fund and provides the purpose of the fund. It reads:

- “(1) There is hereby established a Heritage and Stabilisation Fund to be denominated in the currency of United States of America.
- (2) The purpose of the Fund is to save and invest surplus petroleum revenues derived from production business in order to—
 - (a) cushion the impact on our sustained public expenditure capacity during periods of revenue downturn, whether caused by a fall in the price of crude oil or natural gas;
 - (b) generate an alternate stream of income so as to support public expenditure capacity as a result of revenue downturn caused by the depletion of non-renewable petroleum resources; and
 - (c) provide savings for future generations.”

This was the exact purpose of the Revenue Stabilisation Fund of the UNC. In fact, the wording is identical, so I believe that this was part of the draft Bill when the UNC demitted office. [*Desk thumping*] I am told that the Government had kept the UNC draft Bill up to last year, but for some reason they came this year to change it to put in new provisions in relation to the provision in clause 4 with the setting up of the board, which I will come to in a moment.

Clause 3 refers to cushioning the impact where we have a downturn, where prices fall and, therefore, we do not have as much revenue coming in. Firstly, we are talking here about excess oil revenues; moneys we realize, we earn, we get in excess of the benchmark that we set in the budget, as the budgeted price. We are talking about the excess revenue, but in addition to that excess revenue, you have revenue coming from petroleum in any event. There is a regular revenue stream that comes in.

Mr. Deputy Speaker, it is most heartbreaking. With due respect, Sir, you represent the constituency of La Brea when you are sitting in that seat. I represent the constituency of Siparia. My colleague represents the constituency of Tabaquite. We are talking about constituencies where all the wealth that accrues to this nation from the oil revenues comes from. It is most heartbreaking, as I know you know, that these constituencies like Mayaro, Moruga, Penal, Barrackpore, Siparia, Forest Reserve down in Fyzabad, La Brea, Point Fortin, Tabaquite, where the wealth of Trinidad and Tobago comes from in the form of black gold, are the areas that are the worst when it comes to infrastructure.

These are the areas where none of the wealth has been plowed back into; so while we talk about excess oil revenues, what is happening with the returns on oil that we have seen coming in? These constituencies remain the worst in terms of infrastructure; the worst in terms of poverty; where persons, basically, remain as peasant farmers still. Nothing is wrong with being a peasant farmer, if you can get good prices for your crops and produce. Here it is they eke out an existence, a living, and yet all that wealth, the zillions of dollars the country experienced in the first oil boom and the zillions we are getting now from the second oil boom and yet very little money is being plowed into these constituencies.

I have been through La Brea, Mr. Deputy Speaker, with due respect. I am not too far from La Brea. As a matter of fact, my constituency, Siparia, borders the La Brea constituency. My constituency also borders the Fyzabad constituency, so I know all those areas. I live in the constituency of Fyzabad, by the way, even though it is on one side of the road in Siparia.

Mr. Deputy Speaker, whilst I may in my heart question your ruling, I will not override it, but earlier today I did talk about the oil blow out in my constituency of Penal. Up to this morning the residents were still there. They cannot cook because of the oil well that blew out. They cannot cook because of the fumes. Some agencies are trying to help; they brought food for some of them. The residents cannot cook, so food has to come in. The agencies did not bring food for some of them. They said the food was to last for two days, so they bring them food every two days. It is a matter that really needs serious addressing. There is no Minister of Energy in this House, but I have spoken with my colleague from Couva South, the potential Minister of Energy when the UNC forms the next government—[*Desk thumping*]—

Dr. Rowley: The last time you had that post, you lasted 17 days. [*Crosstalk*]
[*Laughter*]

Mrs. K. Persad-Bissessar: I have asked him, through health and safety, and he has agreed to visit the areas tomorrow to see what relief we can bring.

Mr. Deputy Speaker, we have excess revenues and in this Bill we are dealing with excess revenues. [*Interruption*]

Mr. Deputy Speaker: I know you and I know exactly what you are doing.

Mr. Ramnath: Did a well blow out in La Brea as well?

Mrs. K. Persad-Bissessar: Yes, Mr. Deputy Speaker, your experience is longer than mine.

We were talking about the purpose of the fund. Clause 3(2)(a) says it is to:

“...cushion the impact on our sustained public expenditure capacity during periods of revenue downturn, whether caused by a fall in the price of crude oil or natural gas;”

The very wording of it is to give full recognition, firstly, to the dependency of our economy on the energy sector and, secondly, to give recognition to the polarity which characterizes our economy.

What do I mean by this? In 2002, the petroleum industry contributed \$14.8 billion to the gross domestic product (GDP). When we get to 2006, we are looking at \$51.6 billion. We then look at the share of the energy sector in the year 2002; it was 27 per cent of GDP. We have now reached the position where in 2006, 45 per cent—*[Interruption]* Minister, did you say 42.2 per cent? Is it projected to reach 45 per cent in 2006? I think it was 42.22 per cent in 2005 and projected to be 45 per cent of GDP in 2006. *[Interruption]*

Mr. Deputy Speaker: Hon. Members, you will recall earlier in the sitting it was indicated that the hon. Minister of Public Utilities was going to make a statement. The hon. Member would do so now.

**T&TEC COMMERCIAL AND INDUSTRIAL CUSTOMERS
(RATE INCREASE FOR)**

The Minister of Public Utilities (Hon. Penelope Beckles): Mr. Deputy Speaker, I have been authorized by the Cabinet of Republic of Trinidad and Tobago to make this statement.

Members of this honourable House are aware that in November 2004 the Trinidad and Tobago Electricity Commission (T&TEC) submitted to the Regulated Industries Commission (RIC) an application for new rates and tariffs for transmission and distribution and other prescribed services to its residential, commercial and industrial customers for the five-year period 2006 to 2011. Its submission included detailed information concerning revenue requirements and strategies and initiatives proposed by the Commission.

It should be noted that this is the first rate review conducted by the Regulated Industries Commission established under the Regulated Industries Commission Act, No. 26 of 1998. The RIC is a statutory body authorized in law with a range of functions, including establishing the principles and methodologies for determining rates of regulated industries, for example, T&TEC and the Water and

T&TEC Rate Increase
[HON. P. BECKLES]

Friday, November 10, 2006

Sewerage Authority (WASA), monitoring the performance and efficiency of these service providers and setting and enforcing standards of service.

The RIC succeeded the Public Utilities Commission which conducted and granted the last rate review and general tariff increase to T&TEC in 1992, approximately 14 years ago. It is important to note that the law, that is, the Regulated Industries Commission Act, does not afford the Government the determination of rates and tariffs charged by these regulated industries.

The RIC in conducting its assessment of T&TEC's application, undertook extensive public consultations which involved interested stakeholders providing written comments to the RIC in response to 11 technical papers that were published on the RIC's website in April/May of 2005. Approximately 10 stakeholder consultations were held throughout Trinidad and Tobago with trade unions, non-governmental organizations (NGOs), business persons and local government bodies, to name a few. After thorough analysis, the comments arising out of the stakeholders consultation and documents supplied by T&TEC, the RIC published the Electricity Transmission and Distribution Price Control Review, that is, the draft determination, in January 2006.

Subsequent to the publication of the draft determination, the RIC again held public consultations, five regional and one national, throughout Trinidad and Tobago to discuss and solicit comments. The Government also submitted comments to the RIC after receiving expert advice from an independent consultant on the said draft determination. Additional comments were also received by the RIC, T&TEC, the private sector, NGOs and individuals.

Mr. Deputy Speaker, the RIC in its draft determination explained the methodology used in determining a total revenue requirement from component cost such as efficient operating and maintenance costs, asset value, rate of return and depreciation of assets. It also stated that this approach entailed establishing the costs associated with financing past and future capital expenditure, which are recovered over the life of the asset through a rate of return on those assets and an allowance for depreciation. The RIC also explained that in its deliberations it considered the impact that any new rates recommended would have on its different categories of customers, inflation and Trinidad and Tobago's competitiveness in the global market.

On June 01, 2006, the RIC published the Regulations of Industry Transmission and Distribution, June 01, 2006—May 31, 2011, Final Determination. In addition

to setting rates, the final determination also required T&TEC, among other things, to prepare and submit codes of practices on the following:

1. Provision of priority services for vulnerable groups;
2. Procedures for dealing with customers in default;
3. Debt recovery and disconnection procedures policy;
4. Retroactive billing policy;
5. Range and accessibility of payment methods;
6. Handling of complaints; and
7. Continuous customer education.

Further, the final determination mandates T&TEC to establish an independent agency that will be engaged to design and administer a customer satisfaction survey.

Mr. Deputy Speaker, T&TEC will also be required to publish information on guaranteed and overall standards, at least once per quarter in, at least, one daily newspaper in Trinidad and Tobago; provide information on standards and how customers could claim compensation, at least, twice per year on their bills, as well as to ensure claim forms are readily available at all T&TEC customer service offices and centres.

After careful consideration of all the available information and the future financing of T&TEC, the Government has agreed that with effect from November 01, 2006 the new tariff structure for customers in the industrial and commercial classes be implemented as contained in the Regulations of Electricity Transmission and Distribution, June 01, 2006 to May 31, 2011, Final Determination, by the Regulated Industries Commission. T&TEC has advised that this measure will increase its revenue by, approximately, \$19.1 million per month.

I have also been advised that although the industrial and commercial customers represent, approximately, 10 per cent of T&TEC's customer base, they consume, approximately, 75 per cent of the electricity distributed.

In closing, I wish to inform the population that with respect to residential customers, the Government will advise on the implementation of the new tariff structure recommended by the RIC for residential customers at a future date.

Mr. Deputy Speaker, I thank you.

Mr. Deputy Speaker: Hon. Member for Siparia, you have an additional nine minutes.

HERITAGE AND STABILISATION FUND (NO. 2) BILL

Mrs. K. Persad-Bissessar: Mr. Deputy Speaker, I was on clause 3(1) and the fact that clause 3(2)(a) gives recognition to the fact of our extreme dependency on the energy sector to drive and sustain our economy and it also gives recognition to the fact of the polarity which characterizes it. I started speaking about the sector share and we are seeing an increasing dependence. We are also seeing that the energy sector accounted for a larger percentage of the GDP. Whereas it was 42.9 per cent of GDP in 2005; when the UNC demitted office in 2001, it accounted for 28.3 per cent of GDP. Here we are seeing 42.9 per cent of GDP for 2005, with a projection of an even larger percentage in 2006 of 45 per cent.

This means that the contribution of every other sector to the GDP has been simultaneously reduced by this Government. This is an extremely dangerous situation, because we are putting all our eggs in one basket, so if a price shock should come, this fund, on its own, will not protect or take care of us as we saw in the last rounds. It would help, to some extent, but should there be output shocks or price shocks, we are going to be in serious trouble. And we know the old saying if you put all your eggs in one basket and the basket falls, you have nothing left to eat. Such a large percentage of GDP is from our dependence on the energy sector, at the expense of other sectors in the economy.

