

*Leave of Absence**Wednesday, November 11, 1992***SENATE***Wednesday, November 11, 1992*

The Senate met at 1.30 p.m.

PRAYERS[MR. PRESIDENT *in the Chair*]**LEAVE OF ABSENCE**

Mr. President: Hon. Senators, I have granted leave of absence to Sen. Callender from today's sitting of the Senate.

PETROLEUM TAXES (AMDT.) BILL

[SECOND DAY]

Order read for resuming adjourned debate on question [November 10, 1992]:

That the bill be now read a second time.

Question again proposed.

Sen. Wade Mark: Thank you very much, Mr. President.

Sir, the vital energy sector has been severely mismanaged and grossly abused over the last 30 years and it now appears that that sector is in a state of havoc. That is why we are not earning or are not being allowed to earn the vital foreign exchange we badly require to cope with the threat of trade liberalization, privatization and the reduction of the role of the Government to that of a mere facilitator of economic progress based on the discredited and failed trickle-down theory of economic development.

Today, Trintoc and Trintopec are no longer major earners of foreign exchange. Almost one third of the most profitable and valuable part of the crude oil produced, valued at some \$600 million, is sold as gasoline and diesel oil on the domestic market. No serious plan has been devised by the Government to convert our vehicles to CNG, even as oil production continues to decline. To compound the problem, the country faces the threat of Trintoc importing US \$700 million worth of crude annually to support an expanded refinery when this company is no longer an earner of foreign exchange.

Trinidad and Tobago is saddled with a massive foreign debt which 30 per cent of our foreign exchange is set aside to repay, while the Amoco gas project now being implemented will only serve to increase the country's heavy foreign debt

Petroleum Taxes (Amdt.) Bill
[SEN. W. MARK]

Wednesday, November 11, 1992

burden. With decades of generous incentives not much has happened. The last oil find as was outlined yesterday, was in 1969 and the last major gas find, from my records, was in 1981, and the ministry was behind that exercise.

Incentives to the rich to help the poor is called trickle-down economics. We seem to be witnessing the same relationship between our country, foreign shareholders and multinationals. We on this side firmly believe that the proposed amendments to the three bills before us constitute extreme and grave importance to every man, woman and child in our twin-island Republic of Trinidad and Tobago. Hence the energy sector virtually represents the very lifeblood of our nation. Of course, the current international economic scenario is not altogether healthy given the collapse of what was known as socialism in the USSR and Eastern Europe and the apparent grab for further world dominance by the so-called oil majors.

While it is true that the country needs to re-examine its approach to the entire energy sector, we must be extremely careful that the nation's interest is not unduly compromised. We have failed as a nation with the gamut of energy incentives and concessions to find new oil—as I said, the last find was in 1969. We need to stimulate oil production; we cannot argue against that. We need to encourage more drilling and to generate new life particularly in the south of the country. These things are necessary. What is the approach of the Government to the energy sector? What is the Government's policy on the energy sector? Another devastating gas deal has been struck by the Government. We shall have more to say on that some time later involving some company called Enron.

1.40 p.m.

The profound economic crisis requires that we place these bills in their proper perspective. It is the only approach that we on this side can take since these amendments have—and hold—far-reaching implications for our entire economy. The amendments are being proposed within the context of a structural adjustment loan in which the Government's petroleum policy is being dictated by the Washington-based World Bank, and the Inter-American Development Bank, through that multi-billion dollar loan agreement for the upgrading and expansion of the Trintoc refinery.

I simply wish to quote from the World Bank Report of 1989 which the previous government was committed to, and which this one is now executing, in

order to highlight the particular concern I have expressed. Page 22, section 72 of this report entitled, "Action Programme" states:

"The Government has agreed to review the petroleum taxation regime and the general regulatory framework in order to assess Trinidad and Tobago's competitiveness for stimulating increased investments by local and foreign investors in the petroleum and related sectors.

Prior to the second tranche, release consultants would be engaged and progress satisfactory to the Bank would be achieved in carrying out the review."

We on this side are arguing that these bills which we have before us are not coming in a vacuum. They are coming against the background of structural adjustment, and basically a dictation by the World Bank as to how we should develop our petroleum and energy sectors.

The bills before us are also being introduced in a virtual vacuum. To date Government has not declared its policy on the energy sector. In spite of the various false promises made by the Prime Minister and our hon. Minister of Energy, neither the Green Paper nor the White Paper has been issued. We do not know whether a red one is to come. A defined energy policy has been substituted for an ad hoc, wishy-washy, and piecemeal approach to this country's vital energy sector. The only beneficiary of this unscientific approach is Amoco which has virtually monopolized the supply of natural gas to Trinidad and Tobago for the last 20 years.

We are saying that the amendments which are being suggested here are coming in the context of no policy on the part of the Government. It is not to say that we do not have a draft policy. In 1986, the Ministry of Energy produced a very useful document called, "The Energy Policy of Trinidad and Tobago". I think I shall quote sections of this report at the appropriate time. It is not to say that we do not have an understanding of the direction that we ought to take. What has happened is that the Government has refused to table an appropriate energy policy in this Parliament, a Green or White Paper for public discussion.

We also argue that these bills should be put in some kind of perspective, due to the fact that the various measures these bills propose are contrary to outlined and stated policy positions of the Government, as contained in its 1991 Manifesto. We shall come to that a little later on. In the absence of a defined energy policy, the people are not being told what is happening in this sector.

Petroleum Taxes (Amdt.) Bill
[SEN. W. MARK]

Wednesday, November 11, 1992

Secret missions and deals are being made and conducted, just as the NAR attempted, through a private sector clique, to sell out our natural gas at a cheap price to underwrite the future development of Puerto Rico, so it is with this insensitive and uncaring PNM Government. We have to thank the *Financial Times*, an international magazine. It is through the *Financial Times*, dated August 1992, that I, as a Parliamentarian, am able to know about deals which are being struck by this Government, without the population's knowing exactly what is taking place.

In the August issue of the *Financial Times* International Gas Report there is a headline: "Trinidad and Tobago/LNG, British Gas looking to 3D Seismic." This says it is a multi-billion dollar project. Accidentally, I stumbled upon this report. I want to quote a section of it for you, so at least we shall understand where this Government is coming from.

"British Gas and the National Gas Company representatives toured Europe in April, 1992 and spoke to major gas buyers in Germany, Italy and also ENRON in Europe, as well as individual potential customers like Enel, the Italian state electricity company, which has already agreed to buy LNG from Nigeria. Malcolm Jones, managing director of the National Gas Company, who went on the tour along with the National Gas Company Chairman, Dr. Ken Julien says he now shares BG's view that "there is a niche for Trinidad and Tobago LNG in the world market in the nineties.

The touring party discovered Venezuela's Lagoven had preceded them by a few months seeking customers for its LNG."

I do not know whether any of my parliamentary colleagues are aware that there was a mission to Europe in April 1992 involving the National Gas Company and British Gas. British Gas is supposed to be involved in a major LNG project in Trinidad and Tobago involving billions of dollars. This is why I spoke about secrecy and missions taking place without Trinidad and Tobago, and the Parliament being aware.

We feel that the Government is not really levelling with the population. The Government's approach to energy is even contrary and in opposition to its very manifesto where it spoke at length on the issue of a mechanism for consultation, on page 21. It would consult with the trade union movement in the formation of a national energy policy, it said, but here it is bills are brought before Parliament with neither consultation nor discussion and these bills are going to have far-

reaching effects on, and implications for, the future development of our country. In the PNM Manifesto, they talk about a natural gas policy in terms of a law. Again on page 22 we see:

"Natural Gas legislation will be enacted to treat with the exploration and production of natural gas, separate and distinct from the Petroleum Act."

They are almost one year in office and there is no natural gas law in the country.

Do you know what is happening? The Government has struck a major deal with a US-based gas producing company named Enron to deal with three fields in conjunction with the South East Coast Consortium. That is natural gas and we do not have legislation in this country to govern that particular area which is important for our development.

1.50 p.m.

Do you know what this drives us to believe? That the real intention of the Government when it brought that Financial Year Bill, really, was to get these measures through without any debate. Mr. President, there is absolutely no haste on the part of this Government to amend the Retrenchment and Severance Benefits Act to protect workers' interest; no urgency in tabling the Green, White or pink Paper on Government's energy policy. There is no haste in tabling the long-promised, medium-term economic policy of this Government. There is even less haste in resuming the School Feeding Programme, which is supposed to benefit some 80,000 persons. But we have the Government hastily bringing these bills to the Parliament without any consultation, discussion or dialogue, contrary to its position.

We believe that these amendments must be viewed in the context also of the refusal or failure to make public, the details of this infamous 20-year natural gas contract between Amoco and the National Gas Company. It should be noted that one year before Amoco signed up that particular deal with the last government, a company called Marine Gas Transportation Company, which was a paper company headed by some unknown individual called William Simms, and the National Gas Company, were involved in major secret negotiations to supply our natural gas to Puerto Rico from the south-east Galeota fields, at a well-head price of US \$0.77. I am not joking about this matter. This made big headlines on November 5, 1990:

"Trinidad and Tobago Natural Gas to power Puerto Rico".

Petroleum Taxes (Amdt.) Bill
[SEN. W. MARK]

Wednesday, November 11, 1992

That was taking place, and when the whole thing was exposed, the next step:

"Trinidad and Tobago/Puerto Rico Natural Gas Deal put on Ice

'Sorry', says NGC after 15 months."

They called it off.

What we are saying is that at a royalty rate of TT 1.5 cents for every 1,000 cubic feet of natural gas sold to the National Gas Company, we have estimated that that company, which is also going to benefit from these amendments, will be smiling all the way to America in the year 2011 with some US \$4 billion, whilst Trinidad and Tobago would enjoy some \$60 million over the life of the contract.

In light of the ongoing scandal, we on this side, the United National Congress, call on the Government of Trinidad and Tobago to launch an immediate public inquiry into this infamous contract so that the population of Trinidad and Tobago would be made aware of all the details surrounding this secret deal which will cost the country some \$12,000—14,000 million over 20 years. This is even more critical when account is taken of the fact that royalty on natural gas negotiated in 1975 for the South East Coast Consortium licence, long before the development of a well was drilled, was US 16.5 cents per 1,000 cubic feet of gas. Yet, the previous government of our country signed a 20-year natural gas contract with a royalty rate of TT 1.5 cents.

Sen. Saith: I wonder if the Senator would give us the source of the information he is quoting in terms of the figures—the \$4 billion, the \$40 million and the 16 cents. Is this from a public source?

Sen. W. Mark: Look at Amoco's publication and it is there. It costs them 10 cents to produce 1,000 cubic feet of gas and they are selling that to our National Gas Company for US .90 cents. Calculate that on the basis of how much they are selling on a monthly and yearly basis and you can arrive at that figure. It is a rough estimate.

Sen. Barnes: I do not want to steal the hon. Senator's time, but on the other hand, these figures that are quoted are totally erroneous and the Senator says that he got them from Amoco.

Mr. President: Give him your ear and then you will reply in due course.

Sen. W. Mark: We are calling on you to make the document public. If the Minister believes that we are misleading the country in terms of the figures, make

that natural gas contract public so that the population could see the details of that document. You have it as a secret document and you want to refute numbers? You cannot refute numbers until you put on the Table of this Senate that particular contract.

These documents before this Parliament contain insufficient information. We do not have any information on the potential impact of the proposed measures on the Government's revenue stream, in the light of the oil companies' contribution to this country and to the Government, particularly Amoco, which is going to benefit most from this arrangement. We have no information, apart from the Minister telling us yesterday that the Government will be giving up \$150 million. There has been no calculation, no figures, no assessment, no analysis and he expects us to take that. We cannot accept that. We want facts and figures. We want to know exactly what is involved in this deal which the Government is seeking to impose on us here and get our support.

We are saying that we need statistics to back up that \$150 million that the Government is saying it will lose as a result of the concessions it is making to the oil companies, in particular Amoco, in these three bills. This information is critical and vital to our making an intelligent judgment on the impact of the various concessions on Government's revenues. This information becomes even more crucial in the light of the Government's declared intention to balance its 1993 budget. Do not tell us that the Government does not have the information. We would not accept that.

In the "AMOCO News", No. 1/89, they give us in detail their figures: how much they paid the country in 1986, 1987, 1988 and 1989, in terms of SPT, royalty, national recovery impost, levy impost, development rentals, lands and buildings taxes. It tells us that in 1986 we got \$1.2 billion from them in terms of taxes; in 1987, it went to \$1.3 billion; in 1988, \$994,000; in 1989, it was \$1.3 billion. We want the figures up to 1992. We cannot make sense out of these documents unless we have these figures before us.

I am saying to the hon. Minister—he is not here, his colleague is here—if he is serious about getting our support, we need more evidence on this matter. We need the facts and the figures so that we can make an intelligent and calculated judgment. We contend that the real intention of these bills is to divest and lay the basis for the privatization of substantial sections of the energy sector now currently under national ownership and control.

2.00 p.m.

Not only is a merged Trintoc and Trintopec going to be sold off to some foreign investors—or a large quantum of their overall shareholding—but the monopolization of the gasoline supplies of the National Petroleum Marketing Company, NPMC, may be soon coming to an end. We fear that is part of this whole arrangement. We shall have more to say on this privatization sickness which the PNM is afflicted; it has no mandate to sell out our national patrimony.

On land, privatization is on the way and in the area of marine resources we have a complete monopolization of our natural gas supply. Even the previous Prime Minister had warned the country about monopolization of our natural gas supply—one producer.

Today, a 20-year natural gas contract has been signed with this particular company and this company is now in charge of our natural gas supplies. Another one has entered the picture, but we shall have more to say about that later on.

The real problem in our country which we have to face is that oil production is falling. This was not unanticipated because—my hon. friend would probably know about this document: “The best uses of our petroleum resources”. It emanated from a conference sponsored by the Government of Trinidad and Tobago at the Chaguaramas Convention Centre held between January 13 and 15, 1975.

This document, since that time, predicted the decline of oil reserves. In 1975, when this document was laid, our proven reserves stood at 612 million barrels of oil. This is now down, I understand, to about 400 million barrels of oil. It also spoke about, in 1975, our natural gas proven reserves. All these things were done and the old PNM was in power at that time. So the present Government is aware of these developments.

Why is it that it comes to this Parliament to bring changes in the law that would benefit the oil companies, in particular the foreign oil companies without bringing a serious and comprehensive analysis or document on its policy? We believe that the Government is playing games with the country and we would not be part and parcel of this exercise.

When we look at the Income Tax (In Aid of Industry) (Amdt.) Bill, we ask the question: What is the purpose of this bill and what are the implications to the taxpayers of Trinidad and Tobago? There are proposed amendments to this bill that the Minister has not levelled with the Senate on, to tell us what it will cost the population.

Which of the existing enterprises or companies in the petroleum business is or are likely to benefit from these amendments and how much money is involved? We do not know. The Government wants us to support it, but it does not provide us with information. We need to know. Information is needed for us to arrive at a sensible decision.

The Income Tax (In Aid of Industry) (Amdt.) Bill and the Act that governs it, the Income Tax Act, in Schedule I, I think clearly defines the categories of industry to benefit and not to benefit. Why is the regime seeking to amend the Act? How do we explain, for instance, section 10 of the said Act? It says:

“Where a person incurs new capital expenditure on or after January 1, 1975, but not later than December 31, 1991 in respect of his production business on land, there shall be made to him an allowance in this Part referred to as an investment allowance in accordance with this section and the provisions of Parts I, II, and III shall not apply in respect of the expenditure.”

Why go back to 1975 and cut off at December 31, 1991?

Some time ago I asked a question in this Parliament of the hon. Minister of Energy if any concessions were granted or extended to Phoenix Park Gas Processors Limited, a joint venture between Conoco, Pan West Construction Company and the National Gas Company for the removal of liquids from the country's nature gas; a most rudimentary exercise any local company could have done. They did not have to bring Conoco here to extract liquids from our gas.

In response to my query, the hon. Minister of Energy, stated:

“...Phoenix Park Gas Processors were given the following relief:

- (1) Total relief from customs duty;
- (2) Loss of CET in accordance with section 34 of the Fiscal Incentives Act ...”

What is the purpose of dating this thing back to January, 1975, and why are they halting at December 31, 1991? We ask these questions.

Is this an attempt by the PNM Government to legitimize a fraud which was perpetuated on this country by the previous regime, and, therefore, this Parliament is being used to rubber stamp this fraud? It is a question I pose, because the Government did not amend the law to ensure that Conoco/Pan West got these allowances and concessions. So it is now left to the PNM Government to come to this Parliament, in 1992—when that plan came into operation in 1991—to back-

date that so the Conoco and Pan West could get their reliefs from corporation tax and customs duty. Is this the reason? The Government wants us to facilitate that? We want to know, because it is not clear to us, and this is why we are querying these things and maybe the hon. Minister will be able to supply us with some appropriate responses.