When the hon. Minister piloted the Bill, he talked about other sectors growing, the manufacturing growing and the agriculture sector growing, but we are seeing absolutely no initiatives by this Government, apart from the pronouncements it makes, especially with regard to the agricultural sector in terms of boosting it and increasing growth. We are not seeing anything happening. Indeed, we had the privilege of meeting with the hon. Vice-President, His Excellency of India. I understand that his claim to fame or one of landmark achievements has been in the whole area of agrarian and agriculture reform. Perhaps, we may do well to take a page out of his book. I understand that he has been a parliamentarian for 54 years and, today, at age 84, he is still sitting as a Member of the Upper House of that country. With respect to agriculture, maybe there is something we could learn from him, given that we would have a natural affinity with some of the skills since much of our population has its roots from the Indian subcontinent.

It seems that we are placing more and more reliance on this energy sector. That sector is growing and taking up a larger share. There is something I raised in my budget contribution that I wish to raise again, because I still do not think we

have had a satisfactory explanation. We see that even though the Government has projected a higher budget estimate for oil for fiscal 2006/2007, higher than in the previous year 2005, it is still projecting lower oil revenues. I ask the hon. Minister if he could clarify that. I quote from the budget statement at page 51 where the hon. Minister of Finance said:

“The budget for fiscal year 2007 provides for total revenue of \$35,125.9 million, which is \$3,561.8 million lower than estimated revenue collections in fiscal year 2006. The main reasons for the shortfall are the lower oil and gas prices used in the revenue calculations for the new fiscal year.”

In the new fiscal year, your benchmark was \$45 and the previous year was \$35. *[Interruption]*

Sen. Enill: I thank the hon. Member for giving way. What we have basically done was that the collections itself for the prior year, which is what we are looking at, was based on a price higher than \$41. I think it was \$51, \$52. So that we were looking at actual collection, of which \$3.1 million went into the Interim Revenue Stabilisation Fund. That number there is less than what we are, in fact, projecting. We expect that there would be a difference. That difference is not dealt with in the calculation this year.

We have changed the way in which we had calculated it. In the past, we would have assumed a higher price and we would have compared that higher price revenue with the one in the year before. We expected that we would be doing this piece of legislation. Basically, we are saying that we would assume the lower price and any additional revenues would go directly into the fund. So we would get the additional revenue going immediately to the fund, but using only what was budgeted.

Mrs. K. Persad-Bissessar: I thank the Minister for attempting to clarify, but I must say that I am still mystified. Perhaps the Minister could look at it again.

As far as I recall, for the price of oil the benchmark was \$35 per barrel. The Minister said that it was because of the lower oil and gas prices used in revenue calculations; so what are you using? You are not using your benchmark of \$35 and \$45; you said that maybe you used the actual, but the actual was even higher than \$35. Perhaps, in your winding up you could explain. With due respect, I am not convinced by your kind explanation. *[Crosstalk]*

In terms of looking at the contribution of the energy sector to the GDP, these figures really underscore a very critical issue: the severe and increasing reliance that we are placing on one sector of the economy, almost to the exclusion of the

Heritage and Stabilisation Fund Bill
[MRS. PERSAD-BISSESSAR]

Friday, November 10, 2006

others. The exposure to economic disaster, consequent on price shocks, is of paramount concern. That is exactly what happened during the last boom. [Crosstalk] I have absolutely no problem opening the debate for you, hon. Prime Minister. We will be happy to hear your contribution. [Crosstalk]

Mr. Ramnath: Your Government has been a monumental failure in diversification. [Interruption]

Mr. Deputy Speaker: I realize you are getting some disturbance.

Mrs. K. Persad-Bissessar: That is okay. I think the two energy experts are at loggerheads.

Mr. Ramnath: You do not do anything about agriculture. [Crosstalk]

Mr. Deputy Speaker: Please!

Mrs. K. Persad-Bissessar: The first thing that the provision in clause 3(2)(a) did was to recognize the polarity in the economy, to recognize the dependence we have placed on the revenues from oil and gas and the failure of this Government to seriously take steps to diversify the economy. There is no question about it. They have failed and this is exactly what happened in the last oil boom. It is well documented that during an oil boom, because the revenues are so easy to come in, you do absolutely nothing; you just sit and collect the windfall that comes from the international market price increases. Apart from all the promises each year, nothing is being done when it comes to diversifying the economy.

The clause also fails to recognize some things, because it speaks only of revenue downturns, whether caused by a fall in prices of crude or natural gas. [Crosstalk] We can have downturns in revenue for another reason, not just because of an increase in price. We can have it because of output shocks and that is to say where your output is less than you expected it to be; your production is less than you expected it to be. I have mentioned before the Ibis Field. That is where you were expecting to get the largest amount of natural gas. [Crosstalk]

Mr. Manning: I never said that.

Mr. Ramnath: What did you say? [Interruption]

Mr. Manning: Mr. Speaker, whenever hon. Members speak in this way, it merely underscores a lack of understanding of the energy sector. Those who manage the energy sector understand that things do not happen like that in the sector. Exploration is a very risky and expensive business. [Crosstalk] Therefore, we have had to explain it with respect to the reserve to production ratio in the past. All it

means is that you have to commit the resources to an exploration activity and that is what has happened. By the same token, we can guarantee that in due course there will be discoveries and the production levels will come up; that is all. [*Crosstalk*]

Mr. Singh: You cannot guarantee anything!

Mr. Manning: You can guarantee it.

Mrs. K. Persad-Bissessar: Mr. Speaker, what the hon. Prime Minister has said, apart from his attempting to say that I do not understand—I understand perfectly—confirmed exactly the point I made. [*Desk thumping*] I thank him for that. It confirmed the point I was making, that you must also hedge, not simply with respect to volatility in prices and price drops. You would be in trouble, because all your eggs would be in one basket. [*Crosstalk*]

You have to worry about output shocks too. The hon. Prime Minister has confirmed that when you explore, you may not get anything out of the well. [*Hon. Manning rises*] You will have a dry well. [*Crosstalk*]

Mr. Manning: Mr. Deputy Speaker, the petroleum engineers among us will tell you that oil and gas wells decline in accordance with an exponential arithmetical basis. In other words, the decline of oil and gas production does not happen by way of shocks; it is predictable.

Mr. Singh: So Ibis was predictable being a dry hole?

Mr. Manning: Therefore, the argument of the hon. Member that we are subjected to production shocks is not sustainable.

Mrs. K. Persad-Bissessar: With due respect—[*Laughter*]

Mr. Deputy Speaker: I am giving you some injury time.

Mrs. K. Persad-Bissessar: The point is if you went exploring there and you were hoping to find natural gas down there, it was a dry hole, then you would have estimated. [*Laughter*] [*Crosstalk*]

Dr. Rowley: That is not a shock.

Mrs. K. Persad-Bissessar: The point is you would expect some wells to come up with natural gas and oil and you would expect some not to. That is the point. We do understand it. [*Crosstalk*] With due respect to the hon. Prime Minister, [*Crosstalk*] I agree with the point he is making; I have no difficulty with it, but I do take umbrage when he attempts to make it appear as though everybody who says something different from him is “dotishness dey talking”. [*Crosstalk*]

Hon. Members: Yeah! [*Hon. Manning rises*]

Mrs. K. Persad-Bissessar: His first comment was that hon. Members on this side do not understand. [*Crosstalk*] I fully understand what is happening.

Mr. Singh: Two Members cannot stand at the same time, Mr. Deputy Speaker.

Mrs. K. Persad-Bissessar: I do take umbrage to that. [*Interruption*]

Mr. Deputy Speaker: The speaking time of the hon. Member for Siparia has expired.

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

Question put and agreed to.

Mr. Ramnath: Plus injury time.

Mrs. K. Persad-Bissessar: Thank you, Mr. Deputy Speaker. I do thank the hon. Member for San Fernando East.

It appears that anytime Members of the Opposition or concerned citizens speak out, there is an attitude that comes from that side: "Is dotishness, is foolishness, is rubbish, is nonsense." Those are the words from the Member for Diego Martin East. "Arrant nonsense!" I do not even know if there is such a word. I do not know if, perhaps, the hon. Member for San Fernando East is finding himself sitting more and more next to the Member for Diego Martin East in that seat. He has sat in that seat on a few occasions; therefore, his language seems to be having some effect on the hon. Prime Minister. I really feel that a difference of opinion or view is not "dotishness".

Mr. Singh: That is democracy.

Mrs. K. Persad-Bissessar: Each person is entitled to express his views. We may or may not agree with him, but each person must be given that opportunity.

We can still spend some time on that section and talk about the size of that volatile sector in the GDP. Internationally, the size of the volatile sector, the face by a particular government has been found to be critical to the success of the fund. We talked about this dependence; we have talked about the energy sector taking up such a large share of GDP and our dependency on it. The point being made is that even if you set up this fund, the larger the slice of GDP and the larger the dependence on the energy sector, the success of any fund you set up, in this regard, is at stake.

It has been found in Chile and Norway where the share of volatile resource revenue compared with total government revenue, is significantly lower than in other

countries' funds, such as Venezuela and Oman, where their volatile resource revenues constitute a much larger proportion of total revenues. So when you look at Norway, it contributes only 15 to GDP. Of course, it may be more in dollar terms, but their economy is well diversified and they have a very productive, sustainable agricultural sector. Even though they are getting all that North Sea oil and gas, their economy remains very diversified.

It is in countries like these where you use the oil revenues to assist in diversifying your economy, you will succeed in developing a sustainable economy as well as being able to have a fund that can be administered with success. In Norway, all revenue typically accounts for less than 50 per cent of government revenue. That country has a highly diversified production structure and economy, so the challenges posed by oil price volatility to overall fiscal management is significantly less than it would be for a country like ours.

You must take all steps full steam ahead to diversify the economy and do not leave in one basket.

Mr. Manning: But we agree with you.

Mrs. K. Persad-Bissessar: You agree, but you are not doing it, with due respect. You promised it in every budget. [*Crosstalk*]

Mr. Ramnath: The worst thing you did was to put Rowley as Minister of Agriculture. After Rowley, agriculture went down.

Mrs. K. Persad-Bissessar: I have serious concerns with clause 4. [*Crosstalk*] I want to read clause 4 conjointly with clause 8. It provides for the appointment, tenure and remuneration of a board. [*Crosstalk*]

Mr. Deputy Speaker, I have to keep raising my voice over all these gentlemen and it is making me a little hoarse.

Mr. Deputy Speaker: Hon. Member for Diego Martin East, would you please. The hon. Member for Siparia has asked for protection. The Hansard reporter cannot hear properly. Would you please allow the hon. Member for Siparia to speak. At the rate at which we are going, her injury time would equal an additional 30 minutes.

Mrs. K. Persad-Bissessar: Thank you, Mr. Deputy Speaker.

In clause 4 there are very serious issues. We are talking about billions of dollars that we are all concerned would endure for the benefit of future generations; that would be there to assist us in times of price shocks, output shocks or any other type of shocks with respect to our revenues. Therefore, the management of this money

Heritage and Stabilisation Fund Bill
[MRS. PERSAD-BISSESSAR]

Friday, November 10, 2006

and the persons or bodies to manage and look after it are very, very important. We can do all we want; we can get all the excess revenues and put it into an account, if it is not properly managed or administered, it will all go to naught. It would be a waste.

When we look at the provision in clause 4 which states:

“The President on the advice of the Minister shall appoint a Board of Governors to manage the Fund...”

Why do we need a board? I will like the hon. Minister to tell us why. Indeed, my information is that this is one of the provisions added to the Bill; please tell me if that is so. Previously we were dealing with the Central Bank and that was the agency that would have dealt with and administered the fund. Why do we need a board? Would the hon. Minister kindly let us know.

That is why we are now having the ambiguity. It appears to be a strange combination, having a board and then having an investment entity recommended or nominated by the Central Bank. That is why I spoke about best practice relating to transparency, asset management and so on, when we talked about clear assignment of responsibility and accountability; we do not have that. Why is a board necessary?

If a board is necessary, why is it necessary to appoint that board on the advice of the Minister? When it says, “The President on the advice of the Minister”, as we well know and, with due respect, I think you do know, Mr. Deputy Speaker, “advice” means the President must take the names proffered and put them forward. [*Crosstalk*] When there is consultation, he can talk to you, but he does not have to accept the names that you put forward. He could go ahead and do whatever he wants to; he may or may not accept. [*Crosstalk*]

3.30 p.m.

We in the past have always been very concerned with the nature of consultations in that regard as not being meaningful, because at the end of the day it appears that no one we had ever put forward had been selected to serve in any of those capacities.

Again, I talk about the modus operandi of this Government and if it is on the advice of the Minister, well, you know it is friend, family and PNM big boys and girls.

Hon. Member: You are uncharitable.

Mrs. K. Persad-Bissessar: I may be uncharitable, but it is the truth and, therefore, I am saying that it should not matter who is in office. I do not care who the Minister is, it could be your Minister of Finance or it could be one on this side of the House, it could be another Minister of Finance completely, I do not care who it is. But no Minister of Finance should be handpicking persons to serve on this board and to deal with the savings of this nation. [*Desk thumping*] Our experience has not been good. I regret to say it, but it has not been good and, therefore, we should have a different formula to protect this fund.

How do we do that? One way would be to say that we allow the Central Bank, but then maybe the same concerns would arise because that board is also appointed by the Cabinet. I want to propose a formula that we had used elsewhere. It was used when we were setting up the Police Service Commission, when we met as Opposition and Government and came up with the formula which allowed us to have oversight of persons appointed, and so I recommend and I would offer it at committee stage that the members of the board shall be appointed by the President in accordance with this section.

The President shall, after consultation with the Prime Minister and Leader of the Opposition nominate persons who are qualified and experienced in disciplines of law, finance, accounting or management to be appointed as members of the Board of Directors of the Heritage and Stabilisation Fund.

So the same qualifications, but a different formula.

The President then shall issue a notification in respect of each person nominated for appointment under the subsection and the notification shall be subject to affirmative resolution of the House of Representatives. The President shall make an appointment under this section only after the House of Representatives has approved the notification in respect of the relevant person. In this way, the persons who will be managing all this money, and holding it in trust for the future generations would be subject to the scrutiny of the Parliament. [*Desk thumping*]

That, I believe, when we recall what Mr. Kjaer, the Norwegian man said which I quoted earlier. When he said his company does not account to anyone, they must account to the representatives of the people which is the Parliament, who are the real owners of the fund and, therefore, this is the formula I respectfully submit. It is a new formula as I said that we had used for the Police Service Commission, it is one that is kept in other jurisdictions for other kinds of commissions, but I feel this fund is too important for us to leave it just as it is: "A person selected on the advice of the Minister."

Mr. Manning: Mr. Deputy Speaker, I am very pleased that the hon. Member for Siparia has given way. Is the hon. Member saying therefore, that a function that essentially is an executive function ought to be discharged by the Parliament directorate? Is that what you are saying?

Mrs. K. Persad-Bissessar: Mr. Deputy Speaker, I will not put labels to anything, whether it is executive or non-executive. What I am saying is that when we look at the models, we must put something in place and we must not remain rooted in the antiquated past. We must not remain rooted in the same roles and models we have followed because by doing that, this country has reached to a stage of collapse in every regard. We have seen every sector—one moment, Sir. And if we continue to follow the errors of our ways from the past, then we are doomed to make the same mistakes, and fail again. So I am saying there are different formulas. We do not have to reinvent the wheel, we can learn from other jurisdictions and we have already followed that precedent, and, therefore, it is one I would highly recommend.

Mr. Manning: Mr. Deputy Speaker, I just want to advise the hon. Member for Siparia that the proposal she is making represents a fundamental change to the Constitution of Trinidad and Tobago and I wonder if hon. Members opposite are making that proposal in the context of constitutional reform, because that is the only way it can be done. [*Interruption*] It is fundamentally different to the arrangements existing now, and it cannot be advanced and accepted as easily as the hon. Member is seeking to do it, that ought to be the subject of major discussion and deliberation in the national community before any Government can develop any position similar to that.

Just for the record, we have seen that kind of situation operating in some countries in Latin America to the point where, for the President to leave the country he needs parliamentary approval. If hon. Members believe that the thing to do is elect a Government to office and then fetter it to the point where it cannot operate, then let it be known that the Government of Trinidad and Tobago has a different view from that—very different.

Mr. Ramnath: You have a majority in Parliament, you are afraid of your own people?

Mrs. K. Persad-Bissessar: Thank you. Mr. Deputy Speaker, firstly, with due respect, the argument of the hon. Prime Minister, the Member for San Fernando East, is based on a false premise.

Mr. Manning: What is the false premise?

Mrs. K. Persad-Bissessar: If you listen, I will tell you. You are too hurry. I will speak, I will explain. The premise is false because the Member is saying that my proposal has to do with fundamental constitutional reform and so forth.

Mr. Deputy Speaker, we are dealing with a simple majority Bill that has nothing to do with changing the Constitution. I am not asking for any change of the Constitution, I am asking for a particular formula for the appointment for instance to administer this fund. [*Desk thumping*] And with due respect again, it is doublespeak because you are saying it needs fundamental constitutional reform, you cannot deal with it, but when we were dealing with the Police Service Commission, you were quite prepared then to deal with it piecemeal. [*Desk thumping*] You were dealing with it one shot on, but now when we make the proposal, you cannot deal with it, that it has to be dealt with the overall constitutional reform package. Doublespeak, Mr. Deputy Speaker.

Mr. Ramnath: Doublespeak means hypocrisy.

Mrs. K. Persad-Bissessar: I am saying that we cannot agree and will not support the method of appointment of this board on the advice of the Minister. We will not support it. But since it is not a special majority Bill, because it is not really changing the Constitution and so forth, the Government will have its way, but we are entitled to have our say, and I am saying that it is wrong. It is cause for great concern to have a board appointed in the method and manner that is being proposed in the Bill.

Mr. Manning: It is not wrong; you are just saying that you disagree.

Mrs. K. Persad-Bissessar: I disagree, it is my view. In my view, it is wrong. We are placing the assets of this nation, we are putting the money—and I am making the point that it does not matter which Government is there, it does not matter who is the Minister. It should be subject to scrutiny because we are talking about plenty money. We have seen the squandermania, and we know what happened in the last oil boom.

Hon. Member: What?

Mrs. K. Persad-Bissessar: What? Where were you? [*Interruption*] The suffering and the trauma—I read the history to you earlier. I talked about devaluations on two occasions, I talked about the rate of unemployment skyrocketing, money was taken from people. I think that one of the NAR Government's policies was to take away the COLA, people suffered because during the boom you did not put measures in place to deal with the rainy day. [*Desk thumping*] I repeat again that this fund only came

about because it was the UNC that put it into place. It was never yours, and when you took five years to bring it you told us that you really did not want it, and you did not agree with it.

Dr. Moonilal: Correct. He said that yes.

Mrs. K. Persad-Bissessar: But good sense prevailed at the end of the day, and I am glad that the legislation is here. I am saying that we need to look at the method of appointment of these persons who will be sitting on this board.

Mr. Ramnath: We understand their agenda.

Mrs. K. Persad-Bissessar: There is also a little ambiguity for me, Minister, through you, Mr. Deputy Speaker, if you would kindly clarify. I am reading the provision which says:

“4(3) The President shall appoint a member to be the Chairman of the Board.”

And appointed for three years.

“5(3) The Chairman shall preside over meetings of the Board, but where the Chairman is unable to preside, the members present and forming a quorum may appoint a member of his alternate to preside over that meeting.”

Mr. Deputy Speaker, how do you appoint a Member of his alternate? It is either you are the alternate, or you are not. Is it that you will appoint any other member—I think that may well be it—and the word “alternate” should not be there? Please clarify; it does not make any sense at all.

It could be any Member; it does not have to be or his alternate. The Bill provides for five persons to be on the board and then says that each one should have an alternate, so the alternate would sit in when the member is not there. But then you are now going to appoint an acting Chairman in the absence of the Chairman. Is his alternate the man to act? If not, any member can be appointed at that time, and through you, draftsmen, if you can kindly clarify that point there.

Hon. Member: It should be any member.

Mrs. K. Persad-Bissessar: It should be any member. I agree.

Mr. Deputy Speaker, when it comes to drawdowns from the fund, clause 15, I have already indicated I am of the view that the drawdowns should be subject to the affirmative resolution of Parliament. No money should be withdrawn from

this account unless it is brought to the Parliament for scrutiny. So I would ask that where the revenues are collected and the Minister is going to drawdown and so forth, please come to the Parliament.

So you would have to account for taking out moneys from the fund, you are not just going to touch that money like that. [*Desk thumping*] Because the next thing you know, by the end of the year moneys are pulled out of the fund and nobody in the country knows, and we do not even know what the money was used for. And at the end of the year you have a Supplemental Appropriation Bill and a new budget and nobody knows what is happening. So I ask that any withdrawals from the fund must be made subject to the affirmative resolution of the Parliament and that should be inserted. [*Desk thumping*]

Mr. Deputy Speaker, when we come to the clauses that have to deal with disclosure of interest, clause 19, I am of the view that this is a very important aspect because it is saying that a person has a duty to disclose an interest, conflict of interest situations. We have already mentioned the Bombardia issue where the consultants were fired, but there are a host of others where there appears to be conflict of interest and we may not know, it is not disclosed and, therefore, I am of the view that if we are talking about disclosure of interest, that there should be a penalty attached to a failure to disclose. The clause says:

“19(1) Every member of the Board shall give in writing—

- (a) notice to the Board of all direct or indirect pecuniary interests that they have or acquired in any business or in any body corporate carrying on any business involving the Fund; and
- (b) an undertaking that they will not engage, directly or indirectly, in any business or professional activity which would conflict with the performance of their duties as a member of the Board.”

Minister, through you, would you ask your draftsmen please—there are some spelling errors and so forth, and I do not think we need to spend time on that in the debate. Some word errors like “...duties as a number of the Board” where it should be “member of the Board” and so forth. They probably need to take a careful look at grammar and spelling.

So here we have disclosure of interest where one may have an interest that is in conflict, but nowhere in it does it say that if one fails to disclose it that there is any sanction or penalty. What is the point of legislating for non-disclosure, but you are not going to do anything when you find out?

Mr. Imbert: We fire them.

Mrs. K. Persad-Bissessar: Well, I think there should be a penalty as well. I would respectfully suggest that in addition to firing them, there should be some kind of penalty.

Mr. Deputy Speaker, I want to ask the hon. Minister of Works and Transport, through you, when you fired those gentlemen from the monorail or the light rail, or whatever it is, was there any penalty?

Mr. Imbert: Yes.

Mrs. K. Persad-Bissessar: Do you want to tell us?

Mr. Imbert: I said yes.

Mrs. K. Persad-Bissessar: What was the penalty? [*Interruption*] So the Member for San Fernando East is now your counsel and he is advising you not to answer.