We know that some years ago Conoco, which is a subsidiary of Dupont, was granted major concessions but we never saw any evidence of it and we believe that, for instance, this particular Act is being amended in order to facilitate this matter. We believe the Prime Minister of this country is well aware of the Conoco matter.

In his contribution to the budget debate of 1989, the current Prime Minister spoke about the natural gas recovery project and the confusion in that area as follows:

“I must inform this honourable House that the natural gas company has the capacity and talent to undertake this particular project without a joint partner. The company was poised to do just that under the PNM. This Government delayed the project...”

that is the NAR—

“...by insisting that the Natural Gas Company find a partner.”

After a long and inexplicable delay, the Minister of Energy announced to the Parliament that the Natural Gas Company and Conoco had entered into arrangements to pursue the development of the project.

We should like the hon. Minister to tell us what is taking place in that area. We should like the hon. Minister to tell us why the Minister is seeking to amend the Income Tax (In Aid of Industry) Act and why he is going back to 1975 and stopping in 1991. We want clarification of this matter because the question of the legality of this comes to the fore. The legality of this matter is critical. Can an Act be amended solely to benefit one company? Or was it designed to benefit a class of companies?

We are arguing on this side that this bill is designed to put into effect a give-away to Conoco/Pan West by the former NAR Government and this Government is now seeking to have it legitimized. We cannot support this at all.

We also know for a fact that there is corruption involved in this exercise as well, because before this plant was located at Point Lisas, this is the gas

processors plant, the initial intention was to locate it on the east coast, somewhere in Mayaro. How it ended up at Point Lisas is another question. But there are consequences for that, because here it is in the *Express* of November 6, 1992, a big warning: "Removal of condensate is dangerous and harmful", put out by the National Gas Company. The lines are being laid on land and there is a process, as I understand it; they talk about drip stations and people are actually going into the forest, wherever those drip stations are allocated and actually helping themselves.

If a match is struck by accident, the whole country could blow up. I want to ask the hon. Minister of Energy what kind of security we are providing for our gas lines. Our gas lines are very important to our existence and we need to get some clarification from him because we are talking about gasoline condensate, which is, as they say, a risk to the lives of others in the community. It states here:

"Tampering with stationary equipment can result in explosions from ignition of escaping gas or condensate."

But the corruption that was involved in that deal is very clear.

Sen. Dr. Kuarsingh: Mr. President, on a point of order. I see here, Order No. 34:

"No Senator shall impute improper motives to any Member of either Chamber."

Who has performed an act of corruption? Would he please explain or withdraw the remarks?

Mr. President: Sen. Mark, are you directing remarks to anyone in the Chamber?

Sen. W. Mark: Not at all.

Mr. President: He has absolved everybody in this Chamber.

Sen. Dr. Kuarsingh: And the Lower House too, please.

Sen. W. Mark: What I was referring—

Mr. President: Before you go further, he wants to know whether you absolve Members of the other place.

Sen. W. Mark: The corruption charge that I made was not directed at Parliamentarians here or elsewhere.

Petroleum Taxes (Amdt.) Bill
[SEN. W. MARK]

Wednesday, November 11, 1992

Mr. President, what I am saying, essentially, is that this particular bill is extremely important and we need to have some clarification on it.

As far as the Petroleum Taxes (Amdt.) Bill is concerned, we on this side should like to know the impact of these proposed amendments on the Government's tax take, since this is the bottom line of the Government's rhetoric. These amendments have grave and profound implications for Government's revenue stream. Major concessions are being granted to the oil companies and, particularly to Amoco Trinidad Oil Company, whilst incentives are being taken away from our local manufacturers on their import inputs, whilst the agricultural sector remains in shambles, whilst the School Feeding Programme affecting tens of thousands of poor children is put on perpetual hold. What manner of Government is this?

Mr. President, we should like to know the implications of the amendment. For instance, in looking at clause 4 of this bill—and we should like the Minister who is not here at the moment to give us some clarification on this matter. The bills, as I say, hold serious implications for us.

Now in clause 4 of this bill the Government has indicated that it is going to abolish the national recovery imposts; we should like to find out what did this impost net for the Government between its inception in 1987 and the present time. We should like to have the figures on these things.

Therefore, if we are going to abolish the national recovery imposts, we want to find out from the Government, based on the quantum, where the replacement is going to come from. It is going to be a loss and we want to know how that is going to affect poor people's children in 1993, particularly when you go to balance the budget. We want the figures from 1987 right up to the present time.

Again, Amoco Oil Company have been very generous. They have provided the country with information that the Ministry of Energy has not provided. We know how much they paid in 1987, \$17 million; 1988, \$12 million; 1989, \$22 million. What were the payments in 1990, 1991 and 1992? The Minister will have to let us know.

So, this is extremely important to us. We should like to know what the implications are for the Government's revenue stream as far as this matter is concerned. We also believe that these concessions that we have given to oil companies, particularly a foreign one (Amoco Trinidad Limited), which two years

ago when prices were low because of the particular oil legislation that was in place at the time, enjoyed a windfall of almost \$700 million. They went away with that free.

We do not understand clause 5 clearly. We want clarification. We want to know if this applies to existing or new enterprises. Could the Minister involved cite some of these enterprises that are going to benefit from this? On what basis is a new enterprise to be approved? Who determines the terms and conditions, the President of the Republic?

We want to know how this thing is going to work. You have, for instance, the question of concessions again being granted here. The hon. Minister of Energy needs to provide us with some clarification on the drilling of development wells. These statistics he provided yesterday reveal that there were about 139 wells drilled.

Mr. President: I am afraid your speaking time has run out.

Motion made, That the hon. Senator's speaking time be extended by 30 minutes. [*Sen. S. Capildeo*]

Question put and agreed to.

Sen. W. Mark: We are saying that there are many areas in these three bills, particularly the Petroleum Taxes (Amdt.) Bill that we need some clarification on.

I think, Sir, that we really need to appreciate that in Trinidad and Tobago, today, we cannot continue to grant incentives to companies that are not producing. Companies that have actually enjoyed year-in year-out concession after concession, and from 1981 we have not discovered a new oil field.

I think that we would want to find out from the Government and it will need to tell us these incentives. Are they going to result in an increase or a decrease in revenue for the country? How much money is going to be involved in this exercise? Has the Government examined the past history of exploration incentives? We should like to urge the Government to pay particular attention to this area.

There are several other areas that we should like to focus on in terms of this bill. We know for a fact that there is a clause here that deals with geological and geophysical matters. You get an allowance of 50 per cent of expenditure once you are engaged in what is called seismic surveys or exploration.

Petroleum Taxes (Amdt.) Bill
[SEN. W. MARK]

Wednesday, November 11, 1992

It is the first time in our history that I can recall a government granting incentives and an allowance to a company, be it local or foreign, to engage in seismic research or to engage in geophysical or geological research. *[Interruption]* I am saying this is the first time I know of. But to give a company a 50 per cent off whatever cost is pumped into exploration, we think that is a bit high at this time, and we believe that there is need for some degree of review on this matter.

We suggest to the Government that this is a virtual absurdity. It is another give-away. It is a total waste of public funds. What would this new allowance cost the country and the taxpayers? There is no information on that. If the Government is being forced to provide incentives for everything, it may be well advised to advertise the nation for sale on CNN and give away the entire petroleum industry to foreigners. If a company simply comes here and explores for a well, it gets 50 per cent back for expenditure put out? The Government is joking. We urge the Government to pay attention to this very critical area.

The Government talks about heavy oil. But, heavy oil, from what we understand, requires steam. Steam is needed to raise heavy oil. There must, therefore, be a cheap source of natural gas supplied. In the context where Amoco controls our natural gas supply line, how can we be serious about extracting heavy oil? We have to talk about a cheap source of supply of natural gas.

As we are on this question of natural gas, I want to refer to the energy policy of the previous Ministry of Energy on this matter. We are losing close to US \$130 million a year as a result of the consumption of gasoline and dieseline, products that can easily be sold on the foreign market and earn this country foreign exchange.

To confirm what I have said, the Ministry of Energy in 1986 produced a document and under "Compressed Natural Gas in place of Gasoline", said:

"The fundamental advantage of CNG in Trinidad and Tobago is the existence of abundant indigenous natural gas resources to save liquid petroleum products for export. Exporting of petroleum products is a superior earner of tax revenue and foreign exchange reserves than natural gas while CNG is much cheaper as a fuel than gasoline."

These people went on to say that, in 1984 the transportation sector was estimated to consume gasoline, auto diesel and kerosene at an estimated value of \$420 million. Today, it probably has gone to about \$600 million.

What we are arguing on this side is that there is need for the Government to develop a proper energy policy. This goes on to say that a pilot project was commissioned in April 1986 in Trinidad and Tobago consisting of one filling station. It was hoped that the experience of the users would influence a wide number of motorists. CNG has been recommended since 1986 and the use of CNG would allow the country to earn more foreign exchange, in terms of the export of gasoline and diesel oil.

A very critical area of concern to us on this side is the question of the environment. Lead in gas—I want to deal with this section again. In this same document in 1986 it is stated:

“At present, premium gas in Trinidad and Tobago contains in the region of 2.58 to 3.22 gallons of lead, which is higher than the average existing in the developed countries. In view of our expansion into regional markets and the possibility of restrictive legislation, such research is all the more important.”

What is being said here is that in premium gas used in our motor vehicles in Trinidad and Tobago, the lead content is almost three per cent above that of the developed countries, and we have been consuming lead for all these years. If we go to the CNG, as our hon. Minister would know, it is a cleaner, healthier kind of fuel. Why is the Government wasting time not going to this policy? We should like to ask on this side: If the Government is serious about oil and oil exploration, why not give incentives to tackle non-producing fields of Trintoc and Trintopec? There is an old release dated September 21, 1987, Office of the Prime Minister. I read, Sir:

"The non-producing ex-Textrin land areas have been allocated to Trintoc and Trintopec."

There are about 18 to 19 fields here that have not been touched. Why do you not give incentives to get these fields going? That is what we are talking about.

2.30 p.m.

Sen. Barnes: They are in here.

Sen. W. Mark: Mr. President, on this matter, we should like to make it very clear that there being no energy policy, the Government ought to be focussing on the formulation of a proper energy policy. We believe that this piecemeal, *ad hoc* approach to energy will not benefit our country. Energy matters in Trinidad and Tobago are now being determined by external forces. Trinidad and Tobago is no

Petroleum Taxes (Amdt.) Bill
[SEN. W. MARK]

Wednesday, November 11, 1992

longer in charge of its energy policy, hence, probably the absence of a Government policy position on the energy sector. We contend that unless we are able, as an Opposition, to get a clear appreciation of how the country is going to benefit from these changes or amendments, it would be extremely difficult for us to give the kind of support that the Government is looking for on these bills. We should like the Government to level with us and with the population and give us the kind of detailed information that would allow us to come to an intelligent conclusion.

Yesterday when the Minister was speaking he showed us a diagram. I asked him specifically to make it available to the Senators but we have not received it. So he has information which we do not have. We cannot come to an intelligent decision or judgment on the proposed amendments that are before us.

All I can say is that we on this side are very clear. We have, in fact, in our 1991 manifesto, outlined in a very neat form some of the major elements that will inform our energy policy. We are not yet in power, but we are inching there daily and we are hoping very soon—we should like the Government to refer to this document because one of the things that we have said in it is that we have to rationalize the royalty payments of natural gas to bring them to a level which bears a reasonable relationship to that of crude oil. We feel that that is an area the Government has to address. We have to rationalize this royalty thing.

You cannot have a company making close to \$3,000 million in 10 years, investing \$300 million—making \$3,000 million—and still paying this country 1.5 cents. It is madness! It is unacceptable, Mr. President. When we have to pay so much—when we have to call on our people to make so many sacrifices, a foreign company in Trinidad and Tobago is able to make \$3,000 million in profits in a short period of years. With this 20-year natural gas contract, our calculations have revealed that this same company, Amoco, will be making close to about TT \$4 billion. The Minister of Energy will have to guide us if we are wrong. I can only speculate because we do not have all the information. We have asked them to make available to the country this particular document so that we can, at least, assess and analyze this matter in a detailed way.

We have a company on our doorstep—in fact, in our house really—called Enron. We understand that that company, because of the areas they are going to be involved in, the various fields—the Keskidee field and the Oilbird and so on—we understand that there are some grave implications for costs as far as our country is concerned. We understand from the evidence we have been able to gather, based

on studies that have been conducted by people at the university, that the Keskidee field is uneconomical, and we feel that in light of that particular question where 1,000 cubic feet of gas would cost roughly about \$4 or thereabouts, we believe that that is something we need to focus on.

Mr. President, we should like the Government to provide us with as much information as possible on these amendments—the implications for the revenue stream in the country. It is the only way that we shall be able to make an intelligent judgment and come to a decision if we have to give support to this legislation.

I wish to serve notice, in closing, Mr. President, that if the Government cannot provide us on this side with the necessary information and evidence so that we can make an intelligent contribution to this debate in terms of a decision, we would not be able to lend support to these measures that are before the Senate.

Thank you very much.

Sen. John Rooks: Mr. President, I shall take all three bills together, because it is a basket of taxes which needs to be looked at as one. It is that basket that makes the decision as to whether a satisfactory return on investment can be made and whether we can attract foreign investors. They are not going to come here if they cannot get a return on their money. My calculations, and the Minister can tell you if I am right or wrong, indicate to me that the Government of Trinidad and Tobago will get a split of about 60 per cent of the profits made from any decision to go through with the project; and the company which is doing it will get about 40 per cent of the return. This I think is pretty close to the accepted split around the world and I think the proof of the pudding is in the eating, by the number of companies which we have got into this country to invest.

For years I have been expressing my opinion that we are killing the goose that lays the golden egg by over-taxation, without paying any attention to what is the accepted practice in other countries—allowing the investor to make a reasonable return on the investment. Trinidad is fortunate to have petroleum deposits and even more so, both on land and in our territorial waters. But whilst this is tremendously important to our economy, it is just a drop in the world's petroleum supply. Our petroleum industry started with our land-based wells almost 100 years ago, with the result that our production gets less and less every year as the wells deplete.

Petroleum Taxes (Amdt.) Bill
[SEN. ROOKS]

Wednesday, November 11, 1992

I have heard the expression that "God must be a Trinidadian" because about 40 years ago our first offshore production was found, and today this is the source of most of our oil. In addition, we also found considerable quantities of gas, just at a time when gas became important in the world market as an energy source, as well as a feedstock for manufacturing. The development of all the industries at Point Lisas is there because of the availability of gas in large quantities and at a reasonable price.

Over 20 years ago at the Chamber of Commerce, I stated that Trinidad could no longer afford two refineries, particularly since both of them were oriented to the manufacture of fuel oil for which the market had almost disappeared. At times the product had to be sold below cost of the charge stock without any thought of the refinery cost. Yet today, we are still making fuel oil in both refineries and will be, after the revamp at Pointe-a-Pierre is completed.

At the present time there is no drilling being done by any of the local companies, and none has been done for this year, which means that no new oil is being found to replace the natural decline in production, which averages about 15 per cent per annum. Each company, therefore, has less income and this will continue to fall, since there are already signs of a drop in the price of oil, as winter stock purchasing has been completed. There is no doubt in my mind that the merger of Trintoc and Trintopec will provide the asset base to give the new company borrowing powers for the necessary finance.

We often hear statements that we "must own the commanding heights of our economy; his is our patrimony". This is rubbish, as far as I am concerned. Our patrimony is not worth one brass penny until we can get it out of the ground, and these days this means drilling to 20,000 feet and more. One well of this depth costs approximately \$25 million, if all goes well; and this can double, or more, if problems arise.

2.40 p.m.

From the inception of the oil industry in Trinidad, it was owned and financed from external sources until fairly recent times, when the last majors, Shell, British Petroleum and Texaco left, because they could get a better return on their investment elsewhere. When the budget was announced at the start of this year my heart missed a beat because of the increase in taxation, which I felt sure was going to adversely affect all the foreign companies, Chevron, Mobil, Exxon, Total and Pecten, which, encouraged by the reduced taxation in 1988, had invested in our oil

industry to explore the deeper horizons both on land and offshore. The Minister, at the time of the budget, stated that the increased taxation would only be for a limited period. We still have to wait for the budget to see whether that will be brought down, but at the present time it is the basket of taxes, I think, that has not only encouraged those investors to stay, but as we saw in the newspapers yesterday, caused a new major to come in, Enron.