Mr. Imbert: I said yes.

Mrs. K. Persad-Bissessar: Mr. Deputy Speaker, I am saying that there was a situation recently where five persons, because of a conflict of interest—so obviously they did not disclose it—I am asking if there were any sanctions or penalties apart from firing them? Were they already able to influence the bidding process to such an extent?

Indeed, Mr. Deputy Speaker, we believe that that process has been so contaminated that they should in fact, stop what has gone through the system already and start again because it has already been contaminated with this person. It has been contaminated in two ways: I did it already—I would not go back to the Bombardier jet flight whatever, I spoke about that last week. So there was a lot of contamination in that process and that gives us greater impetus in asking that in this Bill, where there is a failure to disclose interest, and it is discovered that the person fails to do that, there should be, apart from the firing, a penalty, a sanction that attaches to the failure to disclose.

Mr. Deputy Speaker, those are some of the issues I wanted to raise but I believe there is one other; financial statements to be laid in Parliament which is on page 10, clause 21.

“21(1) Within four months of the end of the financial year, the Minister shall cause the audited financial statements in respect of the Fund to be laid in Parliament.”

Mr. Deputy Speaker, I am saying that this once a year will not work, it is too vital and important, and, therefore, we ask that there be inter-year laying in the Parliament of reports with respect to the fund. So Parliament must be provided with regular reports, at least quarterly, which could be made available to the public. As I said before, in Norway and Alaska reports like these are posted on the Internet.

The fund's annual report, other than providing expected information on inflows and outflows should contain a summary on asset allocation, statistics on portfolio performance during the year, and a critical perspective of the fund's activities during the year. I am not sure that the audited financial statements done by the Auditor General provide that kind of information and, therefore, if the Minister can confirm that that is the kind of information one would get from an audited financial statement, then that annual report can work. We are asking, of course, for additional reports that should come to the Parliament.

Mr. Deputy Speaker, I think it is very important to note that the success of this fund depends on the fiscal behaviour of Government. It was due to the fiscal misconduct in the '70s that this country has not been able, was not able, and will never be able to reap the long-term benefits envisaged then.

One of the main lessons that we should have learnt from earlier experience is that resource funds, no matter what the title is, whether Heritage, Stabilisation and so forth, cannot be a substitute for good expenditure decisions and for good fiscal policy; they cannot be a substitute for sound economic policies and good management of the economy. So, the idea behind establishing a fund to save the excess is a good one, it was a UNC idea, it was a UNC programme and there are many advantages to it.

As I said, these funds have many advantages, but there are certain things these resource funds—of which this Heritage and Stabilisation Fund is one—cannot substitute for like good fiscal policy, and this comes from the very article from the International Monetary Fund (IMF), *Trinidad and Tobago: The Energy Boom and Proposals for a Sustainable Fiscal Policy*. Whilst it is saying that you may have your Heritage Fund, your resource fund, it will not substitute for good fiscal policy.

“If the government makes contributions to the fund according to its set rules, but still borrows elsewhere to finance expenditures, the assets in the savings fund, to the extent that they are matched by other debts, do not represent genuine net savings.”

Such a fund cannot “deliver benefits without government controls on expenditure and a countercyclical fiscal policy.”

Mr. Deputy Speaker, we are seeing absolutely nothing in that regard when we come to Trinidad and Tobago. Indeed, we have seen uncontrollable Government spending, we have heard the warnings coming from every sector: As I close, I predicted and warned in my budget reply that the rate of Government's spending that we are seeing, and the kinds of fiscal policies which are being pursued by Government, that we will be going into double-digit inflation, and instead of moving down to the targeted 7 per cent that the hon. Minister of Finance had stated in his reply, we are climbing towards that double-digit inflation and so we are putting pressure on the Trinidad and Tobago dollar.

I had asked for the Minister of Finance to give us the assurance that the exchange rate will remain stable and the TT dollar will not be eroded, because if we continue with these policies and this kind of programme—I would like the Minister of Finance to give us the assurance that they will do everything in their power to keep that dollar and the rate strong.

Mr. Deputy Speaker, at the rate of inflation climbing into the double-digits, they are endangering the economy and, therefore, whilst we are happy to get all this revenue to put into the fund, Government's reckless spending is seriously endangering our economy. [*Desk thumping*]

I have said it before, that inflation is like hypertension or high blood pressure; it is a silent killer and it damages the organs in your body one by one until you get a heart attack and drop down. It is the same thing that is happening in the economy. The rate at which it is going with its fiscal policy, it is engaged in a firefight with the Governor of the Central Bank with the monetary policy. The fiscal policy and the monetary policy are not in tandem, they are bouncing heads. It is a firefight. So while the monetary policy of the Central Bank is designed to absorb liquidity, they pull money out of the system and the fiscal policy of the Government is pumping more and more money into it. So it is a firefight and it is pumping it in much faster than it is able to absorb it through the monetary policy that the Central Bank has—totally out of kilt.

And as the Governor keeps warning, as the IMF keeps warning, as all the economists keep warning, that pressure that you are putting on the Trinidad and Tobago dollar—and they are getting vex when I am saying it, I must not talk that kind of talk. But Mr. Deputy Speaker, they are putting pressure on the dollar and, therefore, they must give us the assurance that there would be no devaluation of

the Trinidad and Tobago dollar. They are the ones to do it, they must curb their spending, and they must have fiscal restraint so that we can enjoy the benefit of the windfalls that come to us from the oil.

With these words, Mr. Deputy Speaker, I thank you.

Mr. Gerald Yetming (*St. Joseph*): Thank you, Mr. Deputy Speaker. The Prime Minister made a statement in Parliament in March 2005, when he announced that Cabinet had agreed to some underlying principles for the enactment of legislation governing the Heritage and Stabilisation Fund, but the Bill before us now does not reflect what was announced in that statement in March 2005.

It suggests that from March 2005 to now, there clearly has been some rethinking with which I have no fundamental problem. In fact, in 2000, when the original bill was drafted, by 2001 Cabinet had taken a decision on making amendments to what was decided on in 2000 and, therefore, within that 12-month period, there had also been some changes in thinking. In fact, in 2001, Cabinet's decision was to amend the amount to be transferred to the fund from 67 per cent to 60 per cent to make provision for the dollar-for-dollar fund at 20 per cent of the surplus revenues, but there were also some changes in the governance.

I think at the time we moved from having a board to have the Central Bank do it, but after Cabinet's decision of 2001, I believe it was in July, we never really saw the final draft of the Bill that would have been presented, and I am sure by the time that draft Bill would have come, there might have been further changes. So the fact that the Bill today is a departure from what was announced by the Prime Minister in Parliament, is not a problem except that the Bill we have really suggests some serious weaknesses that I would like to highlight in the debate this afternoon.

I would also make the point which is really to take up on some statements made by the previous speaker that—and I think that the Government acknowledges that the benefits of the fund could be very easily neutralized by fiscal indiscipline, and if you do not implement sound macroeconomic policies, the fund could be meaningless. I think the Governor of the Central Bank has complained about the fact that there appears to be lack of coordination between monetary and fiscal policies, in that as fast as he can mop up the liquidity, more money keeps flowing into the system and that lack of coordination will provide some instability in the economic landscape.

The Minister in the Ministry of Finance, before now and including today, has spoken about the Government's reprioritization of its expenditure, and the widespread

Heritage and Stabilisation Fund Bill
[MR. YETMING]

Friday, November 10, 2006

view that Government's excessive spending is a primary cause of the inflation, and he is seeking to assure the population that the Government is taking steps. I want to suggest that that is not entirely correct.

From the point of view that we continue to see the massive expenditures taking place and continue to hear recently in the newspapers talk about \$60 billion in projects still to come on stream, a lot of which we are told will come from borrowings. I remember the Member for Diego Martin West in the early days of the fund criticizing it when he said you people talk about putting aside this money in this Revenue Stabilisation Fund, but you are borrowing and spending it anyway, and one could level the same charge today. I am not satisfied that the reprioritization of expenditure is taking place.

In fact, the Prime Minister, I believe it was last month at the PNM's convention for the first time acknowledged—because before then, inflation was a global problem, it was one of agricultural output and there was never acknowledgement by the Government—that its spending was adding to the inflation problem. So at the convention in October he acknowledged for the first time that Government's spending is a contributory factor to increased inflation in the country and went on to say that the country must be developed.

4.00 p.m.

Mr. Manning: Mr. Deputy Speaker, I thank the hon. Member for St. Joseph for giving way. Will the hon. Member agree that private sector spending is also a contributing factor to inflation?

Mr. G. Yetming: There are many contributing factors to inflation. The Government said that is a global problem; there are global factors, and we agree with it. All the experts, international and local, have been saying that Government's excessive spending is a major contributor; that is not to say that others are not contributing.

Mr. Manning: Mr. Deputy Speaker, again, I thank the hon. Member for St. Joseph for giving way. If the hon. Member acknowledges that inflation is contributed to by a number of factors, including Government expenditure and including expenditure in the private sector, on what basis is the Member for St. Joseph coming to the conclusion that the Government alone, therefore, has to curtail its expenditure?

Mr. G. Yetming: You are talking about size of expenditure. The Government, in its excessive spending—you are dealing with billions of dollars. If the private sector is contributing by overspending, it certainly is not contributing to the extent of the

Government. But without getting into heavy debate on the percentage; who is contributing more, the fact is that the Prime Minister acknowledged in October that Government spending was contributing to the rate of inflation and he went on to say, “but that is the price of development”.

What is troubling is the fact that the Governor of the Central Bank would speak about his 30 years at the IMF; would warn that we are heading down a slippery slope; that once you start to get down that slippery slope harsh measures would be required to bring it back; I am a little concerned about what appears to be the dismissive approach by the Prime Minister of the Governor of the Central Bank by saying: “What are you talking about? The sky will not fall.” But what is a little more troubling was that the Prime Minister went on to give the example of Jamaica. He said the rate of inflation in Jamaica last year was 10 point something per cent and this year it is now 8 point something per cent, and he sought to give some reassurance to the population that the very way it could go up it could come down. That is very true. But he ignores the serious warning of the Governor when he says that once you hit double digits, you will start going down the slippery slope and it is going to be hard to come back.

I want to give the other side of the Jamaican story that the Prime Minister did not point out to the national community when he talked about 10 per cent going down to 8 per cent. The fact is that Jamaica has been experiencing serious and severe economic hardships for the past many years. They have had to deal with high inflation, severe devaluation of their currency, serious capital flight and with a manufacturing sector that literally collapsed. They have had to deal with that over many years.

In 1990, the rate of inflation in Jamaica was 29.8 per cent and I did not bother to get information going back from when it was at single digit to take it down to 29 per cent in 1990. In 1991, the rate of inflation in Jamaica was 80 per cent; 1992, 40 per cent; 1993, 30 per cent; 1994, 26 per cent—

Mr. Manning: What is your point?

Mr. G. Yetming: We are talking over 10 years and more. So you try to give the assurance to the population that double digits is not a problem and that our target is 7 per cent but you do not offer any prescriptions for how you are bringing it down from the 9.6 per cent to 7 per cent. I said in the budget debate that by the first quarter of next year you will hit double digits.