The consortia have already carried out extensive three-dimensional seismic surveys offshore and, to a lesser extent, on land, which have indicated some interesting areas for exploratory drilling in mid-1993. The three-dimensional seismic survey, whilst it provides much more information, is much more costly—approximately \$2,200 per acre offshore and considerably more on land—and takes a much longer time to interpret. Yet the three-dimensional seismic survey can still only indicate that there is a greater probability of finding commercial production at the designated location. The only way to know if there is oil, and in what quantity, is to drill a well. With the new three-dimensional seismic technology three wells have to be drilled to find one good produce, whereas with the old system the ratio was 10 to 1, hence the tremendous demand for money and one is not sure if the \$24 million it takes to drill that well is going to stay in the ground or come back with some product. You have to wait until you drill to find out.

The Ministry of Energy has divided Trinidad into two sections by an imaginary line drawn from upper Manzanilla in the north east to Couva in west central. The land area south of this line, approximately 700,000 acres, is known as the southern basin and north of the line is the Caroni Basin of approximately 288,000 acres. The southern basin consortium, which includes Trintoc and Trintopec, has already done some drilling, and expects to do some more in 1993, but nothing has been done in the north although interest has been expressed by Shell, British Petroleum and British Gas.

Amoco produces more than half of our oil and gas, and over the last 10 years, paid into the Government coffers, according to my calculations, approximately \$16 billion, and at present provides jobs for over 500 people directly and approximately 2,700 indirectly. When the taxation was reduced in 1988, Amoco went into a two rig exploration programme and drilled 13 exploration wells, of which only five were producers, between 1989 and 1991, at a cost of TT \$245,550,000; in comparison with the previous eight years, 1981 to 1988, when only nine exploration wells were drilled. Without the gas, located in 1990 and 1991, Trinidad would now be rationing gas to all its customers, which would be

Petroleum Taxes (Amdt.) Bill
[SEN. ROOKS]

Wednesday, November 11, 1992

disastrous to our economy. Just imagine all oil fertilizer companies having to cut back; they would not run efficiently. Trinidad and Tobago Electricity Company could probably go down and we would get electricity for a few hours a day.

Amoco has recently brought in Rowan Drilling Company's Gorilla IV rig, one of the largest in the world. The rig is capable of drilling to 30,000 feet and handles pressure up to 15,000 pounds per square inch. The first well to be drilled is expected to produce 400 million cubic feet of gas per day to fulfil the contract recently signed with the National Gas Company. This rig costs US \$30,000 to \$40,000 per day whilst standing where it is now, waiting for the riser to be put in place and will cost US \$60,000 to \$80,000 per day when it is in operation.

Trinidad and Tobago is not the only country that is trying to attract the investment dollar and basically it is only the "Seven Sisters", the big companies, and Japan, which has no oil, that are willing to invest. Russia has now opened her doors and is trying to revitalize her petroleum industry with joint ventures. Russia was once the largest producer of oil in the world, with production bordering on 25 million barrels per day, and could be once again, if all the equipment is renewed by the Americans, because Russian equipment is 15 to 20 years behind the Western World, in oil technology.

Our neighbour, Venezuela, is also in the market. I shall read a section of an article from the *Caracas Daily Journal* of July 29, 1992—

"The push by Petroleos de Venezuela S.A..."

Commonly known as PDVSA—

"...to bring foreign investment back to the oil industry has officially taken off with the recent awarding of bids to reactivate abandoned fields.

Expected to bring in some US \$720 million in private capital over the next 20 years, the project should give Venezuela a little breathing room down the road.

Every little helps. The state oil company is cash-poor and faced with having to slash \$1 billion from its budget at a time when it needs \$2.83 billion..."

That is US dollars they are talking about—

"in capital investments this year."

I suppose this may sound familiar to many of us—

"PDVSA president, Gustavo Roosen, said recently that the bulk of that—\$2.7 billion—is needed just to maintain the current level of production. The state oil company's natural rate of decline averages 22 percent, he says."

Fortunately ours is only 15 per cent.

On top of that, Venezuela's geology is such that PDVSA has to drill a lot more wells to get the same amount of oil as any of its Opec colleagues.

The Oil and Gas Journal notes that in 1991, PDVSA had about 12,752 producing wells. Replacing almost a quarter of those each year, as Roosen indicated is necessary, means coming up with 2,805 new wells annually. At the same time, PDVSA wants to boost production capacity from 2.5 million, as it is now, to 3.3 million barrels a day by 1997.

As a result, PDVSA says it will push harder to bring foreign capital. The most high-profile of such ventures is the multi-billion dollar Cristobal Colon, Natural Gas Project. The landmark venture would allow the re-entry into Venezuela of Exxon and Royal Dutch Shell, the two big oil companies ushered out by nationalization.

If approved by Congress as an allowable exception to the 1976 oil nationalization law, the gas deal would mark the first joint venture in the history of Venezuela's state oil industry where private partners have ownership. In this case, PDSVA affiliate Lagoven would get 33 per cent, Royal Dutch Shell would take 30 per cent, Exxon 29 per cent, and Mitsubishi 8 per cent. Several countries in South America, Africa and the Far East, are also doing the same, and these are new fields—not 100 years old like ours. So if we are unable to attract capital for our minuscule petroleum industry we would be in the the same boat as Jamaica and Guyana, and it would be many years before our manufacturing sector would have grown to take the place of oil in our economy.

2.50 p.m.

With the trade liberalization that is now taking place, the doors are being opened to a much larger market, but so far all we have got from the manufacturing sector is a very negative attitude. If the manufacturing sector is unable to finance the necessary expansion, Government should examine the possibility of removing duty and taxes on all imports for the manufacturing sector in support of their efforts.

Petroleum Taxes (Amdt.) Bill
[SEN. ROOKS]

Wednesday, November 11, 1992

Now that Government is committed to the divestment of state-owned enterprises, no doubt it will be directing its attention to the supporting business enterprises to make them viable in the wider market which will become available. This will provide additional jobs as the companies expand to meet the demand of the markets and provide an increased income, instead of the constant drain by the state enterprises. Whichever way we look at the future we are going to need heavy borrowing and the full support of the total population. This includes the unions, which, so far appear to be on a path of obstruction, which endangers the jobs of their very members and slows the country's return to prosperity. I think the Government has taken the right step with the taxation it has now introduced and by the number of foreign companies we have here, the proof is there that it is working and I know that it will work well.

Thank you, Mr. President.

The Minister of Planning and Development (Sen. Dr. The Hon. Lenny Saith): Mr. President, I rise to respond to several issues raised by Sen. Wade Mark in his presentation which I believe should not be left unchallenged.

Sen. Mark has made heavy weather of the fact that an energy policy document has not yet been laid in Parliament. We indicated in the budget debate this year that a document was prepared, was being revised, and having got into Government, we needed to get the input of the technocrats at the Ministry of Energy and also of the state companies in the petroleum sector. That exercise is on-going. I can advise the Senate that a document is ready and will be considered tomorrow by the standing committee on energy comprising Ministers and technocrats, and it will be laid this year.

Week after week we are subjected to the same song by Sen. Mark—World Bank, structural adjustment loan, IADB—and that everything this Government does is apparently being done under the instructions of the World Bank. In support of his point today, he read a section of the Structural Adjustment Loan Agreement which says that as part of the agreement the Government of today—and I think the loan agreement was in 1989—should undertake a review of Trinidad and Tobago's competitiveness as a location for investment in the energy sector, and should commission a study to do this. How in Heaven's name can a commitment to review our competitiveness and to engage in a study translate itself into instructions as seen by him in the bills before us? That escapes me. For the information of Sen. Mark and the Senate, I should read the PNM manifesto,

which he has and obviously reads only the sections which suit him on the question of petroleum taxation.

Page 21:

"A PNM Government, as a matter of highest priority, will formulate specific strategies to:

- revitalize the energy sector and its major components - exploration, production, processing, construction and services
- create an environment that will attract foreign interests not only in local investment, but in the undertaking of some of their research and development activity in Trinidad and Tobago."

There are a number of others. It goes on to say:

"Major initiatives will include:

- revision of the petroleum legislation to provide for a tax regime that will allow a choice of contractual arrangements for oil exploration and production."

In 1991 we went to the country with this and we said we were going to review the petroleum legislation to ensure that we could stimulate production in our country by exploration.

- "...to institute changes in the state energy sector to provide for greater efficiencies and optimum use of available resources
- the structuring of a special petroleum tax regime to encourage the local service companies and entrepreneurs either alone or with the collaboration of 'smaller' foreign energy companies, to explore and develop, at minimum initial risk, the mature, depleted shallow land acreage.

It is here. The stabilizing of the refining industry.

This Government in bringing this legislation before the Senate is not following the dictates of any international agency. It is following the dictates of its manifesto.

Sen. W. Mark: If the hon. Minister would give way. Mr. President, I was not quoting from my head; I was quoting from a report. I am saying from the interpretation of this report, in terms of the action programme before the

Petroleum Taxes (Amdt.) Bill
[SEN. W. MARK]

Wednesday, November 11, 1992

Government can access the second tranche which is in December, it has to do certain things which includes what we are doing here now. And the programme is very clear.

Hon. L. Saith: Once more, Mr. President, the hon. Senator does not seem to be able to interpret properly. What it says is that the Government should review a situation in Trinidad and Tobago and commission a study to do that. That is the conditionality.

Sen. W. Mark: Are you saying these bills are not part of it?

Hon. L. Saith: It has nothing to do with it.

Sen. W. Mark: I see.

Hon. L. Saith: They never have. The Senator speaks of secret mission and deals being done, and he reads from the *Financial Times* as the first inkling he has that the Government is looking at an LNG project and he cast it in the mould of some back room negotiations taking place for the benefit of a select few. Page 22, of the PNM's manifesto states:

"The Natural Gas Company will be directed to initiate promotion of an LNG project based on the North Coast gas, seeking expressions of interests from companies which have substantial reserves of natural gas in Trinidad and strong position in the target markets."

It is here as part of our commitment to the country, and British Gas is one of those companies. If nobody was aware, it would not have appeared in the *Financial Times*. We must understand that there are clearly defined policies and projects indicated in our manifesto, and we are proceeding to implement them one by one.

3.00 p.m.

The goodly Senator has the habit of coming here and quoting spurious figures. He makes up figures and quotes them with authority and vehemence in the hope that by doing that the media would take what he says as gospel. My question to the Senator is: If you do not have the real figures, why do you not come and ask for them? Why do you make up figures? If you do not have them, say, "I do not have them and I need to get them." Do not come and make up spurious figures, that seem to create an impression in the minds of the general public that all kinds of deals and nonsense are taking place in the country. If you have to make up figures, why do you not at least make up figures that can bear some sort of scrutiny? On what basis are you making them up? Is it only on the basis that you want to convey to the public that some kind of underhand action is taking place?

Sen. W. Mark: What about the \$150 million?

Mr. President: Sen. Mark, you had the opportunity to speak. Please allow the Minister.

Hon. L. Saith: Let me deal with the \$150 million. The Minister of Finance comes to this honourable House and says that, "on the basis of calculations done in my ministry we anticipated that the amount of revenue forgone for 1992 is \$150 million." Is the Senator saying that he believes the hon. Minister is misleading the House?

Sen. W. Mark: On a point of order. I am not saying so. All I am asking is that the Minister tell us how he arrived at that. He is misleading the House.

Mr. President: Let us have some order please. One person speaks at a time.

Hon. L. Saith: The Minister gives information to this House based on calculations done by the ministry. We on this side have no objection to anybody saying, give us the basis on which you made that, but do not assume or imply that the information is incorrect, and that the only way that you will be satisfied with the information is if you get the detailed calculations.

There are a number of issues that have been raised by Sen. Mark which seem to indicate that what he needs is information to the detail that can only be given if perhaps, he was a co-Minister in the ministry. They are inching towards government, but according to the old saying: "Give them an inch and they will take a mile". You have to accept that the detailed information which is available to a Minister to come to this House and give information, is voluminous. It is part of his day to day routine, and cannot be made available. The Senator will just have to accept that he is not a minister.

There was a lot of to-do about the Income Tax (In Aid of Industry) Act, about why something is going back to 1975 and ending in 1992. Again, their approach is not that they do not understand this, that they are not clear. Could it be explained? The approach is, I do not understand and, therefore, somebody must be doing something fishy. You are doing this to help Conoco or to help this one or the other one.

We are not experts in everything, although some of us speak on every issue that comes before the House. There is nothing wrong in saying, "I do not understand". To say, I do not understand, and because I do not understand, somebody else out there is crooked and doing some underhand thing, is a disservice to Members of this House and people who are serving the country.

Petroleum Taxes (Amdt.) Bill
[HON. L. SAITH]

Wednesday, November 11, 1992

Let me make up for his lack of understanding of the issue. The amendment that concerns the hon. Senator is intended to terminate an uplift granted to capital expenditure in respect of land operation which was 150 per cent with a six-year write-off. That was there in the Act and it is intended to terminate that. In terminating it, it is necessary to allow any expenditure which was incurred before January 1, 1992 to continue over the six-year period, because it was part of the Act.

May I also say that contrary to the hon. Senator's interpretation of his misunderstanding that this was done to help Conoco, it has nothing to do with the gas processing plant. It talks about land production. It was really put in to help Trintoc and Trintopoc which were local companies operating on land. Why should we go through all this?

Sen. W. Mark: Because it is not clear.

Hon. L. Saith: We are unable to really measure what is the level of understanding that exists over there. However, we are willing to provide any information they want. All I request from the other side is that if they do not have the information and they are seeking information, seek it, but do not, in the absence of information, or in the absence of their understanding of information, seek to continually ascribe dishonest motives and talk about secret and shady deals, to Members on this side.

I merely wanted to clear the air on that issue, because we come here week after week and have to listen to this kind of insinuation about corruption, arrogance and all the rest.

Sen. W. Mark: You still have not told us what the figure is.

Hon. L. Saith: The figure is \$150 million.

Sen. W. Mark: I am talking about the others.

Hon. L. Saith: You will be told in time. I am making the point that in future if you want information, ask for it and it would be given. Do not make up information and do not ascribe motives on the basis of figures that you have made up which seem to suggest that Members on this side of the House are less than honest in their dealings with the country.

I thank you.

3.10 p.m.

Sen. Martin Daly: Mr. President, this is very important legislation and I should like to make a small contribution under three headings—the policy which the Minister says lies behind it, some technical matters relating to the drafting of the legislation, and the question of information that is given to the Parliament and the public.

I am very happy to hear the Leader of Government Business, Sen. Dr. Saith, say—perhaps he did not mean the cheque to be as blank as it sounded—that the Government will provide the information which the Parliament seeks. I have been saying for some time that it is my very strongly held opinion that whenever the state, or any of its agencies, enters into a substantial contract, the details of that contract should be laid before the Parliament in some form or other.

I had the pleasure of participating in a panel some time ago; although we were not all in the same room with the Minister of Energy, he referred me to a section in the Petroleum Act which deals with the penalties for the releasing of information. I had the unfortunate experience, when I asked the Minister of Finance recently whether Ispatt owed the state substantial sums of money in VAT, to be referred by him to a section of the VAT Act which prohibits the release of information. Now, that posture on the part of the Minister of Energy and the Minister of Finance is, of course, wholly inconsistent with the position so beguilingly taken by the Leader of Government Business.

I know that the Minister of Finance gets uncertain advice. I should like to give him some advice and he can ask his uncertain advisers whether in view of section 5 of the Constitution, which so far as I know is the supreme law of this country, a Minister can be prosecuted or made liable in any proceedings for information which he gives to the Houses of Parliament. I am serving notice, in the light of Sen. Saith's blank cheque, that I will be tabling again my question to the Minister of Finance, whether Caribbean Ispatt owes the Government large sums of money in VAT; and I should like him to ask his uncertain advisers whether he can continue to take refuge in the relevant section of the VAT Act.

I would also ask the Minister of Energy to ask his advisers, whom he has not declared as uncertain, whether he can take refuge under section 35 of the Petroleum Act, when the Constitution specifically provides an immunity, in respect of information given to the Parliament. I will be putting the question again and I should like the Ministers to consider whether they can take the unfortunate

Petroleum Taxes (Amdt.) Bill
[SEN. DALY]

Wednesday, November 11, 1992

refuge that was taken by the Minister of Finance on that occasion. I am sorry that he is not here, but no doubt my remarks will be conveyed.

Sen. Barnes: Let me make a point I had made earlier. In respect of certain information that hon. Senators have requested, I had made the point that, particularly in the terms of international competitive contracts, while there is absolutely no objection to sharing information, a public disclosure in Parliament, in open session, is exactly the same as putting it in the *Financial Times*, and puts our companies at a serious disadvantage.