Mr. Manning: I thank the hon. Member for St. Joseph again. It is not correct to say that we did not give any prescriptions. In fact, one of the things that we

made absolutely clear is that—especially in the context of construction because that is what he is talking about when he talks about Government expenditure—if one addresses the supply side on the one hand, one can significantly curtail inflation. And, secondly, in respect of food production, which is another area that has contributed in no small measure to the inflation, that the Government has already engaged in a land distribution programme following the demise of Caroni (1975) Limited, which we confidently expect will begin to make its contribution to the reduction of inflation in the not-too-distant future. Therefore, the consummation of the point was this, that even if inflation is at 9.6 per cent at this time and it goes above 10 per cent, it is a temporary phenomenon that, in our respectful view, will not last any time. It will come right back down, because the measures designed to achieve that have already been taken. That is the point.

Mr. G. Yetming: I am not satisfied that the prescriptions of the Government, the farms and what have you, will provide the relief to the problem that the Prime Minister seems confident will happen. I do not see how these big farms within the next 12 months will provide any comfort to the situation. But I was responding to the Prime Minister's statement about Jamaica from 10 to 8 per cent and I simply wanted to put that statement into context, because when I read through the rate of inflation in Jamaica over the past 15 years, when it hit a high of 80 per cent, I do not know whether the population in Trinidad and Tobago could understand what the implications to their spending would be with a rate of inflation of 80 per cent. But I would also advise that while that rate of inflation was going in that direction, the rate of exchange in Jamaica was also going wild.

In the year 1984, the rate of exchange for the US dollar was Jamaican \$3.94; in 1990 it was \$7.18, which was about what we are now. In 1991 it went to \$12 to a US dollar, up to \$58 Jamaican to a US dollar in 2003 and in 2005, the exchange rate was Jamaican \$62 to a US dollar. All of that is tied to all kinds of conditions, including poor economic management. I would also mention, to put it in the context, that the lending rate in Jamaica in 1996—1997 was 75 per cent per annum. Can you imagine companies having to go to the bank to borrow money at 75 per cent per annum? Today in Jamaica it is 19 per cent.

So I think the Prime Minister needs to be very careful that when he tries to give assurances to the population that the inflation problem is really not a serious problem, I think he is doing the public a disservice.

Mr. Singh: That is part of the “dotish” talk we are getting.

Mr. G. Yetming: Having said that, I want to focus on the Bill. I do not know how much of the Bill I would be able to cover in the 20 minutes before we break for tea, and I believe that we will not be continuing the debate today. I want to suggest that this Bill which deals with what is described as “inter-generational equity” so to speak, which deals with moneys set aside for future generations, be bipartisan, and I would be happy if the Government would invite me after the debate today, during the course of next week to sit with whomever else they wish to invite, so we could hammer out the changes to the Bill that we would like to see, so that next week we could conclude the debate and go into committee—

Mr. Manning: In accepting the offer of the hon. Member for St. Joseph to collaborate with the Government in arriving at some kind of consensus, I think I ought to point out that, in fact, what he is saying, he is questioning the policy of the Bill and really is pointing out a divergence of view on policy, but we will talk.

Mr. G. Yetming: Some of the points I am going to raise would be points of policy and if we do not get an agreement on it, well, we do not get an agreement on it, but if we could arrive at agreement on some of the substantial points or a lot of the points, at least when we come to conclude the debate next week, and when we get into committee, we will not have to be spending hours arguing over points. You have the majority and if we have differences in policy, then, clearly, what you wish to have happen will happen.

The first point I will make is that there is absolutely no heritage element in this Bill. I will deal with that later on, but I need to make that point, that if there is to be a heritage element, the first recommendation we would clearly make is that there ought to be two funds, a heritage fund and a stabilisation fund. But there is only one fund provided for in this Bill and withdrawals would be at a maximum of 25 per cent in any one year. Clearly, if you take 25 per cent of the fund, you will always have 75 per cent remaining. But that 75 per cent that will be remaining does not deal with the heritage aspect because 75 per cent of nothing is nothing, because that is what you come down to. But I want to talk about that heritage element some more later on.

I want to go through clause by clause. The first point I want to make is the appointment of the Board of Governors. The previous speaker made reference to the fact that it ought not to be on the advice of the Minister, and I agree. The Bill legally prescribes how money should go in although we would have a point of difference on the formula you would apply. But the law prescribes a formula and the law provides for how the money would go in. The law would also provide for

Heritage and Stabilisation Fund Bill
[MR. YETMING]

Friday, November 10, 2006

how the money should come out. How you keep the money cannot be on the basis of the Government deciding who should handle the money.

I want to strongly recommend that the Board of Governors be appointed by the President after consultation with. The previous speaker—

Mr. Manning: Who, therefore, would be answerable for the funds and the use of it?

Mr. G. Yetming: I will come to that. We are dealing with having responsibility for a substantial amount of money. This has nothing to do with party; this has nothing to do with government in office, it has to do with creating a body of independent people who will manage these moneys on behalf of the people. I have a lot to say on how this board—

[Mr. Manning stands]

Mr. Singh: You will have your say. Wait “nuh”.

Mr. Manning: I am sorry. I would not disturb you again after this, but just let me make this point. An independent board appointed by the President in his own deliberate judgment, a board that is administering a substantial quantity of funds which we have set aside for inter-generational purposes; that is what you are saying. There are two fundamental issues that arise in that. First of all, what will be the accountability of the board itself? Secondly, the authority of the President to make such an important set of appointments and the basis on which that authority is derived, what you also now impacting on, is the role of the President and, therefore, for the second time this evening a fundamental question is being raised about the Constitution of Trinidad and Tobago.

Mr. Ramnath: You are totally obsessed with the—

Mr. Manning: That is where he is heading.

Mr. G. Yetming: There are one or two other references I am going to make on this whole question of appointment by the President, but the recommendation is that the Board should be appointed by the President after consultation with. It should not be—

Mr. Manning: Consultation with whom?

Mr. G. Yetming: The Prime Minister and the Leader of the Opposition.

Mr. Manning: Therefore it is in his own deliberate judgment.

Mr. G. Yetming: Well, yes, it is his own deliberate judgment, but it should not be for the Minister of Finance to determine who should manage this money on

behalf of the people—and substantial money for future generations. [*Desk thumping*]

Mr. Manning: Who elected the President and who elected the Government?

Mr. Ramnath: Who manages the judges? Who manages all the service commissions? [*Crosstalk*]

Mr. G. Yetming: Mr. Speaker, when we get to clause 4(2)(a), it says:

“two members, one each nominated by the Central Bank or the Ministry or both from either of these institutions,”

A drafting problem. Which Ministry? If you are saying “two members, one each nominated by the Central Bank or the Ministry of Finance”, but you just have “or the Ministry” and one does not know which ministry you are talking about.

Mr. Singh: It may be in the definition.

Mr. G. Yetming: No, it is not in the definition section. But the clause goes on to say:

“...or both from either of these institutions,”

The clause should provide for one nomination from the Central Bank and one nomination from the Ministry of Finance. There should be no, or two from any one of the two institutions, because you could conceivably have two members from the Ministry of Finance on the board with three independents. But a quorum is three and the majority decision in a quorum of three is two, and those two could be from the Ministry of Finance, controlled by the Minister. At least, if you insist on one from the Central Bank and one from the Ministry of Finance, you provide some degree of protection. So that: “or both from either of these institutions”, should come out.

In progressive legislation dealing with financial governance, it is usual to specify criteria relating to “fit and proper”. So that clause 4, which simply says:

“The Board shall comprise of five members, to be selected from among persons of proven competence in matters of finance, investment...”

To me, that is inadequate in the context of legislation today that is prepared to deal with financial governance. In our own Financial Institutions Act, the Central Bank provides for people who manage financial institutions and directors of financial institutions to be people who, according to section 20(1) of the FIA, have not been placed into receivership; have not been convicted by a court for an

offence involving dishonesty; have not been adjudged bankrupt and a fit and proper person in accordance with the Second Schedule. And the Second Schedule details what a fit and proper person is. In fact, the Central Bank has its own guidelines, apart from what is in the FIA, on what is a fit and proper person. I want to suggest that apart from saying competence in certain disciplines, that individuals must meet “fit and proper criteria”.

Clause 5 deals with a quorum. I think the previous speaker made reference to the point about a chairman being appointed in his absence and “may appoint a member of his alternate”. I assume that some change will be made to “a member of his alternate”. Clause 5(4) says:

“A meeting shall not be held without a representative of the Central Bank or the Ministry of Finance.”

I would believe that you intended to say: “A Member of the Board representing the Central Bank or the Ministry of Finance.” In other words: “A meeting shall not be held without a representative of the Central Bank or the Ministry of Finance”, would suggest that it could be anybody from within the Central Bank or anybody from the Ministry of Finance. What I think you want to say here is that: “A meeting shall not be held without a member of the board representing Central Bank and the Ministry of Finance.”

Clause 5(6) states:

“The decisions of the Board shall be by a majority of votes of members present.”

That does not cater for the fact that if you have an even number of members of the board present, that the Chairman should have a casting vote, and I think that you would want to put that in the legislation.

In clause 6, if we agree that we should have fit and proper criteria for members of the board, then termination should include a provision where the President may terminate if a person ceases to meet fit and proper criteria.

In clause 7 where the names of the members of the board should be published in the *Gazette*, I think for clarity we should include: “Members of the Board and alternate Members of the Board.” Because I am not too sure whether in reading this clause, it provides for alternate members to be published in the *Gazette*.

In clause 8 it states:

“The Board shall—

- (b) be responsible for the day to day management of the Fund;”

But under clause 9(1) the Bill says:

“The Board shall delegate to an investment entity recommended by the Central Bank, responsibility for the day-to-day management of the Fund.”

So this legislation says that the board should be responsible for the management of the fund but they are delegating to somebody else the responsibility for the management of the fund, and that somebody else is a nomination from the Central Bank.

My question is: Is the Central Bank necessary here? The only role of the Central Bank in this Bill, apart from nominating a member for the board, is to recommend the investment entity. I do not understand, if you have a board of independent people comprising fit and proper people qualified in their various fields, why the board should not appoint the investment entity. I see no reason for the Central Bank to be given that responsibility. Furthermore, whether the board does it or whether the Central Bank does it, the appointment of the investment entity must be transparent. It cannot be arbitrary, and the way the language is in here, it is arbitrary. The Central Bank could decide on its own that it pick Tom Jones.

One would recall a couple years ago, ADDA. The Tobago House of Assembly handed over \$12.6 million to an organization, I believe called ADDA, to invest on their behalf and the money disappeared. We are dealing with \$8.6 billion as of now and to hand \$8.6 billion to an investment entity arbitrarily decided by one person by the Central Bank, must not happen. Furthermore, it must be transparent because if the minimum fee for managing these funds is 1 per cent, \$8.6 billion is \$860 million per annum in fees. [*Interruption*] The fund is \$8.6 billion, 1 per cent—

Mr. Manning: Ten per cent is \$860 million—

Mr. G. Yetming: It is \$100 million.

Mr. Manning: It is \$86 million.

Mr. G. Yetming: It is \$100 million in fees per annum. That is why the question of transparency is important.