I have on several occasions said to Sen. Wade Mark: “You want to see the thing. I take it that you are a responsible loyal Trinidadian, come to my office, I will show it to you, on the understanding that you appreciate how sensitive the matter is”. I think his response was, “No, I do not want the information, I want to make it public”. I would have serious difficulty with that. And if the Parliament would find the mechanism—

Sen. Daly: I do not want to spend a long time on this. If the information is commercially sensitive and a Minister of Government says that in a reply, speaking for myself, I would unhesitatingly accept it. But I do share the view that there are many agreements—I am not going to talk about secret deals. So far as I am concerned, when they are concluded, unless the information is commercially sensitive, the information should be given.

The point I was making is that I do not want to hear any reference to section 35 of the Petroleum Act and the corresponding section in the VAT Act, when there is a specific immunity in Parliament. If it is commercially sensitive that is a different matter. If for example, in the Amoco gas contract—about which my feeling are completely because I do not have the information—a similar type of contract is going to be negotiated with someone else, say that and I myself would accept it, but I am very glad to see that there is going to be some rethinking of the position. I am putting the ISPAT question again as a test case so that the uncertain advisers can direct their minds to section 35 of the Constitution. Therefore, I support Sen. Dr. Saith that we ought to be careful in what motives we ascribe to commercial transactions that are carried out on the part of the Government, but if the Government is coy with releasing the information, then it has only itself to blame.

I believe that it has become a tradition in this country to give insufficient information about deals that are struck by the Government on the one hand and

large commercial enterprises on the other. That in turn makes important legislation like this get lost and bogged down in a discussion about whether it is designed to assist this or that person. If we had the information, the discussion would not get bogged down in that. I am appealing to the Government, in the light of Sen. Dr. Saith's statement, to be much freer with the information about deals that it has closed with commercial enterprises on behalf of the people of this country.

As far as the policy surrounding this legislation is concerned, I think it is important to understand—and here I support my colleague Sen. Rooks—that we have to come out of the patrimony mindset, the give-away mindset, and understand what this legislation is about. This legislation is about an inducement to foreign investors, who have the capital which the country does not have, to bring their capital, which we do not have, into this country in order to exploit the natural resources which form part of our patrimony. There is no gainsaying the fact that in the present international trade environment, large capital investment is required to develop the energy sector and the country does not have it. The country's ability to borrow for this investment at the moment, as I understand it, is stymied by a foreign debt in excess of US \$600 million. So far as I am concerned, this legislation is taking us into a brave new world.

3.20 p.m.

It is clear to me that the ministers who are responsible for this policy are not students of history and that they are totally unfamiliar with the expression "commanding heights of the economy", because this legislation marks a brave and exciting departure from a mindset which we can no longer afford unless we have the capital that is required to invest in the oil industry. If that is the policy that lies behind this legislation, I support it 100 per cent.

I notice that the Minister made reference to what is happening in Russia. Before I make reference to some material which I have on that subject, I should like to emphasize the fact that, in Trinidad and Tobago today, many persons in all walks of life regard the economy as being at a standstill. Whether you talk to retailers, manufacturers or conveyancers, all regard the economy as at a standstill because we see so few transactions taking place. Something has got to stimulate the economy and if large foreign oil companies respond to the inducement that is offered by this legislation, then we can see some hope for this country. That is why I describe it as brave. I do not know if it would work, but until the

Petroleum Taxes (Amdt.) Bill
[SEN. DALY]

Wednesday, November 11, 1992

inducement is offered, we would not know whether it would work. If that is what lies behind the legislation, then I support it.

So far, in the passion of party politics, no one has referred to the fact that when and if these foreign investors decide to come here, long before we get to the delicate exercise of what allowances are to be made against what profits they earn, they will first have to come here. When they come here to conduct their exploration activities, they will have to spend money in the local economy.

I ask, Mr. President, have we all gone crazy that we can say to Exxon or Chevron or whomever: "Do not come to Trinidad and Tobago and spend money; do not come and bulk-buy foodstuff to supply the people that you employ; do not come here and hire marine and boat services to transport your personnel and equipment from land to sea; do not come here and rent houses"? What craziness is this? Are we in a position—quite apart from lacking the capital for investment, quite apart from our inability to borrow that capital for investment—are we going to say to people: "Do not come here and spend large sums of money?"

What is interesting about the material that I should like, briefly, to refer to about what is happening in Russia is that it focuses, not only on the giant reserves of oil that can be exploited by these companies in other parts of the world—that point has been made—I want to focus on what is predicted for Russia when what is described as "The black gold rush" in Russia takes place.

I refer to Fortune magazine of June 15, 1992. As I have indicated, the article is titled "The black gold rush in Russia". They refer to the fact that all of the major oil companies want to get into Russia. They also refer to the fact that in a joint venture which Chevron is undertaking, they are going to spend \$20 billion in Russia over the next 40 years. If they spend \$2 billion in Trinidad and Tobago—I am no good at arithmetic, but just scaling it down to size and so forth—if they spent TT \$2 billion, and they get a tax holiday for 10 years, then at last some new money is coming into the economy.

So I repeat: When we talk about patrimony, sell-off and give-away, that is unproductive because we are turning away money which these investors will have to spend, regardless.

Moreover, Mr. President, things in Russia are so promising and the oilfields there are so large, that the article goes on having set out what all the resources available in Russia are:

“No wonder western oil men are dreaming of a good old-fashioned black gold rush. Most major companies, BP, Chevron, Exxon, Royal Dutch Shell...” and they cite all of them—

"ELF, Aquataine, Conoco, Amoco, are in various stages of negotiating deals and starting projects.

Some of the smallest companies, such as Anglo/Suiss, Global Natural Resources and Canadian Frack Master have proved quickest of all.

Executives from competing countries often bump into each other on planes or hotel lobbies, pausing to reminisce about earlier campaigns in the North Sea and the Middle East."

That is the scenario that is being painted of Russia, on the basis that they are opening their doors to western and foreign investors to come in and try to win the natural patrimony out of the ground.

If that is what is even remotely possible for Trinidad and Tobago, then to talk about giving away the patrimony and so on is a mindset that really does not apply in this situation. We really have to come off this scene that Trinidad is nice, Trinidad is a paradise, the dasheen tastes good and, therefore, we are going to survive, regardless. These people do not invest money on the basis that they could have a nice Carnival, marry a nice girl from the country or eat good dasheen. They take those decisions on the basis of hard dollars and cents.

When they get in here and they find out how the dasheen tastes, how pretty the girls are and so on, then they will say to their bosses, "We want to stay here, we are not going to Russia". But you have to get them in here first. They come in here for business first; that is their orientation. The other things will come later. We have got to get off this scene that we have some sweetness, some patrimony. We cannot afford it.

The next point I want to make, is that we do have a petroleum policy. It is called the Petroleum Act. The Petroleum Act determines what the Government can and cannot do. I assume that insofar as it has to grant exploration licences, it will either grant exploration licences consistent with the Petroleum Act, or it will enter into production sharing arrangements. All I ask of the Government is that when it enters into production sharing arrangements, it comes and tells us what those arrangements are so that we can see whether a good or bad deal was made. Then the people can judge the actions of the Government accordingly.

Petroleum Taxes (Amdt.) Bill
[SEN. DALY]

Wednesday, November 11, 1992

We have a Petroleum Act that sets out a code on the basis of which petroleum business is done.

I make these points not only because I support the policy behind this bill, but we have got to understand that this legislation before us is being brought within a particular framework. We cannot just look at it in isolation, not refer to the various Acts to which it is related and which it is seeking to amend.

I feel very strongly, and I have said it five times at least, and I will say it again: Nobody in the world has any mission, mortal or divine, to save Trinidad and Tobago unless we can offer the appropriate business inducements. We have got to get off this scene that we are so wonderful, sweet and beautiful that against every possible concept of good business, people are going to come here and invest money. I am not afraid to say it.

We have to understand that in relation to this kind of business, we have got to be sensible about foreign investment. We do not have the capital to invest and, therefore, we have got to look for it elsewhere. If it is that we are talking about some other business that is not so capital intensive, then we can consider, in that context, what we shall do in relation to who is going to control that sector of the economy and what is the appropriate role for the state. But this state—I do not know about other states—does not have the capital available for this investment and it has, therefore, got to induce others to bring it. This represents our only hope for stimulating this economy.

Against that background, I should like to examine the individual pieces of legislation that are up for debate now. There are some things that puzzle me. First of all, the bill to amend the Petroleum Taxes Act.

As I understand the proposed section 11A, it will permit a declaration that a business is an approved enterprise under the Fiscal Incentives Act and it then permits the Cabinet—because the President is acting on advice of the Cabinet—to grant relief from petroleum profits tax.

Now, if I understand it correctly, I do have a concern where the ability to make a declaration and to grant this relief is backdated to June 1, 1991. I always find it very difficult to support retrospective legislation because it is capable of great abuse. So I would ask the Minister for his assurance that the declarations that are going to be made under the Fiscal Incentives Act will be current declarations. By that, I mean, that relief will only be given under 11A(2), either to enterprises that have already been declared to be approved enterprises, or to enterprises that are going to be declared in the future.

I would not be in support of a situation where an enterprise that is already doing business in Trinidad and Tobago could now, in 1992, receive a declaration backdated to June 1, 1991. I do not think that the draftspersons have made it clear that that cannot happen—if I can put it that way—and I would be very disturbed to think that some enterprise could now get a declaration backdated to June 1, 1991. I assume the Minister of Energy will take this up, since the Minister of Finance is not here. I would want some assurance on that.

With regard to proposed section 11B, the draftsperson has recognized that someone may not live up to his obligations. The bill, therefore, provides for revocation of the approved enterprise status. It provides for, in effect, collecting tax that would have been paid if you had not obtained the relief which, it turns out, you did not deserve.

I am a very practical person, and I should like to know—and I should like some help from the Minister on this—what is to prevent someone whose declaration has been revoked, particularly if the assets which he has brought in for exploration purposes are not, in fact, vested in his name but in some Cayman Islands company or something, what is to prevent a bad-faith investor stealing out in the middle of the night and not meeting these obligations? I am inquiring whether it is not possible to provide for some sort of bond or something to be put up to secure the payment of this tax liability if a person who comes in for exploration does not live up to his obligations.

As I say, a company might come in here, their assets might be in the name of some Caymanian, Bermudan or whatever company and they will have no assets on which you could levy for the recovery of this tax. I should like the tax experts to focus on that and see whether there is some sort of bond or whatever that we can provide. It may be that when you are entering into agreement with the person you can make it a term or condition of the agreement. I think it is a very important point. Because while I do not share Sen. Wade Mark's view about national patrimony and regarding all foreigners with suspicion, I do know that there are people who exploit small countries like ours, and we must protect against that. I am very concerned about the practical effect of how this is going to be collected.

I have two difficulties with the proposed section 12B. I have brought my Petroleum Taxes Act up to date in accordance with the material that is issued by the Government Printery, but I am not able to find a section 12B in my Petroleum Taxes Act—it may be that it is an amendment that I do not have—but the fact is

Petroleum Taxes (Amdt.) Bill
[SEN. DALY]

Wednesday, November 11, 1992

that on page 7, clause 6 begins by saying "Section 12B of the Act is repealed", and I am unable to find 12B in my copy of the Petroleum Taxes Act. It may be that it is an amendment which I do not have; the Act is clearly defined as the Petroleum Taxes Act, so I do not know what the situation is there.

Insofar as the proposed 12B is proposing certain deductions and allowances, there is a reference there to "costs other than tangible cost". It does not appear to me that tangible and intangible costs have been properly defined. I know that there are other sections of the Petroleum Act and the Petroleum Taxes Act where a distinction is made between tangible and intangible costs, but it does not seem to me that this proposed 12B has been made internally consistent with the legislation by properly defining tangible and intangible costs. The fact is that if there is no interlocking definition, the critical expression, "the costs other than tangible cost" will simply be meaningless because of the absence of a definition of tangible costs.

Mr. President, those are my comments on the technical matters that are raised in the Petroleum Taxes (Amdt.) Act. I should like to suggest, again, as part of the process of informing the Parliament and the public, that within a year of the passage of this legislation, some report be given to us as to the success or failure of these inducements in getting foreign investment here.

I am supporting this bill on the basis that I am so thrilled that we are departing from "Tax the foreigner! Tax the foreigner! Tax the foreigner!" syndrome; and we are now going to offer sensible business inducements. I am so thrilled about that change of mindset that I am supporting this, but, of course, I would want to see, in order to know whether my support was well placed, that the Act brought some results.

Therefore, it is a very important *quid pro quo* for my support, anyway, that the Government keeps us informed as to what is the success of this legislation. I do not know what the problem is, why it has become so fashionable in this country to say that any form of foreign investment—even one that is beyond the reach of this small country—is something that we must greet with suspicion and talk about fraud and all this sort of thing. We have got to take a chance in the commercial world like everyone else.

What makes us so different from Russia which is opening up to these investors? Any time these matters concerning international trade come up for debate, I will insist that we take another look at this mindset which is keeping us back.

What I am concerned about is that when the Government enters a deal, it lets us know what the deal is so that we know that it has not been fraudulent or, equally importantly, it has not been incompetent; because the commercial history of successive governments is marked by very serious business mistakes that have been made in the course of striking deals. Where the foreigners will exploit us is not because we pass this legislation, they will exploit us when it comes to negotiating an agreement. That is where we will get taken. Therefore, we need to have people with the highest competence to negotiate these agreements to make sure that within the framework of these inducements we are not robbed. The inducements themselves are not going to cause us to be robbed; we will be robbed if we negotiate imprudent agreements.

Now, Mr. President, I come to the bill to amend the Income Tax (In Aid of Industry) Act. Sen. Dr. Saith has already made the point that the reference to capital expenditure after January 1, 1975 is not something new. In fact, what that section is doing is providing for the termination of an allowance.

My only difficulty with this particular bill from a technical point of view, is that the Explanatory Note refers to clauses 5, 6 and 8 as dealing with tangible and intangible costs. But there is no reference, in fact, in clauses 5, 7 and 8, to tangible and intangible costs, and I do not see any interlocking provisions to pick up that definition from somewhere else.

There is not a little danger that this legislation would be marred by uncertainty, which could be exploited in the event that these provisions are acted upon. I believe I understand what the proposed allowances are in clauses 5, 6 and 8, but I do not understand them as having any relationship in the way the bill is drafted—the tangible and intangible costs—despite the introduction of that concept in the Explanatory Note. That is a technical matter which I should like the Minister to look at.

There is the Petroleum Production (Levy and Subsidy) Bill, which, as I understand it, is seeking to make a very basic amendment to the level of a charge and the basis on which the charge is made. I am a little concerned about the real intention of the concept of beneficial entitlement in the way that the clause is drafted. I am not sure that it is clear to me what the conditionality expressed in the words "unless such person is beneficially entitled to receive the proceeds" means. I do not know if it is meant to hit at some kind of trust or pyramid arrangement. It is not very clear what the concept of beneficial entitlement is there.

Petroleum Taxes (Amdt.) Bill
[SEN. DALY]

Wednesday, November 11, 1992

I make no comment stronger than that on the bill to amend the Petroleum Production (Levy and Subsidy) Act, because petroleum legislation is a highly specialized field and it may be that some of these matters to which I have referred are things that are present in regulations or that they are terms of art. But it does seem to me that these are some technical matters that need to be looked at.

I think it is also important for us to understand that an allowance that is given by taxing authorities is not cash that is being taken out of the state's pocket and given to a foreign investor; it is an accounting concession which permits an investor to set off against income which he has earned as part of the final reckoning for his tax.

So, as I understand it, if a foreign investor comes here and he seeks to explore some new field and so on and he fails, he does not find anything and he has no profits—however the profits are calculated—against which to set off the allowance, the allowance is not a give-away that we are making to anybody. As I understand it, unless I am being too simplistic, he really has to earn the allowance by finding the oil and turning it into revenue before the allowance is set off against what he is doing.

The whole concept of a give-away is just a label. I am not a party politician and, therefore, I do not want to spend too long a time on who is responsible for these labels. I am quite sure that some Members of the Government Front Bench will be embarrassed if we went into these stultifying concepts, and who is responsible for the stultifying concepts of “commanding heights of the economy” and some of the incredible xenophobia to which we have subjected ourselves at our considerable cost over a long period of years.

We really have reached the end of the road. We are spending more than we earn. Our foreign exchange is going to service our foreign debt and, therefore, we have got to get some stimulus into the economy. I am convinced that we are not giving away anything. We are making accounting allowances that have to be earned by somebody coming in here with a rig worth \$25 million, getting the raw material out of the ground and turning it into revenue. That way they earn the allowance. We are not giving away anything. This idea that we are giving away anything, so far as I am concerned, is a very stultifying concept.