In dealing with this investment entity, I want to go to the Schedule on page 11. The Schedule contains three things about the investment entity: The responsibilities of the investment entity; liability of the investment entity and fees. I am suggesting that that section must also include the procedure and the minimum criteria for the selection of the investment entity. It cannot be arbitrary. In fact, we should not

Heritage and Stabilisation Fund Bill
[MR. YETMING]

Friday, November 10, 2006

legislate, as we are doing here in the Schedule, we are legislating an indemnity to the entity and we really do not have a say on some of the pre-qualifications or the criteria of what the investment entity is all about. We are going to be considered to be absolutely mad to be blindly issuing, by law, an indemnity to the entity without, at least, prescribing what that entity should look like.

I want to suggest some criteria for the investment entity and I am going to do it very quickly in the one or two minutes that I have before we adjourn. The entity should be a recognized and reputable investment advisor licensed in the jurisdiction in which it conducts business, whether it be US Federal Reserve or the US Securities and Exchange Commission. The entity should possess a minimum rating of “AA” or equivalent from a recognized rating agency. If the entity possesses a minimum rating of “AA”, then that will deal with capital adequacy of the entity; it will deal with financial strengths; it will deal with stability and financial performance. But it cannot be that some small firm is handed \$8 billion of Trinidad and Tobago’s money, or US \$1 billion-plus.

The entity should possess adequate insurance coverage to cover fraud, gross negligence and wilful misconduct.

Mr. Manning: We will discuss that.

Mr. G. Yetming: The entity should manifest a track record of full compliance with regulatory accounting principles and best practice and the entity should demonstrate competence in the area of investment, advisory services, and so on.

The point is, assuming you agree, there ought to be a provision for parameters to be defined in the law to deal with the investment entity, then we could always find the language to deal with it.

Mr. Manning: Is that not a function that the Central Bank would normally perform in the normal course of its business? Why is it necessary to put it in the law?

Mr. G. Yetming: If the authority is given to the Central Bank to select an investment entity, we cannot assume that they will use that kind of criteria in the case of this fund and for the legislation that we are designing for this fund—

ADJOURNMENT

The Minister of Works and Transport (Hon. Colm Imbert): Mr. Deputy Speaker, I beg to move that this House do now adjourn to Friday, November 17, 2006, at 1.30 p.m.

Adjournment

Friday, November 10, 2006

Dr. Rafeeq: Could you tell us what we would be dealing with? Is it just the continuation of this?

Hon. C. Imbert: Certainly. We are continuing this debate on Friday, November 17, 2006.

Mr. Deputy Speaker: Do you want to do the Motions now?

Hon. C. Imbert: Mr. Speaker, I suggest we break for tea and then we do the Motions. Apparently there are two Motions which would take us some time.

Mr. Deputy Speaker: Hon. Members, the sitting of this House is suspended. We will resume at 5.00 p.m.

4.30 p.m.: *Sitting suspended.*

5.00 p.m.: *Sitting resumed.*

Sangre Grande Junior Secondary School (Deshifting of)

Mr. Harry Partap (*Nariva*): Mr. Deputy Speaker, the Motion I wish to bring this evening to the notice of this House deals with the failure of the Ministry of Education to provide adequate accommodation for the students of the Sangre Grande Junior Secondary School which was deshifted on September 01, 2006. The school was renamed the Sangre Grande Secondary School and is one of eight secondary schools which the Ministry of Education proposes to deshift in the 2006—2007 academic year.

In its annual administrative report 2002—2003, the ministry defines deshifting as the merging of both morning and afternoon shifts of junior secondary schools to create a whole day school system. My Motion refers specifically to the Sangre Grande Secondary School, but the situation is no different at the Williamsville Secondary School in south Trinidad which is also facing a deshifting dilemma. Now we hear of plans by the Minister to close the Biche Presbyterian Primary School.

Clearly, the Minister of Education made a bad situation worse when in haste to deshift the Sangre Grande Junior Secondary School, she failed to ensure that there was enough space to accommodate the school population. One would have thought that the first order of business in deshifting the school would have been to ensure that there was adequate space, furniture and other apparatus to accommodate all students. However, if there was insufficient space and the students could not have been

Sangre Grande Junior Secondary
[MR. PARTAP]

Friday, November 10, 2006

accommodated, the ministry should have held its hand on deshifting until the problem was resolved. Indeed, it would have been the logical and sensible thing to do, but it was not done.

I am told that the annex to house the students should have started before the start of the July/August vacation and would have been ready in time for the September 01, 2006, opening of the school term. Apparently, there was no monitoring of the project by the ministry and construction started only after the re-opening of the school in September. To compound matters, the Minister was not aware that the project did not start and went ahead with the pre-vacation plan to deshift the school by September 01, 2005, only to discover on that day that there was no space for all the students. For the past two months the Sangre Grande Secondary School has been on a rotation system. Instead of the lesser of the two evils, the shift system has given way to the rotation system in our schools while the oil dollars are floating around.

This is how it works. Since September 02, Forms 1 and 2 attend school on Mondays, Wednesdays and Fridays. They have no school on Tuesdays and Thursdays because Forms 3 and 4 occupy the classrooms. The rotation shifts in the succeeding week with Forms 3 and 4 in class on Mondays, Wednesdays and Fridays, while Forms 1 and 2 occupy the classrooms on Tuesdays and Thursdays. The students of Forms 1, 2, 3 and 4 have no school for two days in a week and three days in the succeeding week. This means that in the PNM's 2020 vision, in a month the students at the Sangre Grande Secondary School would be at school for two weeks and home for two weeks. If that is not madness, pray, somebody tell me what is.

I regret to believe that the Minister of Education is a party to this madness. Is it because the children who attend the Sangre Grande Secondary School come from rural communities with parents who survive on subsistence farming that this nonsense is imposed on them? I ask the question: Would the Minister of Education dare to impose this arrangement on students who come from middle class urban centres? Would she have done that? The Minister of Education is allowing the students at the Sangre Grande Secondary School to remain at home for two weeks in each month. This, in an environment in which the 2002 Caribbean Drug Information Network National Secondary Schools Survey revealed that 13.7 per cent of secondary school students admitted to have tried marijuana and 13.5 per cent admitted to have used cigarettes. Is the Minister of Education not concerned that in the same survey 73 per cent of the students admitted to have used alcohol. You cannot be serious to let children stay at home unattended for two weeks per month.

I understand that the situation at Williamsville Junior Secondary School is chaotic.

Mr. Deputy Speaker: The Williamsville Junior Secondary School did not form part of your request. The Minister would not be able to respond. *[Interruption]* Please hon. Members.

Mr. H. Partap: Mr. Deputy Speaker, I will bow to your advice but the situation at Williamsville is even worse because they are occupying the lab.

Mr. Deputy Speaker: Hon. Member, if you are finished speaking, take your seat.

Mr. H. Partap: I am not.

Mr. Deputy Speaker: It appears to be so.

Mr. H. Partap: Mr. Deputy Speaker, I am not but I hope that the Minister would—I will file another matter. Now we are hearing that she wants to close Biche Primary School. Why? Because of no transport.

Mr. Deputy Speaker: Take your seat, please hon. Member. *[Desk thumping]* Hon. Minister.

The Minister of Education (Sen. The Hon. Hazel Manning): Mr. Deputy Speaker, thank you very much. The Government of Trinidad and Tobago and the Ministry of Education welcome this opportunity to share with this honourable House and the hon. Member on the other side, the current activities in respect to the deshifting and conversion of the government schools in Trinidad and Tobago, especially Sangre Grande Junior Secondary School which is part of this process. *[Crosstalk]*

Mr. Partap: We are talking about Sangre Grande Junior Secondary School.

Mr. Deputy Speaker: Hon. Member, in the beginning of your speech you made reference to Williamsville and to another school. I allowed you to go with that. Then, you sought to extend it. If the hon. Minister is replying she also has the opportunity to refer to it first, because you referred to it. We can get the *Hansard*. *[Interruption]* Yes. I will determine that.

Sen. The Hon. H. Manning: Mr. Deputy Speaker, thank you very much.

As I was saying, this process is part of a deshifting and conversion programme. When the Member on the other side used the word “failure” when he posed his question, failure implies lack of success. As you know in all complex tasks there are challenges. With the issue of deshifting and conversion of schools there have been challenges, but there have also been many successes. When we talk about the deshifting system, we talk about a system that was introduced 30 years ago when the government built over 21 schools that were shift schools, as we call them. We

Sangre Grande Junior Secondary
[SEN. THE HON. H. MANNING]

Friday, November 10, 2006

did the research and discovered that there were issues we had to deal with and one was the safety issue. Children leave very early in the morning and come back home late at night. We have had one case that is well known where one student disappeared. It is believed that she was kidnapped.

We have had social issues where there is lack of parental and community care after hours; loss of teaching time to an average of one hour a day; teaching on waning time, what we call the afternoon shift where students are not settled and they are restless. When we look at the statistics much indiscipline occurs. We have had issues of a stressful environment where the principal, teachers and students try to finish a syllabus within that short time and no extra-curricula activities; no clubs for sport and drama and no library time. Because of that the results of our research showed that we needed to deshift the junior secondary schools and convert the senior comprehensive schools which we call twin schools. One school is a junior secondary school and in the neighbourhood there is a senior comprehensive school; that they would work hand in hand.

Based on that we have discovered—I want to read into the record—that only four schools were deshifted in 30 years. The first positive of the deshifting exercise comes from the approach to deshifting and conversion. The first thing we did was to involve the whole school. We spoke to the principals and teachers. There was involvement and participation in the deshifting system. We asked the teachers and principals to put a contingency plan in place just in case the schools were not ready when the September term began.

Secondly, we moved from that piecemeal approach that they had so many years ago, where four schools were deshifted into a more comprehensive approach. The other positives coming out of what had happened impacted on the deshifting and conversion of the school system. We developed social aspects of the school life.

I will talk about the school at Sangre Grande. [*Desk thumping*] The school has started to put in place cricket teams, football teams and clubs. That is on the programme. [*Interruption*] “I ain’t come to that yet. Ah tell yuh that is part.” The plans are there and we have started moving towards it. The expansion of the extra-curricular activity and learning is taking place. There is provision for curricular support. The Ministry of Education has started training those teachers because they are now being prepared to teach full-scale secondary schools with Forms 1 to 5. There is now large-scale training by the Curriculum Division of the Ministry of Education.

We have provided psychosocial support for the principal and teachers at Sangre Grande. We have hired a consultant who is working with the principal and teachers as we introduce this change management. We have offered quality management support. We have been told that the whole environment, the ethos of the school has started to change. There is less indiscipline among the students. We know that in time to come there would be more student success. We are looking at a system that is more cost efficient and timely. We know that in time to come the schools would be able to operate on that basis. Based on the results of research and what is happening at Sangre Grande, we have developed a comprehensive deshifting and conversion plan for all government schools in this country. This has been carefully developed and implemented over the last three years and is being deepened now.

There are curricular support for the teachers at Sangre Grande; upgrade of the physical accommodation for both staff and students; psychosocial support and quality management. For curricular support for teachers we have put in place a new national curriculum at Sangre Grande, for the first time at the Form 4 level. We have introduced some special subjects in the Caribbean Secondary Education Certificate (CSEC), Trinidad and Tobago National Vocational Qualification (TTNVQ), Caribbean Vocational Qualification (CVQ) and other technology based subjects at the National Examinations Council (NEC) level. We are introducing school leaving subjects. We have also introduced adherence to the Continuous Assessment Programme because at that school we have introduced the National Certificate of Secondary Education. We have removed the two-tiered system. We have ensured a structured approach to teaching and learning so that the students can go from Forms 1, 2, 3, 4 and 5 in one school.