If, Mr. President, in my enthusiasm in trying to break the gridlock of labelling foreign investment as necessarily dishonest or exploitative and so forth, I have repeated myself, it is because I think it is time for us to take a very hard look at

some of these well worn concepts which, so far as I am concerned, have stultified the development of the national economy.

So that I am not misunderstood, I want to repeat: When it comes to projects which we can afford, different considerations may apply. But we are now out of our league in the business of oil exploration. That is beyond us. Against that background, we have no alternative but to hang out our shingle and try to induce foreign capital to do it for us.

I repeat, Mr. President: When it comes to other things which are within our league, then it may be that the joint venture, or even the majority control by the state is a permissible tool for development. I am not getting into any sterile argument about that.

What I am concerned about is that the economy of this country get a safe, reliable and stimulating injection of life and new business from somewhere. We have got to get new money into this country. Otherwise, to use a colloquial expression, our dog's dead.

I mean, there is new money coming into the country all the time, but I am hoping that through the efforts of the Minister of National Security, our economy will in due course come to rely less on that sort of new money and a little more on legitimate forms of investment.

There is grave danger for this country if we have to rely, even unofficially, on the circulation of the wrong sort of new money, then all our patrimony, independence, sovereignty, everything would be lost, for we would come completely under the control of the possessers of wrong sort of new money.

It is not only fundamental for our economic survival that we get decent new money into the country, but ultimately it is necessary for our physical and political survival, otherwise the persons who control the economy will be persons who are extremely undesirable.

So speaking as a person who just wants to get a few conveyances going, I am very clear in my mind that we have to get new money in this country. I am equally certain that the shopkeeper in Mayaro wants to sell his goods to the households that will come with these new investors. I am equally certain that the property owners in Mayaro would like to rent many of the houses that are empty.

I know the Manzanilla/Mayaro area well because, having come from very humble circumstances, I did not, as a child, go to Disney World for my vacation; I

Petroleum Taxes (Amdt.) Bill
[SEN. DALY]

Wednesday, November 11, 1992

went to Mayaro. When one drives through Manzanilla one sees a ghost town. If there are degrees of death, Manzanilla has the highest, because the commercial and agricultural activities that supported Manzanilla have died. There are just a few people doing cattle. The whole place is boarded-up, run down and sleazy; it looks like a place that has been spat out.

3.50 p.m.

Then, when you get to Mayaro, you see signs of activity. Are we going to play childish games and not recognize that the agricultural activity that died killed off Manzanilla, but that the petroleum-related activity that still exists has kept Mayaro alive? In fact, many areas of Mayaro have improved in terms of living conditions and the availability of jobs in the area. Do you want a starker example than this as to what the benefits are? In fact the article to which I referred talks about the type of concessions that the negotiators wring from the foreign investors in relation to donations. The Russians are proposing to insist that as part of the deal, donations are made for medical supplies and hospital equipment. That is why I say the role of the negotiators is so important. It is not what we provide in the petroleum legislation. So, I am supportive of this legislation.

There are one or two technical matters to which I have referred, and to which I should like some attention paid, and last, but by no means least, I would remind Government that it would be useful if we can be kept up to date, in the event that this legislation is passed, on its success in bringing new money and investment into the country.

So, Mr. President, at the risk of going into the 65th minute, because I have not been keeping a check on the time, I should just like to say that there is nothing, in my respectful view, in this legislation that will cause the country or the people of Trinidad and Tobago to be robbed, unless the legislation is incompetently applied. It is a new attempt, a new approach to business and I think it is to be welcomed. I am just a little astounded that the source of this legislation, at any rate, is related in some measure to the stultifying doctrine of commanding heights of the economy. But I try to be forward looking. I only hope that it is an approach that will be consistently applied.

Thank you, Mr. President.

Mr. President: Before I call the next speaker, Sen. Daly, give me a little time. I should like to comment on one or two of the points that emerged in your

contribution. It appears that your Rolex watch does not keep the accurate time which such a classy watch is supposed to.

I am glad for your pronouncement that you are going to observe the Standing Orders by not speaking for 65 minutes. That is not allowed under the Standing Orders. I know you have problems in certain areas, but seeing that the Rolex is not doing too well, leave it to the experts who have been doing it for years as far as the timing is concerned. The only person who would have qualified for 65 minutes today, would have had to start speaking before I said prayers, to reach 65 minutes.

While we are talking about the observance of the Standing Orders, if you filed those questions in the previous session and intend to repeat, I would advise you to consult your Standing Orders before repeating them.

Sen. Michael Mansoor: Mr. President, I should like to tell you at the start that I do not plan to speak for 65 minutes either, even if I could.

Sir, I regard this legislation as one of the items of the most significant economic importance in the economic history of this country. I say this because what we are dealing with is an industry that determines the economic future of just about every citizen of this country. The oil industry is the lifeblood of our country and if we have any doubt about that, a review of the statistics in recent times would prove that what we are doing today, determining the way the oil companies are going to be taxed, is going to have a very important and very direct impact on the ability of the Government to derive sufficient revenue to serve the needs of the country. Because in 1992 if the Estimates of Revenue are correct, the Government was planning to get \$1.4 billion in oil taxes and royalties, out of a total tax take of \$5.6 billion. So that in 1992, although the prices of oil were relatively depressed, we were looking at an industry that effectively provides, in a direct way, 25 per cent of Government's revenue.

If one looks at 1990, in that year the oil industry, in terms of oil taxes and royalties, provided \$1.9 billion of Government's total tax take of \$4.8 billion. So that in 1990, 40 per cent of Government's tax revenue came from this industry. We are dealing with and determining today the most important conduit, or source of revenue, for the Government. This heavy dependence on oil is not something of recent vintage. I go back to a document which was circulated many years ago. It is called *Accounting for the Petro-dollar*, in which was set out the total amount of money to be garnered from oil taxation.

Petroleum Taxes (Amdt.) Bill
[SEN. MANSOOR]

Wednesday, November 11, 1992

In those days, during the years 1974 to 1984, the tax take as set out in this document, was at least \$17.4 billion. If you look at that figure and take into account all the devaluations and inflation that we have had, you would see that the oil industry has provided and determines, in a very direct way, what happens to the economy of Trinidad and Tobago. That \$17 billion was spent during the years 1974 to 1984 on a variety of industries—Ispat, Iscott, air transport, all sorts of items.

If we had kept that money, denominated in the right currency, and we had left it to earn interest, we would be talking of an order of money of not less than TT \$50 billion today. So that, one has to get a sense of reality when one is dealing with the taxation of this industry. It makes or breaks us and, therefore, when we tinker with the legislation with the intent of attracting foreign investment in order to get the oil to the top of the ground, we are dealing with very important and serious business.

It is not a matter of archaic legislation that will not have any real impact. It is something that will determine how much money we have in our pockets, how much money each citizen will have in his pocket. With that as an introduction, and recognizing the importance of what we are doing, one has to approach this legislation with much reverence and one has to ask the question: What are we really doing today? It is facile, it is simplistic to invoke, as the previous speaker said, such archaic notions like robbery of the Treasury, patrimony and other such words. We have to take a very realistic view of what we are doing today.

4.00 p.m.

Dealing with and managing this industry presents a dilemma. Essentially, what a government has to do is to determine how much it will take from the revenue flows of the oil companies and how much it has to leave with the oil companies in order to allow and encourage them to invest. Trinidad and Tobago—private and public sectors—and the Government do not have the money to make the kind of investments that are required if we are going to maintain and increase our production.

It is a very delicate balance. It is not a simplistic philosophy or ideology that we can adopt and say that we are going to ensure that the foreign companies, or which ever companies, do not derive excessive profits. It is a very delicate, complex and complicated exercise to determine just how much taxation one must take from the oil companies without killing them.

This country has had a lot of experience, and I think back to the early 1970s when the oil legislation was changed in a very specific way, and I regard, with a lot of respect, the work that was done by Mr. Harold Fraser in changing the oil tax legislation in those days. It was because of that important piece of work that we were able to collect moneys of the order of \$15 billion over the period I mentioned earlier.

This business of determining how we will tax the oil companies is not a matter for the amateur or armchair politician who wishes to make decisions and come to conclusions that are not based on hard research and a lot of work. That is the first point I should like to make.

Mr. President, the approach that has been taken over time by several countries is to tax the revenue of the oil companies in two ways. There is the profit element. One seeks to tax the profit that is made, and because of the fact that the price of oil can move from day to day, there has been a trend to tax the revenue—something like a sales tax. And that is what we know in our system as the supplementary petroleum tax.

So what the oil taxation system does is to tax both the revenue line, with some allowances, and also the profit. That, essentially is a good way of doing things because it allows you to give the companies in the industry the opportunity to garner sufficient funds to make the investments that they are required to make, if we are going to find the oil.

Because of the fact that you are taxing revenue, that presents some very specific problems. If revenue is taxed without looking at the cost to the companies, it is quite possible to tax the company to such an extent that they have to go into a loss position in order to pay the tax. This is why the supplementary petroleum tax has caused so much difficulty over the years. With a declining price there was always the difficulty of what are their costs and, are you really stifling the companies, inhibiting them from growing by not taxing their profits, but rather taxing the amount of revenue that they get.

With that in mind, I just wish to state, once again, that it is a difficult, complex and complicated exercise, determining a package of taxation measures that would facilitate and encourage investment, and at the same time allow the country to carry on with its business, having regard to the very great dependence we have to place on the revenues that we get as taxation from the oil industry.

Petroleum Taxes (Amdt.) Bill
[SEN. MANSOOR]

Wednesday, November 11, 1992

If it is that we are approaching an important and complicated area, you will understand that there is much concern as to exactly what the individual measures in the taxation will do to the revenue line of both the oil companies, and as I stand here, more importantly, the amount of tax revenue that we will get. I should therefore like to ask the Ministers to be a bit more patient and, perhaps, understanding of the difficulty that we on this side face when we come to deal with individual measures. For example, if you remove workover allowances, and give an allowance for tangible or intangible cost, what does that really do to the revenue of the oil companies as opposed to the oil revenue of this country?

Now, I know that it is complicated, but I should have expected that for each provision which the Government changed in this legislation, it would have said that the cost of doing this is “X” or “Y”. In other words, if they remove an allowance, it is taking “X”, an allowance is given, and “Y” is expected to be taken. So, one can come to some level of comfort in saying that what one is doing is giving a certain amount of money to the oil companies and have some sort of assurance that it is enough to allow them to invest and at the same time it is enough so that the Government's finances do not get into a state of further disarray.

I should like to preface what I am going to say about some of the individual measures with a request that the Ministers involved provide this Senate with some sort of assessment as to what the individual measures would cost; or what we are giving away by making certain provisions, notwithstanding the difficulty and complexity of the calculations.

It is very important for us, I believe, as decision makers, to have some sort of idea as to where these measures will lead us not only in 1993, but also in 1997 or 1999, because we cannot change this legislation every day. This legislation is more in the form of commitments, if I may use that word, to the players in the industry. So, we cannot come willy-nilly as a budgetary measure in 1993 or 1994 and change this legislation without seriously endangering our credibility in the international arena. So what we do today is very important. As such, I should like to ask the Minister to be very precise in telling us not only what these measures will cost in 1992 and 1993, but also how he sees the tax take from the industry growing or declining, given all the kinds of variables that we cannot determine—the variable of quantity of production, quality of crude and all other factors that affect the revenue base.

Mr. President, this is a request for information. I should like to know, as a citizen, how detailed and how carefully the projections were done to determine how much taxation we would get from the oil industry under a variety of assumptions: Volume, price etc. This is the only basis on which Senators can really assess whether this legislation is good for the country. It is not a matter of ideology. What it is essentially, is a matter of maximizing the wealth this country will derive from the oil industry on the one hand, and knowing full well that in order to do that we have to give the companies in the industry the ability to garner sufficient funds for their investments. This is very important. I have been trying to make out the case in terms of the quantum of revenue derived from this industry and, I hope that the Ministers involved would be kind enough to give us that information.

4.10 p.m.

Now, for a few specifics. Sen. Daly talked about the proposed clause 11(A) to the Petroleum Taxes Act where under the Fiscal Incentives Act, partial relief can be given for petroleum profits tax. Petroleum profits tax is essentially a tax that can be given to persons operating in the refining business. So that when I looked at the bill for the first time, having regard to the identity of the refineries in this country, I did not worry too much in terms of who was getting a benefit. I ask the question: If one looks at the definition of “refining business” it is quite a broad definition. It includes the liquefaction of natural gas, the physical separation of liquids from a natural gas stream, not to mention the manufacture of petrochemicals. So I ask the question, who will be exempted from taxes under the Fiscal Incentives Act?

And having regard to the fact that it seems to be a Cabinet decision, if I understand Sen. Daly correctly—the Cabinet advising the President to make an Order—I should like to know whether it is just the refinery, Trintoc or whether this partial or total relief will be given—on what basis and to whom. I understand the complexity of it and I understand that there will be good reasons—and I suppose there will always be a Cabinet Minute in which this decision would be recorded. I should like to ask the Minister for his intentions under this particular change in the legislation.

In terms of specific numerical information we are removing work-over allowances and we are giving a new allowance for a tangible cost. Without being an expert in the industry one does not know how much one is giving and how

much one is getting in terms of taxation for the country. I ask the Minister if he would be kind enough to give some sort of accounting as to how we have come to the figure of \$150 million for the entire industry? Similarly, allowances are being given for the expenditure incurred in dry holes in a given year, as opposed to treating it as a capital item. I ask the question again: What is really the impact of the individual measures? How much are we giving and how much are we getting? We must have something, some sort of computer calculation, if we are making these decisions rationally, that would tell us what these items of allowances or the call-back of allowances will cost us, not only in 1993 with a production base of less than 150,000 barrels per day but also what is it likely to cost us in the future. Have these calculations been done or is this a shot in the dark? Because like Sen. Daly, while I am inclined to support this legislation, for me, it is an act of faith and hope.

I want to know whether the Government has done these calculations and I hope to get its assurance on that. We would only have done well today if at the end of this exercise, whenever the end is, we were to get more tax revenue for the service of Trinidad and Tobago, more production, hopefully at better prices and our oil companies would be strong and Trinidad and Tobago would be better off. Mr. President, we need detailed information as to where that figure of \$150 million came from as it relates to the specific measures.

The Supplementary Petroleum Taxes (SPT), which as I have said before is in the nature of a sales tax. What has happened there is that we have moved from a regime where we charged SPT of 55 per cent on marine-based production and 15 per cent on land-based production to a system of graduated rates of SPTs with a different set of allowances.

SPT has always been a very wicked tax if you are an oil company executive because it hits the top line with no consideration, or little consideration for his cost. From the Government's vantage point it was a very good protection from windfalls being made without the Government getting its part of the action.

We have moved from that regime of 55 per cent and 15 per cent on base production and 20 per cent and 5 per cent on additional production, to a regime where SPT will never be at the rate of 55 per cent again—the calculation which is in Part B of the Third Schedule to the Petroleum Taxes Act. If one looks at that table one sees that there is no supplemental petroleum tax if you have prices of less than \$13; above that price you move to getting six per cent for marine on "A"

or “B” depending on whether it was pre-1988 or post-1988; six per cent at the price of between \$13 and \$14 for marine production and it goes up. For example, if the average price of oil is between \$19 and \$20 you are charging SPT at an effective rate of 23 per cent and 15 per cent on marine production.

When we look at the numbers we are moving from a regime of 55 per cent to a regime where, if the present prices hold, we are talking about 23 per cent to 15 per cent. So that there is a significant drop on the face of it, and I say “on the face of it” because not only have the rates been changed; the calculation has been changed in terms of what is allowed as a deduction in the determination of the SPT.

Mr. President, it is impossible for someone like me to make an informed remark on the wisdom or otherwise of any one of these individual measures. I wish to crave the indulgence of the Minister to tell us exactly what these things are going to mean in terms of revenue forgone, with good reason, by the people of Trinidad and Tobago. For example, we now have an allowance of 50 per cent of geological and geophysical cost. That may be a very good thing because it induces people to this type of work, but again, we need the data. Then there is a new approach to this legislation in that discounts are given where a company has been able to maintain in a subsequent year more than 90 per cent of its production in the previous year. Again with good reason, that is probably a very good inducement for people to keep their production levels up by doing the investments and work-overs they need to do. I am not an expert in the industry but it seems to me good sense. I ask the final question: How much is going in and how much is coming out? What is it going to do to the industry?

The SPT calculations will be different. New allowances, some allowances gone; rates that are very different depending upon the average prices received on a product on a per barrel basis. It seems to be a good measure on the face of it. If as a result of it our oil companies invest sufficient funds in order for us to improve and increase our production, hopefully at increased prices all of us would benefit.

As I stand here I see Sen. Saith making certain signs, possibly indicating that if we had been provided all this information we would all be smothered with many books. I do not think so. I see this as a summary. I do not want all the detailed calculations. I think from where I sit the most important thing for me to determine is whether the Government has done its homework, and not only in respect of 1993 but also in the years to come. That to me is the most important thing. We cannot seek to second guess the executive or to do the work of the

executive. The assurance we want is that the figure of \$150 million was not plucked out of the air. We want to know what the figure of \$150 million will become, three years from now. It is an assurance we need. I do not think that we can expect to digest all the detailed calculations and understand all the assumptions that need to be made.

4.20 p.m.

Under the Income Tax (In Aid of Industry) Act, we have this new provision for a 20 per cent initial allowance and further 20 per cent allowances in the first year, and the ability to write off the investment over a five-year period on the straight line basis in the next five years. Is it a good thing or a bad thing? We do not know and seek to get the assurances of the Minister. What we are dealing with today is the question of supporting an industry with the hope that that industry will grow and that we shall all benefit from it. It is in that context that one has to look at other industries to see how they are being helped or hindered, because although I have made the case that the oil industry is the most important industry from the standpoint of dollars, we have other sectors of the economy that are perhaps as important, if not in financial terms, certainly in terms of employment levels, and the alleviation of the social ills that would otherwise occur if these large numbers of people were not employed.

I have in mind the manufacturing sector. Most manufacturers approach 1993 as an industry. As we are talking about the petroleum industry, let us look at the manufacturing industry. All manufacturers are approaching 1993 with fear and trepidation. Why? Because everything seems to be going wrong for the manufacturer. The manufacturer is being told one day that there would be no import duties on raw materials. The next day he is told that maybe there will be none. Is it going to five per cent or zero? What is it going to be? If it is five per cent, can we live on five per cent? Can Trinidad and Tobago's manufacturers be internationally competitive if they have to pay duties of five per cent on their raw material imports, when we all know that the system of rebates never works?

Yes, we are being very gracious to the oil industry, and with good reason, but one has to ask the question: Are we in the same way doing things that will destroy another industry that employs as many as 45,000 persons? I refer to the increase in electricity prices. The PUC has basically increased charges for electricity, in my view, with very little consideration as to what it will do to the manufacturing sector. All the increase has been passed on to the commercial sector.

Manufacturers face increases of as much as 93 per cent on their electricity bills at a time when they are asked to be internationally competitive. Is the Government favouring the oil industry with good reason, and at the same time not realizing and giving enough to the manufacturers? How can we increase—at a time when we are trying to improve exports—the cost of just about every utility, pass it on to the commercial enterprises, not make any special concessions and not seek to intervene? Many of our industries' competitive advantage rests on the fact that they can get cheap energy. When you increase the cost of electricity and say that only the commercial sector should pay for it, that is bad industrial policy.

I want to ask the Minister of Trade, Sen. Kuei Tung: What is the Government doing in order to ensure that manufacturers can remain internationally competitive? Are we just going to sit idly by and allow our competitive advantage to be eroded completely? Are we just going to say they have to pay more for energy and leave it at that? While we seek to aid the petroleum sector, which is most important, we must not forget that approximately 45,000 persons and families depend on the manufacturing sector. That industry is as important, if we are not going to lose ground economically. Why should the commercial sector take all the increase of T&TEC's cost? Why should there be so much uncertainty for manufacturers today when it is crystal clear what is happening to the oil industry? In this debate, I wish to ask for a similar level of clarity for those of us who are interested in the manufacturing sector.

I now wish to conclude my short contribution by congratulating the Government on making what I see as a very bold and courageous decision, not to be affected by the many loud voices which would seek to have us believe that we can build a wall around Trinidad and Tobago and afford our citizens a satisfactory standard of living. It is a courageous political decision to come to any Parliament and to go to any people and say that we are reducing the taxes, on mainly foreign corporations, on the basis that there is a hope that all of us would be better off in the future.

Other Senators and I have asked for the information that went into making that decision, but nevertheless, it is a bold and courageous decision. Like others who have spoken, I am inclined to believe that it is the right decision. I congratulate the Government on that, because it is not easy to face those who very loudly tell us that in order to achieve a better standard of living, we must take more from the private sector. It does not work that way. This is a courageous decision and the

Petroleum Taxes (Amdt.) Bill
[SEN. MANSOOR]

Wednesday, November 11, 1992

Government should be congratulated on it, but it has to continue to keep its eye on the ball. It is not a simple business of just reducing taxation.

The taxes are being reduced only because we hope that in the fulness of time, not too far down the road, the country will derive more from the monetization of our reserves of both oil and gas. Like others, I stand in hope that we shall have the courage to keep our eye on the ball and the wisdom to do what we have to do, whatever the political consequences, short term or long term, in order to improve the quality of life the average citizen.

While I am very vocal in commending the Government on making what I see as a good decision, fraught with risks, but essentially a good decision, I make the plea that we do not forget another segment in our anxiety to assist one segment of the economy. I am speaking specifically about manufacturers in relation to the cost of energy, electricity and other utilities.

What is going to happen with the future regime? If those manufacturers cannot export, and you continue with your policy of reducing import duties whether you call it CET, surcharges or stamp duty, if you have that lower level of duty on imports, the only way that manufacturers would be able to survive is to export. If they have to export, they have to be internationally competitive, and if they have to be internationally competitive, you cannot impose serious hikes in utility costs and energy costs, which constitute, in a very real way, the essential competitive advantage. Every manufacturer is complaining and fearful of what will happen.

I wish the Government well. I ask for the assurances and in the same breath I ask that similar consideration be given to other industries and segments of the economy which employ many persons and which in fact will determine, in a very real way, how well or badly we live in the years that lie ahead.

I thank you.

4.30 p.m.: *Sitting suspended.*

5.00 p.m.: *Sitting resumed.*

The Minister of Energy and Energy-based Industries (Sen. The Hon. Barry Barnes): Mr. President, I shall say a few words on the size, and vulnerability of the Trinidad and Tobago oil industry, and how it is laid out at present.

We are a small producer; that has been said. Today our crude oil production is 135,000 barrels per day. We own two refineries—one at Point Fortin the other and

one at Pointe-a-Pierre—with a total processing capacity of 250,000 barrels per day. Our local crude charge into that refining system is 70,000 barrels per day. Our domestic market consumption is 18,000 barrels per day. The critical point to note is that our domestic market can neither support the industry that we have, the crude production, nor the crude that is being processed through the refinery, so that we are dependent for the survival of our industry on the international petroleum market, where it goes without saying, we are a very, very small factor indeed.

Across the Gulf, in Venezuela—and this has been mentioned—current production is 2.5 million barrels per day and we have seen them, under their obligation to OPEC, voluntarily reduce their production by 500,000 barrels per day—four times the total production of Trinidad and Tobago.

The petroleum sector—Sen. Mansoor has made the point—provides just over 40 per cent of Government's tax revenues, 65—70 per cent of this country's foreign exchange earnings. Seventy-five per cent of our exports go to the United States of America and this represents less than two per cent of the importation of petroleum into the United States.

We have heard much about Amoco which currently produces 65,000 barrels per day in Trinidad and Tobago, out of a worldwide production of 840,000 barrels per day. Our petroleum sector is vital to Trinidad and Tobago but it is not really vital to anybody else. And we must understand that.

Much has been made of World Bank, IADB conditionalities—the latest "boo-boo man" in the country. The World Bank has been sending missions to this country, as you know, for several years. In my earlier incarnation I spoke to their representatives several times. Just to take one example dealing with the upgrading of the refinery, from the *Trinidad and Tobago Development Issues for the 1980s* dated June 24, 1983:

"A committee appointed in April 1982 to study the rationalization of the domestic refining industry has drawn up a slate of options for further study.

C2: Improved Pointe-a-Pierre operations by:

- (a) vis-breaker refurbishing
- (b) heavy distillate hydro-cracking
- (c) gas oil desulfurization

Petroleum Taxes (Amdt.) Bill
[HON. B. BARNES]

Wednesday, November 11, 1992

- (d) installing a hydrogen plant for hydro-processing; and
- (e) providing additional required offsites."

This was 1982—the identical project we are doing now. Let me assure you that it started earlier than that—1979—and we have been talking and talking about it all that time. The world was not waiting on us, so that in 1978 and 1979 there were 10,000 barrels a day; that is, one cargo of 300,000 barrels of gasoline per month moving from the Pointe-a-Pierre refinery into the United States—US regular specification: leaded gasoline. The lead was removed in the United States, the United Kingdom and Europe and phased down in Venezuela, so that today we sell gasoline on the domestic market and in some of the Caricom markets—even Jamaica and St. Lucia now have unleaded gasoline—and we now sell leaded gasoline to Colombia because our existing refineries cannot at this time meet the requirements for unleaded gasoline.

In 1975 I was selling gas oil, 1.0 per cent sulphur maximum. It was difficult to sell but it could be sold. By 1988 it was 0.5 per cent sulphur maximum and in 1992, it is 0.3 per cent sulphur maximum. Our Venezuelan friends are going to 0.03 per cent sulphur maximum because that is where they say the world is going. It was mentioned this evening again, that even at the end of the upgrading project we shall still be producing fuel oil—2.2 per cent sulphur barrel. Florida Light and Power is already down to 1.8 per cent, going to 1.5 per cent, and the maximum sulphur content is coming down. We heard it at the Earth Summit, too much CO₂, no oxide emissions, no nitride emissions, oxygenated motor gasoline and even my good friend Sen. Muntaz Hosein has said that smokers are going to be permitted to inhale, but not exhale. It is the direction in which the world is going and we have started late.

Sen. Hosein: Mr. President, I have to correct the Minister. I do not want it to be recorded in *Hansard* that I said any such thing. I should like the Minister to withdraw that remark.

Hon. B. Barnes: I am very happy to withdraw the statement and for the assurance from Sen. Hosein that he will allow me to exhale.

5.10 p.m.

The very serious problem, is that if we are to continue as an export refiner, we are obliged to put ourselves in the position where we can meet the proper specifications which the world says must be put in place in 1995. What I am really

saying is this: That we are embarked upon such a project. It started after 13, 14 years of whether we should or whether we should not. Really, it is time that the argument stopped and we concentrated our attention on making sure that we do the project efficiently, well, right and on time. It is an upgrading, modernization project and we are obliged to upgrade and modernize the plants which are there.

That brings me to the concern which Sen. Wade Mark expressed. Present indications are that the crude that we would have to feed the refinery is 70,000 barrels a day. We must upgrade if we are to meet international specifications. There is some real question whether we should leave ourselves in a situation of having to buy 80,000, 90,000 barrels a day of crude and we have said that it would be preferable to seek out a joint venture partner who could bring to the refinery 70,000, 75,000 barrels of crude a day, guaranteed markets, financial support, advanced technology, a partner who would have a requirement for processing within the Caribbean area, and we do know a few. Some of them process at our refineries even today.

There has been much talk about the crude and gas reserves. I think the Minister of Finance mentioned it. In terms of petroleum, as it stands, the biggest single reserve of petroleum is heavy crude—it has been there a long time—500 million barrels, is the figure given, that is on land. The Ministry of Energy's figure, land and offshore is two billion. We have been looking at it—and that has been for much longer, since I was a boy—we could not make the economics work and we are saying at least a start must be made. I do not mind confessing to this honourable House that the economics is marginal at best.

On the basis of that project, it is a difficult decision, but it gives us a start and it gives us the opportunity as we go on to move into the development of certainly 500 million barrels of heavy crude on land.

The third project is the Trinmar waterflood; another once-in-a-lifetime project. Trintoc/Trintopec are in on the basis of borrowed funds. Texaco are a partner on the basis of their investment. Our people in Trintoc and Trintopec have experience in waterfloods on land. They have not had the experience of a waterflood project in marine areas and particularly such a sensitive marine area as the Gulf of Paria. But Texaco have invested their money and are therefore very anxious to make sure that the project is done right.

Does anybody here think that Texaco's interests are different from mine, yours or ours? We have to be equally concerned that that project is done right.

Petroleum Taxes (Amdt.) Bill
[HON. B. BARNES]

Wednesday, November 11, 1992

Therefore, when Texaco say, "we want to bring in experienced people who have done projects like this before", what do we say?

Mr. President, again, I got carried away. The matter before us is petroleum taxes. With the help of somebody, perhaps I could distribute this document, I am not sure I have enough.

Here we have in the first four sheets a profile of crude production and actual prices. On sheet 1, Trintoc/Trintopec, 1980 to 1981. On sheet 2, Amoco, 1991 to 1991. On sheet 3, Trinmar over the same period, production and prices. On sheet 4, Premier. I make no apologies for putting in Premier, small as they are. They were there when I was a boy, they stayed with us through thick and thin, in the good times and in bad, for better or for worse, so to speak. They are still there. They are a small company. They are in the North Sea. They have got some land production in Wales. They have come and said "We made a little money and we like Trinidad and we should like to do further investing in Trinidad and if we can do it in association with Trintoc or Trintopec or whatever," but then they smiled and they said, "but we believe that your state companies think that we are too small". What I am saying is that we do not have to go beyond these figures to see what has happened to us.

In the other place I let these figures speak for themselves, but here I shall go a little beyond that to say that for 1981 we combined the Textrin and Trintoc volumes because it was Texaco in 1981. In 1985, of course, we said that Texaco must go and Texaco went. It did not stop the decline. In 1985, we said Tesoro must go and Tesoro went. It did not stop the decline.

This is what faced us when we came into office after the election. I sat in the Ministry on January 2, and I believe it was a constitutional requirement that a budget had to be presented by the end of January and somehow—and I do not know how—the Minister of Finance did it and there were some criticisms. I remember Sen. Mansoor. We had the Variation of Appropriation Bill yesterday and I heard a number of other criticisms which reminded me of the saying: "When you hear a dog speak French, you do not stop to question the grammar; you marvel that the thing is being done at all". The Minister of Finance did it.

We are simple and direct men in the oil industry. We have a maxim—we say it all the time—"if it ain't broke, don't fix it; if it's broke, fix it quick". And when you look at those figures, you see something that is broken. We know we have to fix it.

We started off by assuring the companies that we intended, as indeed we said in the manifesto, to look at that whole question of petroleum taxation. Again, we asked them to accept that we were going to do this in consultation, to come to a more rational arrangement and we asked them to carry on their programmes, not to stop, not to put us under that kind of pressure.

The Standing Committee on Energy, the Cabinet, appointed a team of technocrats. I think they would be very unhappy if I called their names, but Mr. Andrews, Head of the Public Service; Former Commissioner of Inland Revenue, Mr. Kong, whom we all know; Mr. Rupert Menz, Permanent Secretary, Ministry of Energy and Industries; Mr. Jupiter, Director of Energy Planning comprised it. We put this team together. They went out and spoke with, listened to, and discussed with the companies in an endeavour to get a petroleum tax regime that both sides could live with. In fact, one of the things that were charged to the team was that they had to protect the petroleum revenue position of the Government because the revenues are so important.

I remember Mr. Andrews saying that we had given them an impossible job and I reminded him that in the oil industry, we say that "difficult jobs get done the same day, but we are reasonable men and so we accept that the impossible takes a little longer". Well, this one took a little longer. They are good men; and our best men are very good. You can always tell!

We saw Exxon and Amoco send for their top guns, their specialist tax people, their specialist accountants. A team of quiet men, Sen. Wade Mark, went about the job quietly and who, I think, deserve the tribute for the effort that they have made in achieving the charge that they were given, to set up the correct kind of structure.

Let me now turn to what I consider some of the important features. We have talked about the geology of Trinidad and Tobago. We have talked about the fact that we have been in production for 100 years. We have talked about the fact that our land fields are more than mature. We have talked about the time of the discovery of our marine fields; they are mature. We have talked about the 3D seismic work that is being done, the latest in technology that is giving countries like ours the opportunity to look for new oils in deeper areas where oil has not been found before because we could not reach it.

Part of the requirement for this bill was to seek to reflect the several different oil provinces that exist in Trinidad and Tobago including the areas where there is

Petroleum Taxes (Amdt.) Bill
[HON. B. BARNES]

Wednesday, November 11, 1992

secondary recovery and workover production. The primary flow has already long gone and you now have to stimulate the flow either by water flooding or by steam work to extract a greater proportion of oil from the reservoir.