The infusion of the new curriculum dictates the look and feel of what we are doing in that system. The qualification of teachers, a relevant timetable and other human resource issues have been addressed. We have enhanced the school plan. We have constructed temporary classrooms at Sangre Grande; we are about to upgrade the laboratory accommodation and other infrastructural modifications are taking place at this point in time.

Hon. Member: When will they be going to school full time there?

Sen. The Hon. H. Manning: From next week.

Mr. Partap: Next week.

Dr. Rowley: No. Last week.

Sen. The Hon. H. Manning: I am coming to say to you that the consultancy service is in place. [*Interruption*]

Mr. Deputy Speaker: Stop. You have gone ahead—if you do not want to hear the hon. Minister, having brought the Motion, you now constantly interject so that the Hansard reporter cannot hear. Could you continue, Madam Minister?

Sen. The Hon. H. Manning: Mr. Deputy Speaker, thank you very much. It is a process. Consultancy services have been provided for the school and we have been told that the school board, staff, students, administration and parents are coping with what is happening. We have begun change management consultancies. Because of what we are doing [*Interruption*] 15 schools are going through the same process; not the two or three schools he is talking about. Sangre Grande Junior Secondary, Five Rivers Junior Secondary, Aranguéz Junior Secondary, Williamsville Junior Secondary, San Fernando East Junior Secondary, Marabella Junior Secondary, Siparia Junior Secondary, Point Fortin Junior Secondary are going through the same process.

Point Fortin Senior Comprehensive School is being converted and so too are Marabella Senior Comprehensive School, Siparia Senior Comprehensive School, Pleasantville Senior Comprehensive School, Arima Senior Comprehensive School and Carapichaima Senior Comprehensive School. The Ste. Madeleine Secondary School is one of the many schools which was deshifed and converted, but never upgraded. The Ministry of Education is turning its attention to schools which were deshifed many years ago. [*Interruption*]

Mr. Partap: Minister, Sangre Grande Junior Secondary School. [*Interruption*]

Dr. Rowley: Harry, shut up!

Mr. Deputy Speaker: Do you recall that the Minister said in a week, when you asked that question?

Mr. Partap: No.

Mr. Deputy Speaker: Let her continue.

Mr. Partap: Come fast! Come fast!

Sen. The Hon. H. Manning: Mr. Deputy Speaker, I will take my time. [*Laughter*] Though few attempts have been made in the past to deshif and convert schools, never before has there been a systematic research-based programme for deshifing and conversion of schools since 2003. That is when we started. As far as I can gather, that former administration deshifed and converted two schools; they were the Barrackpore Junior Secondary School and the Barrackpore Senior Secondary School. That is all they did. We are now talking about 15 schools. They made minor

changes, nothing as fundamental or compared to what we are doing now. They did nothing to ensure that the changes were relevant and the students successful. We are making sure that the changes are relevant.

There are many benefits to what we are doing. The physical infrastructure at the 15 schools has been improved. At the Sangre Grande Junior Secondary School these enhancements were projected to be ready by the second week in October. There have been some construction delays but the construction of the classroom facilities is approximately 95 per cent complete. It would take place shortly. Staff facilities and other physical improvements are expected to be completed by the end of November. Parent and student feedback has confirmed that the environment is now conducive to learning. Greater stakeholder involvement is taking place. The local school board and the Parent-Teacher Association have been talking with us. At the Ministry of Education we are supporting an enhanced and stronger school-based management structure as we guide the principals and teachers to ensure that schools go on proper footing.

There have been many benefits at the Sangre Grande Junior Secondary School. The Sangre Grande Junior Secondary School now to be called the Sangre Grande Government School has a total enrolment of 1,140 students. (*Crosstalk*) Mr. Deputy Speaker, they are taking my time. I would like to—

Mr. Deputy Speaker: What is the issue?

Mr. Partap: Fifteen minutes. Time up.

Sen. The Hon. H. Manning: I am almost finished, Mr. Deputy Speaker.

Mr. Deputy Speaker: Allow the Minister to wind up.

Sen. The Hon. H. Manning: The construction of 16 modern pre-built schools is 95 per cent completed. The construction of staff rooms is about to start. The creation and extension of the car park spaces is completed. Contracts are about to be awarded for the refurbishment of existing laboratories. The provision of the multimedia classroom is about to take place.

On Thursday 09, that was yesterday, the Vice Principal of the Sangre Grande Junior Secondary School was invited by the divisional manager of Engineering Works of MTS to view the prefabricated classrooms for readiness to hand over. Some adjustments had to be made and the contractor has been given November 12 to complete the corrective work.

This Government is very proud to be deshifting and converting government schools throughout the country. We will make up the time for those two weeks, as we have asked principals to help the students during the vacation periods. This

Sangre Grande Junior Secondary
[SEN. THE HON. H. MANNING]

Friday, November 10, 2006

Government is very proud to deshift the Sangre Grande Junior Secondary School in a structured and comprehensive manner that involves the school community at every stage, a move which has been hailed by parents and students of that school. This administration is proud that we have finally broken the back of the system which, despite the many challenges, will create many worthwhile citizens. However, the time has come to move on and provide a more comfortable, relaxed, relevant and quality education environment for all students and teachers. [*Desk thumping*]

Proposed Aluminium Smelters (Economic Feasibility)

Mr. Winston Dookeran (*St. Augustine*): Mr. Deputy Speaker, I rise for the Motion on the Adjournment in my name. It is as follows: The failure of the Government to provide information to Parliament and the public on the economic feasibility, environmental impact and gas pricing for the proposed three aluminium smelters. It is now widely known that the Government has not only handled this matter in a high-handed manner in what some term an arrogant manner and what the people consider to be a “dotish” manner, but for some months decisions have been made regarding two and now, three aluminium smelters without the Government in any way showing any sensitivity to the rights of the citizens of our country. In all their utterances they have not given any credence to the views expressed by the citizens who are affected and the community at large.

5.30 p.m.

Mr. Deputy Speaker, had it not been for the continuous public awareness programme that has been undertaken voluntarily by a number of individuals and groups in the society, we would not have been any wiser as to the hazards and risks associated with these aluminium smelters. Had it not been for the morning radio programmes, with the voices of Gary Aboud, Anil Roberts and Petra Bridgemohan, this country would have been less informed. Had it not been for the community groups and residents in Chatham, who have persistently kept this story alive, we would have been less informed. Had it not been for the alliance groups now camping out on the campus of the University of the West Indies, we would have been no wiser on these issues.

In addition, there is no doubt given what has been taking place both in terms of our international and local media, that there is clearly a loss of confidence in the Government’s development platform as it relates or pertains to the South-

West peninsula. [*Desk thumping*] There is also a strong argument and a growing technical and popular opinion that the proposed platform for development via the construction of these aluminium smelters is not in the public interest of Trinidad and Tobago. [*Desk thumping*]

To some extent, the Government has recognized the argument and a recent decision announced by the Minister of Finance that he will hold a symposium on the matter and himself being informed as to the concerns of the people, is a step in the right direction if, indeed, it is a genuine step.

In light of that, Mr. Deputy Speaker, I now say in this Parliament, as an act of good faith; as an act to win the confidence of the people in a major development effort and in an act to assure this country the Government is not taking the direction of development wrong in this land, I now call on the Government to immediately bring a halt to the construction of the aluminium smelter projects in Trinidad and Tobago, and to address the following concerns that have been expressed in a truthful manner, in an open manner, and in a manner that will be able to win the confidence of our people.

Mr. Deputy Speaker, there are many questions but I will only raise three in the first instance. Can the Minister of Finance announce to this House the amount of money spent by the State on infrastructure to prepare the sites at Chatham and Union Estate, despite the fact that there is as yet no environmental clearance to any public debate on this matter?

Secondly, can the Minister of Public Utilities and the Environment indicate to this House the impact that the smelter in Chatham will have on our aquifers and on the nation's water supply? In the event of a year of below average rainfall, would there be sufficient water for the people of this country or its development under this Government?

Thirdly, can the Minister of Agriculture, Land and Marine Resources indicate to this House the impact that the smelters will have on our nation's fish stocks? Will this project put our fish stocks in further jeopardy and add fuel to the inflationary spiral in this country?

Mr. Deputy Speaker, this debate has gone even beyond our shores. A very recent newspaper article in Iceland made mention of the discussion that is taking place here. I quote from the newspaper article which says:

“According to world bank statistics, Trinidad is #5 in the world when it comes to Carbon Dioxide Pollution.

Proposed Aluminum Smelters
[MR. DOOKERAN]

Friday, November 10, 2006

The 2005 Yale/Columbia Environmental Sustainability Index (ESI) showed Trinidad and Tobago as having the worst percentage of negative land impacts of 146 countries, yet Trinidad's government is continuing on a path toward industrialization of what was once a scenic Caribbean Island...

The citizens group Cedros Peninsula United managed to obtain a copy of Alcoa's application of Environmental Clearance which was jointly signed by Alcoa and the government's Energy Corporation which Alcoa tried to keep secret and found it full of omissions, inaccuracies and outright false statements.

'We are very worried about a company that promises us an environmentally friendly smelter, yet is already lying about things like water and pollution before the smelter is even built. How can we trust them,...''

Mr. Deputy Speaker, there are many other major issues that this platform for development has raised that will put in jeopardy the interest of the people of Trinidad and Tobago. On the issue of gas utilization and pricing, there is no information on the gas utilization strategy—

Mr. Singh: That is Ken Julien's secret.

Mr. W. Dookeran: Already we are having a very vexing debate as to the availability of gas for industrialization of the future. There is clearly no information made to the public on the very important issue of gas pricing and what arrangements have been made. In particular, there is no discussion on the opportunity costs of the use of natural gas. A recent study done by the University of the West Indies outlined in great details what these opportunity costs can be.

On the issue of the environment, there has been no real discussion or assurances on the part of the government that there will be an upgraded regulatory framework. Already the air and water pollution rules are still awaiting the passage through Parliament. There is no clear acceptance and assurances that there will be a capacity to monitor possible violations on environmental standards. Indeed, Mr. Deputy Speaker, the evidence so far would have suggested that this is an area in which there is little enforcement capability on the part of authority.

There are several violations with respect to Atlantic LNG and Union Estate, La Brea which remain unresolved. Alcoa has had a track record as evidenced in their involvement in the United States and Australia where the possibility of violating environmental codes is high. We also note that the Chinese company CNC has not built an aluminium smelter outside of China, given that this country does not have high environmental standards.

There have also been real concerns that have been expressed not only here but within the Caribbean region with respect to the transportation of toxic waste. We might also add that the recent announcement by the Prime Minister, in the manner in which he has done it, has severely compromised the Environmental Management Agency in its own work programme. Is this the kind of independence that we put to our institutions which have a responsibility to protect our environment?

Mr. Deputy Speaker, there are serious community rights that are not being adhered to. In order to have community rights enforced as part of a democracy, there should be legally enforceable arrangements for community rights that have been expressed: community rights with respect to the quality of life; community rights with respect to the health and safety concerns; community rights with respect to the relocation and all that it would impose on the community; community rights that would affect the very social fabric of the community and the provision of very basic amenities for the development of the children in those communities.