We have the marine east coast. Oil and gas provinces another area. We have the Trinmar Soldado field, a very different type of oil, 24 API gravity, 1.2 per cent sulphur. This is the reality of Trinidad and Tobago. We have the possibility of bringing in new people who are not even in production at this time, people who are coming in under new exploration licences to search for and, hopefully, find new oil. That was the charge that they had.

We have talked about the SPT. Without wishing to affront any of my senatorial colleagues, I must say a few words about the SPT. The SPT came into being in the second oil price shock, 1979 to 1980. In the United States of America and the United Kingdom, they moved to what was a windfall profits tax. Those windfall profits taxes have long since gone. We moved to a supplemental petroleum tax on the gross and perhaps it is because it was termed a supplementary petroleum tax that it was never precisely clear that what we were talking about was a windfall tax.

Let me illustrate the effect of it. If you assume a price of crude oil of \$20 a barrel and you assume a cost production of \$5 a barrel and you assume a supplemental petroleum tax of 50 per cent and then a profit tax of 50 per cent, how does it work? Twenty dollars a barrel is gross, the supplemental tax comes in at 50 per cent, that is \$10; \$10 left, \$5 from \$10, \$5. Petroleum profits tax comes in, \$2.50 each. So the Government gets \$12.50, the company gets \$2.50, \$1.00 goes to shareholder, \$1.50 for re-investment. We can be happy with that.

If the price of oil goes up to \$40, you do not leave your supplemental petroleum tax at 50 per cent. You go to 75 per cent. When you go to 75 per cent, the supplemental petroleum tax is \$30, leaves \$10, \$5 is the cost, \$5, remains and petroleum profits tax comes in, \$2.50; government takes \$32.50, the company is in the same position, \$1 to the shareholder, \$1.50 to re-invest in the business. That is when they say that Government take all and that is what Government have done—taken the entire windfall profit. There are people who would say that there is nothing wrong with that.

But what happens when the price of oil drops to \$12 a barrel? If your supplemental petroleum tax is 50 per cent, \$6 goes, \$6 left, \$5 is the cost, there is \$1 left, the 50 per cent profit tax comes in, \$0.50, and \$0.50 goes to the company. The company is in bad trouble.

When the price of oil drops to \$8 a barrel, as it did in August, 1986, 50 per cent is \$4, Government takes that. What is left is \$4, but the cost of production is \$5. I think Sen. Mansoor mentioned this possibility today. In fact, some of us will remember around that time when several companies were saying that the Government tax take was, in fact, 125 percentage and 127 per cent and any number of percentages over 100.

On the sixth page, I have listed, for the benefit of the Senate, how the SPT has been administered. The first introduction was item four—I should not have to read all of this—but you will notice that it was, in fact, applied retroactively to January 1, 1980, and you can go back to these earlier sheets and see what the price of oil was at that time, it is listed here.

As the price of oil went down, there seemed to be a lag, and, in fact, there was always such a lag, because what you are asking a Government to do, at a time when its revenue is dropping, is to reduce the percentage of its tax take. And that has to be very difficult. This has been a source of considerable concern, particularly the retroactive application. I am even speaking about Trintoc and Trintopec, because when you do not know what your level of taxation is going to be, you cannot plan; when you know that the level may be changed after the fact, you cannot plan. This is one of the areas that we have sought to correct in this new petroleum tax regime.

First of all, there was the question: At what point does a windfall begin. By implication, according to what we have here, \$14 and \$13 a barrel—it is a judgment. But you have set up a scale, a system that responds to the level of prices, a matter over which neither you nor the companies have any control, but at least it gives them a predictable basis and, indeed, gives the Government a predictable basis of operation, and it does not then depend on an individual Minister or Government to respond to changes in the market place.

It was mentioned earlier this evening that prior to the period of Desert Storm, there was a run-up of prices. I remember reading in the press, I believe, my colleague in the other place, the Minister of Works, was one of the people who wrote in the press saying that there was a windfall and it was going to be allowed to get away. I think it lasted for a few months and immediately the action started, I think we all remember, there was a plunge in the price and, therefore, if the SPT had been increased to pick up the windfall, it would have had to be reduced again to compensate. The reaction time does not allow that. So, in terms of this we have

Petroleum Taxes (Amdt.) Bill
[HON. B. BARNES]

Wednesday, November 11, 1992

said, "Right, this is the price, this is the possible level of prices and we put this scale". Very important.

In terms of the allowances, I think the Senate will note that the opportunity was taken to tidy up some of the allowances. Much of the grossing up, which was a device used to compensate for the rigidity in the level of the tax, has now been removed so that people are going to be allowed actual expenses, what they actually spend. In fact, this is one of the difficulties in making the kind of forecast and figures Sen. Mansoor has requested. They are allowances. To some extent, if the people do not do the work, it does not cost anything.

What will a dry hole expense allowance cost? Well, I start off with the hope that if we are going to give allowances for the kind of seismic and geological work, we will not have any dry holes, although that is too much to hope for.

In response to Sen. Wade Mark's question, I think the figure showed that Amoco had drilled 17 wells and that only in seven was oil found. So there were 10 dry holes out of that. But we hope that with the encouragement of people to pay the additional high cost of getting state-of-the-art seismic work done, and because we are giving that as an allowance, they would take on the additional expenditure and the level of dry holes would be reduced.

Perhaps I should not say this in this Senate, but I would say at least one of the question marks that we must have over the Trintomar/Pelican incident, is that, in fact, up to today, 3-D seismic work was not done.

5.40 p.m.

I want to also deal with another matter that did not get too much attention from the Senate, perhaps understandably so—the levy subsidy. The levy subsidy came into being in the first oil price shock. It was the view that because of the increase in crude oil prices, the production companies were very much better off; that the increase in the price of crude was being passed on into the refinery and, therefore, reflected in the price of products. It was therefore decided that the citizens of the country should share more directly in the benefits of the good fortune; and that the price of petroleum products in Trinidad and Tobago should not reflect the increases in the international prices. So a fixed price was set.

You would take the international cost of crude, your refining cost, marketing cost and that gives you one figure. But your price is controlled below that, so it meant that it had to be subsidized; and who better to subsidize it than the people

who were reaping the benefit of the higher oil prices—in other words, the production companies. So the thing was set up on the basis that the domestic market consumption sold by NP, with NP required to market on a fixed margin basis—that the difference between the controlled price and the commercial price multiplied on a monthly basis by the volume sold, would be picked up as a subsidy and levied upon the production companies.

On the last page of the document we can show how the subsidy went and its effect in terms of US cents per barrel on the producer; and you will see in 1974, when it came in, we were talking 20.45 cents per barrel, and you can also see the level of the subsidy which amounted in 1980 to \$286 million; 1981, \$327 million; 1982, \$345 million; 1991, \$150 million; 1992, running at about TT \$8 million a month. The subsidy is, according to the law, determined by taking the levy—it is by taking that total subsidy and dividing by the number of barrels produced in that month and it applies equally across the board. That is how it has been going. We need only to look at the difference in the value of Amoco's crude and the crude from Trintoc and Trintopec to see that it was, in a way, an inequitable system; that where Amoco might have a crude value of \$20 and paying a levy of \$1.45, Trintoc with a crude value of \$14 is paying the same levy of \$1.45. But it was much worse than that.

There are two factors that we must be aware of. This levy was allowed against profits tax so that, in effect, Government was picking up half of it in lost revenues. It is being charged on the companies monthly. The companies, in fact, have a real difficulty with this. If, for instance, for whatever reason, Amoco did not produce in a month at all—and that is half our production—the law says that that entire subsidy must now be collected as a levy on Trintoc and Trintopec and vice versa, of course; but it did mean that the companies were being penalized, not for their own crimes but very often for the crimes of their brothers.

The second factor is that the producing companies are in no position to predict what volume of products is going to be sold by NP in any given month, so they cannot even budget for this levy. Above all, they do not follow ex-refinery prices, which is a Caribbean posting, so they really have a levy that comes flying, as it were, out of the dark and landing on them on a monthly basis at a time when they are trying to control costs et cetera. So it has been a considerable—for want of a better word—irritation and, particularly, when, as has happened on several occasions, it has been a substantial levy. In 1986 when everybody was reeling under the drop in prices, 22 cents disappeared; 1981, \$2.20.

Now one of the things that the Senate must consider is that the levysubsidy was in place in 1974 and was continuing. Then the SPT went on, on top of that and there seemed not to be any consideration of the effect of the levy at that time. In 1980 the levy amounted to \$1.52 a barrel average and in that year the SPT was introduced retroactively, on marine crude at 60 per cent as a supplementary petroleum tax. So there was a kind of "double whammy" that went into effect there. In looking at the terms of revising this regime, what we were required to do was to look both at the tax regime itself, the levy and the subsidy, and we put a cap of three per cent which, at least, allows the companies both to know that the quantum will not exceed a particular figure and, above all, to be able to budget it as an almost predictable amount. But there is a more fundamental concern, which has to be whether this country really wants, or can afford, to continue with this level of subsidy in the domestic market.

During the budget debate at the beginning of this year we said that \$150 million in subsidy in the domestic marketplace was clearly too high and that it would have to be reduced over time. The subsidy is, in fact, almost mainly on gasoline, 9,000 barrels a day. We did say that we would move in the direction that Sen. Wade Mark mentioned this evening. We would go towards the commercialization of CNG as an alternative fuel. We came in and found one station operating; two stations that had been completed, August 31, 1991, and could not be put into operation. We said that we would charge NP to increase the number of stations by putting in an additional ten CNG stations.

5.50 p.m.

We also said, however, that we saw no virtue in switching the market from subsidized motor gasoline to subsidized CNG. What we had in the first instance—and it was mentioned this afternoon—was a pilot project done by the Ministry of Energy. In the very nature of a pilot project, we had a special price during the test period, and that continued from 1985 to 1992. When it came to the commercialization of CNG, putting it into a gasoline station, there was a very different pricing situation. CNG is an alternative fuel to motor gasoline.

If you can put yourself in the position of a gasoline station dealer: You have one pump that is selling motor gasoline and another selling CNG; somebody drives into your station; if he goes to the gasoline pump, you get \$0.12 a litre, if he goes to the CNG pump, you get nothing. I ask you, which pump would have an "Out of Order" sign on it all the time? Which pump would you find without an attendant?

So, one had to make it equal to make the gasoline dealer indifferent to which way the motorists go.

National Petroleum is very much the same, because NP is marketing within a fixed margin on gasoline. There was no margin for NP on CNG, the very company that we are asking to go out and purchase additional stations. In fact, what we did was to come to a commercial price for CNG that recognizes NP's and the dealers' obligations, and we put those stations into operation on the basis of a TT \$0.90 per litre price as compared to a TT \$1.96 per litre price for motor gasoline. I can just say to this Senate that the CNG price is a fully commercial price and the gasoline price still carries approximately \$4 million per month of subsidy.

Sen. W. Mark: Before the hon Minister winds up, can I ask for some clarification? Is there any intention on the part of the Government to demonopolize the National Petroleum Marketing Company?

Hon. B. Barnes: The Leader of Government Business says that that is irrelevant, but I prefer to answer and say that if it is so, I am unaware of it.

Be that as it may, NP has, in fact, gone ahead and ordered the additional CNG stations. I remember Sen. Hydar Ali mentioning the cost—he did his homework, as he was pretty near. It is an investment of \$10 million. I am told that two of the stations will be here by mid-December and the other nine will arrive before the end of January. Government is intent on pressing forward with this and will establish, at least, the beginning of a CNG network to provide a reasonable, acceptable alternative fuel to motor gasoline.

Sen. W. Mark: Would there be an incentive?

Sen. Barnes: Incentives come in different ways. If \$1.06 per litre is not a sufficient incentive, perhaps, we would have to make the incentive \$1.16 per litre.

Mr. President, I know I have not addressed several the concerns of the Senators, and I know that the Minister of Finance, in winding up, will deal with some of those, but what I really thought was necessary was to sketch the climate, concerns, philosophy and policy situations that went into the review and revision of the particular bills.

Thank you.

Sen. Muntaz Hosein: Mr. President, let me begin by thanking the Minister of Energy and Energy-based Industries for making available to the Senate this very nice folder with the documents enclosed. I hope that this is the start of things to come and that this kind of information will flow freely. I know that if this happens, we are going to get a higher level of debate and less time would be spent in the Parliament debating matters that ought not to be debated simply because of lack of information.

There seems to be some kind of misunderstanding on the part of some of the Senators today, when trying to understand the contribution of my colleague and leader of this side of the Senate, Sen. Mark. I think it might very well be that they misunderstood him and the core of his presentation, because I seem to be getting a message that Senators feel that we are saying that we do not like, or support the incentives given. Nothing could be further from the truth.

It is not that we do not support, or think that incentives are not necessary. We are not fully aware that petroleum is, perhaps, the most important of our resources, second only to the human resource. We recognize that we do not have the wherewithal, today, to explore the potential of this resource. We know that we must encourage investors, but we, as an Opposition, have a responsibility to the country. I believe if you look at Sen. Mark's contribution, you would see that he was essentially saying that while we recognize certain things must be done, a proper basket—for want of a better word—must be presented to would-be investors; we also have the responsibility to make certain that things are done in a particular way so that the citizens of Trinidad and Tobago will feel satisfied that their best interests are being taken care of.

6.00 p.m.

Mr. President, the sting in the scorpion's tail is not the bill before us today. The sting in the scorpion's tail is the negotiations and agreements that the Government will enter into with the investors. It is at that level that we have a concern on this side and I am very pleased to see that my colleagues at my back also have similar concerns.

The history of Members on the opposite side, including their colleagues who were there before them, and those before them—is good reason to be concerned. There is concern today in the Airports Authority and the manner in which they are going about what they are doing. It is with that kind of background that we approach what we have to do here today. It is because of these questions that we

on this side must look carefully and scrutinize before we sanction or vote for any measure in the Senate.

I cannot say that I want some conveyances and so on. I am not that league. I am not here to beg for my learned colleague, Sen. Capildeo either, nor am I the incarnate of any life before this one so I do not have the benefit of these things but I certainly [*Interruption*], his former boss is embarrassing him enough so I would not do it too. I have sympathy for the poor gentleman.

The important thing we wanted to know and we have not got that from the other side as yet—perhaps the Minister of Finance will tell us in his winding up. We are being told that it is going to cost the taxpayer \$150 million and all we have done is ask the Minister to tell us what is the rationale. How did he arrive at this \$150 million? Heavy weather was made by the Minister of Planning and Development (Sen. Dr. Lenny Saith) of the \$150 million. He was saying if you ask for it you would get it and you should not be speculating. I was surprised that he concluded and did not give the information. I could not follow his rationale. I cannot. We must understand on this side of the Senate that on the opposite side, some people cannot help their attitude. Their arrogance is their forte. This is not something they can help. If they do not steups and behave like market people—

Mr. President: I would have to ask you to withdraw that statement. You cannot say that Senators are behaving like market people.

Sen. Hosein: Mr. President, what would you have me say? What kind of people? Ordinary folk? I am really very concerned about the behaviour of one particular Minister who occupies a very important ministry. I am very afraid—it is like putting guns in the hands of children; his behaviour is childish.

Sen. Dr. Kuarsingh: On a point of order, Mr. President. Standing Order No. 35 states that we must confine our remarks to the subject under debate. To what extent would you say the Senator is relevant to this debate? I seek your protection, Sir.

Mr. President: The business in the bill.

Sen. Hosein: Mr. President, the people of this county would want to know and I believe that the Minister of Finance made a terrible mistake in not articulating in his opening remarks what would be the gains as we go along the road. Yes, we are giving away \$150 million—for the want of a better word, let us use that phrase, “they are giving away \$150 million”. Okay! Tell us, look gentlemen we are giving away \$150 but by 1995, our gains will be \$2 billion. We

Petroleum Taxes (Amdt.) Bill
[SEN. HOSEIN]

Wednesday, November 11, 1992

know that it would be difficult for the Minister to give the exact figure but certainly we must get a projection as we go along the road, which would make life easier for the man in the street, the citizens of the country, and more so, for us on this side of the Senate to be able to understand the Minister better. That it is very important, so that we do not waste the time of the Senate in discussing something which ought not really to be discussed. It is a simple matter. All that the Minister had to do was simply to give us some rationale. We do not want all his working papers, just a little rationale as to how he arrived at \$150 million. I cannot see it as a big deal. That would have ended that kind of argument.

There is something missing in this whole debate, and do you know what that is? It is the question of safety in the industry. I am quite disappointed that the Minister seemed either not to have the time to discuss it, or missed it completely. I think that in any debate on the oil industry, safety must be a very important aspect. I should have liked to hear the Minister give us some kind of assurances that the safety aspect of the oil industry was being looked at.