In this context there is also concern as to whether development platform is at all appropriate. Notwithstanding the fact that the Government may have, from time to time, given information, perhaps, incomplete information, saying that there will be downstream activities, the information before us is that there is only approximately 10 per cent of the output of Alutrint project which will be used for downstream in the manufacture of aluminium wheels, the other 90 per cent is targeted for export. There are many other concerns as to whether or not there could be an alternative development plan for the area.

Many have brought forth very good ideas; ideas ranging from ecotourism to the development of an international university town; ideas for establishment of a food processing plant to be able to pursue a development path that would support the fishermen in Cedros; ideas to bring into the area a coconut processing facility where there will be equity participation by the farmers and the fishermen.

Mr. Deputy Speaker: Hon. Member, you have two minutes more.

Mr. W. Dookeran: Thank you, Mr. Deputy Speaker. All these concerns have been addressed in the public arena. The Government's immediate response, as I have said, is merely to announce a symposium. We must be assured that this shall be an open symposium that will be truthful and in that sense we must start developing the agenda collectively. It is not only the responsibility of the Government to determine the agenda for that particular symposium if it is to gain the confidence of our people. Therefore, I make the call again that we must bring

Proposed Aluminum Smelters
[MR. DOOKERAN]

Friday, November 10, 2006

an immediate halt to all the aluminium projects in Trinidad and Tobago until we can win the confidence of the people that we are making a decision in the interest of the people of Trinidad and Tobago. [*Desk thumping*]

Thank you, Mr. Deputy Speaker.

The Minister of Public Utilities and the Environment (Hon. Penelope Beckles): Mr. Deputy Speaker, I rise to respond to the Motion of the Member for St. Augustine. Let me start by indicating that a similar Motion was filed earlier by the Member for Tabagite, who is not here today, and a lot of what I am going to say was already said in response to that Motion. [*Interruption*] Yes, it was a private motion but it is the same information we are giving again. I want to start off, as I said, at this point in time to make it very clear, as it relates to the Government's commitment with respect to preservation and the conservation of the environment. I have asked the Member for Diego Martin East to assist me with the definition of aquifers.

As Minister with responsibility for the environment, you would recall that the Motion from the Member of Parliament for St. Augustine deals with issues of gas pricing as well as economic feasibility. This Motion was forwarded to me and I propose to deal with the issues for which I have responsibility, that is the issue of the environment. In so doing, I am sure that the Member knows that those particular issues fall under the Ministry of Energy and Energy Industries, but I will deal with the matters for which I have responsibilities. In so doing, I propose to deal, first of all, with some general comments as it relates to the environmental challenges and achievements and then turn to address specific matters as they relate to the existing systems geared towards ensuring that industrial developments such as the establishment of aluminium smelters are taken in a manner that takes account of the need to protect the environment in a sustainable way.

Mr. Deputy Speaker, I would, first of all, like to read from the Government's 2020 Vision as it relates to the environment which specifically says that in relation to the environment we strive for:

“A country in which all persons treasure the environment and voluntarily use its resources wisely to ensure its protection, conservation and restoration, so as to equitably meet the needs of present and future generation and enhance the quality of life.”

The Environmental Management Authority was set up some time ago and one of the first things that this Government had focused on was the revisiting of the

National Environmental Policy. That policy was first approved some seven years ago.

Mrs. Persad-Bissessar: Under the UNC.

Hon. P. Beckles: Under the UNC.

Mrs. Persad-Bissessar: Thank you.

Hon. P. Beckles: And in order to deal with certain new initiatives that environmental policy was revisited. Consultations were held throughout Trinidad and Tobago and that new environmental policy was laid in this Parliament so as to make it clear to the public exactly what that new policy was.

Mr. Deputy Speaker, that 2005 Environmental Policy recognizes that the environment is an essential pillar of our economic and social development. That new policy focuses on sustainable management of the country's environmental assets rather than the narrower concept of environmental protection, which tends to bring into conflict the notions of environmental sustainability and economic development. Therefore that National Environmental Policy seeks to find a balance between economic development and environment management.

It is of vital importance to the Government of Trinidad and Tobago that we ensure a strict regime of environmental standards to protect the citizenry's flora and fauna and the business that operates from exposure to environmental health and financial risk. We therefore encourage investment in the health of the nation as part of the corporate investment and as good corporate citizenship.

It is important for us to learn from our history and experiences in achieving rapid industrial growth and change in Trinidad and Tobago, especially with regard to developing large industrial projects. It is understandable that any major change in the landscape, the socio-economic composition of an area or the environment will undoubtedly be of great concern.

For those of us who are old enough to remember, there was open opposition to the development of the Point Lisas Industrial Estate. Indeed, we should be very worried if such concerns were not expressed. However, it is also important to recognize both the potential benefits and costs of such change.

Mr. Singh: That is what we want to find out.

Hon. P. Beckles: There can be no doubt that the establishment of aluminium smelters can be an economic benefit to Trinidad and Tobago but, as with all industrial processes, the Government of Trinidad and Tobago is cognizant of the potential impacts generally associated with aluminium production.

Proposed Aluminum Smelters
[HON. P. BECKLES]

Friday, November 10, 2006

The people of Trinidad and Tobago can be assured that there is a process, enshrined in the laws of our nation for vetting the environmental merits and demerits of locating smelters in Trinidad and Tobago.

The Member of Parliament for St. Augustine spoke about his concern about the absence of consultation, but I would again like to reiterate that the laws of Trinidad and Tobago as they relate to the establishment of a smelter or similar activities, specifically, require consultation.

The granting of approval for the construction and operation of aluminium smelters here will depend upon the outcome of a thorough examination of the environmental public health, and social impacts of such projects and these impacts will have to be minimal and acceptable.

As we are aware the existing legal mechanisms for assessing the environmental impacts of the establishment of aluminium smelters are through the Certificate of Environment Clearance (CEC) processes and we know that is established through activity 21. As the Member of Parliament for Siparia said, that existing policy was initially laid down by the United National Congress, so I must assume that they are very cognizant with the process established.

The 2001 Certificate of Environmental Clearance Rules made under the EMA came into effect in 2001. The Certificate of Environmental Clearance Rules, the Certificate of Environmental Clearance Order, the Certificate of Environmental Clearance Fees and Charge regulations established a framework for the protection against environmental degradation. The objective of this CEC process is integrated environmental management at the national level.

In granting the CEC, the EMA must comprehensively examine the impacts of all phases of the construction and operation of the proposed aluminium smelter, human health and the environment. There is a process enshrined in the law by which certain applications for the CEC are required to do an environmental impact assessment. Such a process would apply to the construction and operation of an aluminium smelter. In its examination, the EMA would ensure the existing national and international standards and guidelines relevant to air emission, effluent discharge, and waste disposals and treatment, are adhered to, including, but not limited to the following—

The Member for St. Augustine also spoke about the absence of the water pollution rules, but I would like to say that there are certain standards that can be adhered to. There are the United States Environmental Protection Agency standards,

the World Bank and world health standards and, of course the standards set up by the Trinidad and Tobago Bureau of Standards.

Mr. Deputy Speaker, only if and when the EMA is satisfied these international and national standards for air emissions, effluent discharge and waste disposal and treatment are met, during the construction operation and decommissioning of the proposed smelters, only then would a Certificate of Environmental Clearance be granted.

The Certificate of Environmental Clearance, if granted, would also contain stipulations on these standards for air emissions, effluent discharge and waste disposal.

I have outlined to the similar Motion raised by the Member for Tabaquite and I once again reiterate in this House, in response to the Motion by the Member for St. Augustine, the absence of final legal rules does not prevent the EMA from applying the standards to which I just referred, nor is the EMA prevented from applying the rules of its Certificate of Environmental Clearance process.

It is to be noted that these international standards were also the basis for the standards that are to be found in the Draft Air Pollution and Water Pollution Rules of which the EMA is the architect.

I am no expert on smelters, so for information about the Environmental Impact Assessment (EIA) and I refer now, specifically, to Alutrint, the EMA has to date received an application from the National Energy Corporation (NEC) for a 125,000 metric tons aluminium smelter at Union Estate in La Brea. Currently, the EIA for this proposed smelter has been reviewed by the EMA and a deficiency report has been issued to the NEC.

Mr. Deputy Speaker, as it relates to the Alutrint smelter, the available information and all types of levels of emissions from the plant, any potential health risks to the residents and plans for waste disposal, I await the outcome of the EMA's review of the applicant's response to the deficiency report on the Environmental Impact Assessment. Once the EMA has completed its analysis of the Alutrint EIA, the results will be available, and those results will be made public. The EIA prepared for the project is now in the public domain and can be found at the EMA's website (WWW.ema.co.tt). It is important to note however, that the information presented in these documents now does not guarantee exactly what the emission and risk would actually be. Through the process of review and public consultation, in which I encourage everyone who has an interest in the smelters to actively participate, the findings of the EIA and responses to the report

Proposed Aluminum Smelters
[HON. P. BECKLES]

Friday, November 10, 2006

will be made public. Also, it will be closely examined by the EMA and its team of national and international experts; by other government agencies; by experts on the siting and operation of smelters and the public at large.

Mr. Deputy Speaker, with respect to Alcoa, a request was made for the establishment of a 350,000 metric ton aluminium smelter at Cap-de-Ville. To date the EMA has issued terms of reference for the conduct of an Environmental Impact Assessment for the smelter. As this EIA has not been conducted, there is no technical information to support an informed position on the types of pollutants that are likely to be emitted or otherwise released from the plants, or to determine the likelihood that the specific proposed facility will pose a serious health or economic risk. Drawing a conclusion one way or the other is thus premature. When the information about the Alcoa plant is provided and reviewed by the EMA, the results of the authority's review will be made public.

In fact, the EIA must include at least four opportunities for public consultation facilitated by an independent facilitator at various stages in the process. Additionally, the EMA plans to make available independent experts to the communities.

The CEC process is designed to allow for challenges by any member of the public, the applicant, non-governmental organizations and other stakeholders. It is critical that this process be effectively utilized to allow for proper consideration of all the potential and significant risks associated with these projects in guiding the EMA's decision-making process on this and other CECs.

Mr. Deputy Speaker, what I can ensure as Minister with responsibility for the environment, is that the CEC process will be fair and that all potential risks to public and environmental health and safety will be seriously considered.

Given the importance of the Certificate of Environmental Clearance process to ensuring that due diligence is paid to the integrity of the environment, particularly, as the industrial sector expands, the Government has established a Strategic Environmental and Assessment Unit in the Environmental Management Authority.

Mr. Deputy Speaker: Hon. Member, you have one minute more.

Hon. P. Beckles: Thank you, Mr. Deputy Speaker. This unit was set up specifically to focus on the energy sector.

As I close, may I state that the protection of the environment has to be considered within the wider context of sustainable development. Consideration has to be given

Proposed Aluminum Smelters

Friday, November 10, 2006

to the reduction of poverty, relief from debt, economic development, international competitiveness on the global trade market, job creation and linking these goals to those of conserving the natural resources upon which the poorest depend. Accordingly, sustainable development encompassing the protection and conservation of the environment continues to be a major plank of Government's long-term development strategy.

As I indicated from the beginning, Mr. Deputy Speaker, I have sought to respond, specifically, to the matters for which I have responsibility and that is the environment.

Thank you, Mr. Deputy Speaker.

Question put and agreed to.

House adjourned accordingly.

Adjourned at 6.00 p.m.