The health and safety laws date back to 1948. That is quite some time; and those laws need to be revised. We would see that during 1987, there were 99 accidents in the petroleum industry. That is only during the first quarter of 1987. I quote from the *Trinidad Guardian* of August 7, 1987, an article titled "99 accidents in the petroleum industry":

"During the first quarter of the year, 99 accidents were reported in the petroleum industry to the Ministry of Energy, including 40 at Trintoc's, Pointe-a-Pierre and Point Fortin refineries.

Government's report on the petroleum industry for January-March also indicated one fatality for the period.

A total of 110 accidents were reported in the petroleum sector over a corresponding period last year. Forty-six of those occurred at refineries.

Between January and March this year, 59 accidents occurred on offshore and land producing field operations."

Mr. President, I quote from another article titled. "Two workers die in Trintoc tragedy—Escaping gas, then 40 metre fall".

I now quote, from the *Express*, dated July 28, 1988.

"Two Trinidad and Tobago Oil Company employees (Trintoc) were killed yesterday when they fell off a steel column at the Pointe-a-Pierre refinery around 10 a.m."

I continue:

“Toxic Gas Puts 5 in Hospital; Fyzabad Oil Spill, 400 Residents to Share in Million Dollar Pay Out Next Month”.

6.10 p.m.

Is there a long-term effect on the people who have suffered in this accident? I do not know. They have had a payout, but we do not know. I should have liked some expert in this field to tell us. And these are just a few. September 1989, “Worker Injured on Rig; Well Explodes, Village Covered by Oil; Explosion at Trintoc; June 1991, Man Killed, 12 Injured; Fire Ball Lights Up Sky as Tanker Explodes.”

Sen. Huggins: This bill is about tax legislation, not compensation.

Sen. Hosein: Do you see how narrow some people are? They are saying that this is tax legislation, so to hell with the worker. You have to forgive those who do not understand.

Sen. Huggins: I forgive you.

Sen. Hosein: I do hope that the people in the police force will forgive him for his commissions and omissions.

I proceed: “Two Injured on Rig Mishap Improving.” We come closer to home, Saturday October 31, 1992, “Three Die On Off-Shore Rig.” So far this year, based on information from the Ministry of Energy for January and February 1992, there were 53 accidents in the oil industry. If we use this as an average we might find that at the end of the year, the statistics will show us having 318 accidents in the oil industry.

Mr. President: Are you saying that the taxation proposed is likely to cause more accidents?

Sen. Hosein: No, Mr. President. What I am saying is that the package that is being offered encompasses the entire oil industry, therefore the workers' protection should be looked at and the Minister should give us some kind of assurance that the people who work in that industry are also being looked after, not simply capital. There is an omission. We would all agree that our greatest asset is the human asset, and therefore we need to put things in their rightful place.

Petroleum Taxes (Amdt.) Bill
[SEN. HOSEIN]

Wednesday, November 11, 1992

What we were trying to articulate on this side was the question not so much on the incentive which is being offered, but whether it had covered all the aspects and whether the people opposite will be able to negotiate a proper arrangement with the partners with whom we get involved. That is the important thing. We get worried when we hear our Ministers making a trip down the Islands, only to find when they get down there, they did not have the keys.

Sen. W. Mark: They have gone today.

Sen. Hosein: I hope that they have taken the keys with them.

We get worried and we must scrutinize what they are doing with a fine toothed comb because we do not know if they are capable of handling the negotiations. The question of the CNG which the Minister spoke about earlier today and he did indicate—there was some debate on this matter, I think it was on the Appropriation Bill—what the Government's position was then. He gave some figures a while ago which sound a little questionable to me. We moved from 46 cents to 90 cents which is about double.

You will recall that in my contribution, I asked the Minister of Finance how he was going to make up the shortfall in the budget. I put a direct question to him which he did not answer. I asked whether he had planned to raise the price of CNG. It has come to pass. The price has gone up.

I wonder when all these gas stations come into being, whether they are going to increase the price. This is the kind of message that we on this side are getting. When we asked the question we did not get the answer and a couple months after, if so long, the price went up. Do you understand how it appears? It appears as though something was being hidden and nobody wanted to speak about it at the time. We have no problem with CNG, because we accept that it is a more environment-friendly fuel than gasoline. We accept the argument that if we were to use CNG which we have a lot more of and sell the gasoline abroad, we would be able to make more money.

We did not get it in the last budget, perhaps in 1993 we shall start getting some figures showing that if we move to CNG—I remember it was Sen. Dr. Kuarsingh who pointed out that we would save \$360 million. Perhaps some of those figures will be found in the 1993 budget. I do not know, but we need to understand that. We on this side of the Senate will support the project of the CNG, except that we would like to see the prices remain stable and affordable.

The price of everything in this country seems to be increasing. One does not really know when it will stop. Do you remember that I warned the Senate about this? I warned the Minister that this would be the result. I remember very well that he conceded partially in his reply, that prices will increase. Therefore we have to know what kind of projection the Minister will have. How much longer is he going to hold the price on CNG? These are important questions.

6.20 p.m.

It will cost the motorist a considerable sum to change from regular gasoline to CNG. It is an investment. He would not like to know that when he does that, the next thing is that the price of CNG increases and he is caught in the middle, and has spent money for no good reason. I think the Minister should give that assurance to the people out there, because at present they are unsure of what his plans are. If you want them to convert to CNG, give them some kind of assurance that the price will hold for how many years you wish. That is very important if you want to make good on your promise to go to CNG. This Government is noted for throwing all kinds of red herrings in the way. I think it was Sen. Mansoor who pointed out today the problem of looking after one sector and forgetting the other, or so it seems to us.

Prior to trade liberalization, all sorts of promises were made by the previous Government and this one, that all the safeguards would be put in place before trade liberalization is introduced. Well, trade liberalization has come, it is a fact of life now, and the safeguards are still not there. It has not seen the light of day.

It is becoming more and more difficult for the manufacturing sector to survive under these conditions. Sen. Mansoor quite rightly pointed out the cost of electricity, water and sewerage. Only recently I saw notices that went out to people carrying on small businesses whose prices have shot up by 500 per cent. Now, the entire sales of these people for the year do not amount to what their water and sewerage rates are being assessed at.

Mr. President: I think you are beginning to drift away from the mainstream of things. I know that manufacturing business is dear to your heart. I could not stop you earlier with the accidents because there was no industrial safety bill on the Order Paper; I could not charge you with anticipation. However, many of the matters you have been talking about since seems to have to do with the budget, which I think—although it is not on the Order Paper—is sufficiently close for me to say that you are bordering on anticipation.

Petroleum Taxes (Amdt.) Bill
[MR. PRESIDENT]

Wednesday, November 11, 1992

I heard on the news only last night that the Manufacturers' Association met with the Minister of Finance to discuss matters pertinent to the budget. If you can hold your fire for these general things—trade liberalization and so forth—in the budget you will have licence to cover the whole gamut, with no restrictions. I think you have to get back to the effects of the Petroleum Taxes (Amdt.) Bill.

Sen. Hosein: The reference to trade liberalization is not part of the debate *per se*. I was simply making a passing remark that it is a question of looking after one sector of the community and leaving out the next. I was merely saying that we should not be doing that. I am guided by your ruling in trying to get me back on track.

We have to be very careful in this country. The manufacturing sector employs 45,000 persons and we have to be careful that there be an equal package or a better one for the manufacturing industry than that given to the oil industry. It is very important because we are going to be in trouble to find jobs for the people who are likely to be displaced. We must be careful about what we do.

With all the red herrings that we have around the place, we have to be careful because some people get into a corner with some area and other things are brought up which take people's mind away from what is happening. I am not referring to your ruling, Sir.

I simply wanted to point out to the Minister that we do not allow ourselves to get into the mindset of simple capital packages to the exclusion of workers' safety. I think that was what was missing in the debate and I should like to get some assurance from the Minister that workers' safety is going to be looked at more rigidly than it is now, because if one worker dies that is one too many. We cannot afford to legislate a package based only on capital and not look after our workers. Perhaps, in the negotiations which he will be conducting, the Minister will wish to negotiate some kind of assurance from those people that they are going to adhere to stricter safety standards. If we did that we would be better off.

I thank you.

SITTING OF THE SENATE

The Minister of Planning and Development (Sen. Dr. The Hon. Lenny Saith): Mr. President, I beg to move that this sitting continue until we have completed the third reading of the three bills under consideration.

Question put and agreed to.

6.30 p.m.

PETROLEUM TAXES (AMDT.) BILL

Sen. Dr. Eric Baldwin Anderson St. Cyr: Mr. President, I want to address three questions pertaining to these bills before us. The first one is, do we need to move in this direction, which is basically to adjust downwards the taxation on petroleum companies so that we can give an incentive to the oil industry? If the answer to that one is yes, then how best do we do it, minimizing the negative impact, for example, on the short-term revenue position, so that we can increase the revenue position in the long-term and the other economic benefits that would follow from more capital injection there? The third issue is, supposing we found a way of doing this and doing it well, how could we bring together the whole nation so that we could go forward in a positive way to do this thing for the benefit of the entire country?

If we were to look into the history of the oil industry—I think in the 1950s—there is no doubt that this country did not get a fair share of its major resource. I think by and large we would all agree that rates of taxation were probably far too low and that too much of the wealth generated in that sector left the country.

We proceeded to correct that and we raised the rate of taxation, basically; various measures were used et cetera. I would not go into the details, because I am simply painting a broad picture so that we can get at the underlying philosophy behind what we are trying to do.

In the 1960s we also moved in a second direction, namely, to deal with the issue of the ownership of the basic resources. I think it was almost a worldwide perspective that Third World nations should come into the ownership of their assets in greater measure.

We have seen, over the years, the consequence of those two policies. We are also very much aware that the international scene has drastically changed and, if I may say so, the international companies approach life in a far different way *vis-a-vis* international investments and I think we have to take that into account.

I personally think that we went much too far in the direction—did I stretch my left hand out? I think that is the right one—and that one of the things that should come through from this is that when we take policy action, we usually do not see the consequences for 20 or so years. So that what we are doing here today, we are not going to see the full benefit of in a year or two. So we want to warn the

Petroleum Taxes (Amdt.) Bill
[SEN. ST. CYR]

Wednesday, November 11, 1992

country that we must not expect to see the benefits immediately, but at least we should see the movement so that we could anticipate the direction in which we are going.

We have spoken much about diversifying the economy, but I want to just remind this country that the comparative wealth of Trinidad and Tobago depends largely on the petroleum resource. If we were to continue to diversify, we should never whittle down or make less any sector, more so the petroleum sector. We should expand that as far as we can, while adding additional sectors to what we have. We want to be careful how we grapple with the question of economic diversification.

I should like to suggest, Sir, that we are not going to get facts and figures which would give us an unambiguous answer on this question, but we have to bring a judgment to bear on the big problem, looking at the broad trends, the developments out there and grappling, through debate, with the exchange and contending of ideas and come up with what we think, after due consideration, is the best course of action. Having said that, in my own considered view I think we should move in this direction broadly.

The second question that I posed—having answered the first, “do we need to go in this direction”, to which I think the answer is yes—is how best do we set about it? There we get into a number of technical details, but I think an important consideration is that on all sides there emerges a consensus of a workable solution and I think the hon. Minister has outlined the method by which we have come to this position and I think that is perhaps the sensible way that people have to go, since no one side can determine how two sides play together. We have to sit together and agree on a broad approach. I do not pretend to know the details that went in there, but I am prepared, as a reasonable person, to accept that the procedure, approach and method were broadly correct.

I come to the third and perhaps most important consideration. There are many contending views on these matters. There are many different stakeholders in the country. There are very many differing perspectives, but one thing I should like to say is that if we tugged or pulled apart on this issue, it is not likely to work. My plea to the country would be that if we are going to do this, let us do it together.

I should like to speak not only here to the Members of this Senate; I wish I could also be heard in the wider community, in the nation as a whole, that we want to encourage all persons to consider whether there is an option, whether, for

instance, we could source the investments, the capital or the technology to access the oil which is largely, as I understand it, very heavy oil, very deep down, whether, in fact, we could put together the management capability and the technologies to implement this by ourselves.

Somehow, I have a preference for sharing the burdens, risks and the fruits of whatever I am doing, because that way when I lose, I do not lose all I stake and I have an opportunity for staking in a number of different directions so I can diversify my approach to the whole thing.

I am saying this, Sir, because if it turns out that there is strong resistance resulting in a lack of co-operation, then a project, an approach which otherwise could be very meaningful and beneficial to the country, could turn sour. I think we should, as responsible leaders in the country, take care to make sure that we articulate and explain this properly, that we seek to woo and encourage people to see that we are not giving away the country; we are not returning to where the country was 30 or 40 years ago, but what we are doing is, having as an independent nation of 30 years standing, grappled with several approaches, we have now an experience, a maturity to put with our nationalism, which is important for any nation. To mix with our nationalism, we put now the experience that we have and the added wisdom that we have gained over the years.

Mr. President, I thank you.

Sen. Prof. Kenneth Ramchand: Mr. President, it is not out of a need to take revenge that I prolong these proceedings by a few more minutes. We have all had a long day, but I think we have learnt much. It is in the spirit that this House is a place where there is leisure for inquiry and scope for perspectives not limited to *picong* and purely technical matters that I speak. This is a crucial bill. Mr. President, it used to be said that the NAR itself was more PNM than the PNM itself. It is because I want to be sure that the PNM is not being more NAR than the NAR itself that I intervene on two points. I begin with a purpose, the motive or the intention of what is being proposed.

One of the main intentions—and it has been identified by Sen. Daly—is to induce investors to bring in capital to exploit natural resources. I would prefer to put it more strictly than that. I should like to think that we are really seeking new investments in certain directions, such as finding new deposits or proving that certain fields or wells are not dead, but sleeping; new investments, to be made by existing investors and hopefully by new investors.

I do not know much about these matters, Mr. President, but it seems obvious to wonder whether we can devise a tax regime that will distinguish between new investors and existing investors. The new investors should not be a problem and this is not because they might not come, but because, in their case, there would be no danger of confusing old investments with new. There will, of course, be the need to set up some authority to co-ordinate the activities of the new investors and to co-ordinate the activities of both the new and the old investors to make sure that there is no unnecessary duplication of machinery and maybe even effort.

The more urgent task, I think, is to devise a system to ensure that there is a limit to the amount that existing operators can write-off against current income and maybe even to oblige investors to believe in themselves to the extent that they should carry forward to the profit-making future some of the losses incurred on their development projects. But I leave such tangled matters to Sen. Mansoor. I hope that the system of taxation will seek to ensure that the concessions granted will not be used to deprive the country of more revenue from currently producing areas than we have budgeted for.

Yesterday, the Minister divulged that there have been talks with investors. He did not say whether these were prospective or existing. But I should like to be assured that in return for concessions made by Government, the investors have given or will give clear and binding undertakings to direct investment in areas that legislation clearly regards as being in the long-term interests of Trinidad and Tobago. We need assurance not only on the direction of the investment, but also the extent of it.

I can understand that the investors will want to give undertakings without prejudice to reasonable profits for themselves, but we should make sure that we put safeguards in place, so that we get some specific undertakings about the direction and extent of their investment, especially from existing investors.

In short, Mr. President, without being simplistic, I accept the need to induce the investors. I want the "mony", but I want to make sure that I am still protecting the "patri".

The second area I want to make a comment on concerns an energy policy. An energy policy is not just a petroleum policy. Petroleum policy has to be seen as part of something more comprehensive. Sen. Mark's plea for an energy policy pointed to the local consumption of CNG as one way of making more oil available for the export market. But we should go further; we can have further savings of

oil; in effect, increase our production by using other forms of energy. There is the sea, there is wind, and above all, if the pun is permitted, there is the sun.

Solar energy is exploited in temperate and tropical countries, like Australia and Barbados. But we do not make use of it to any appreciable extent. It can be used in the home to heat water in our clothes dryers, in cooking. It can be used in cars and in calculators. It can be used in agriculture for the drying of crops like cocoa, coffee, copra, et cetera.

I am confident, that the allocation of a sum equal to a fraction of the \$150 million concession towards the wider application of solar energy devices and towards research into further applications of solar energy and in the storage of solar energy, would be a sure way of making more oil available for export. At least, Mr. President, it would be an indication that the Government has the imagination and the will to adjust and enlarge its energy policy to include all the natural resources of the country.

Thank you.

The Minister of Finance (Hon. Wendell Mottley): Mr. President, perhaps I could deal with some of the broader issues before getting into some of the specifics raised by Members.

It would be revealing if I told hon. Senators that the original Cabinet mandate to the committee which was formed to look and review this petroleum legislation that is now before the Senate was given back in January of this year with a mandate to report in six weeks, because we came into office and found that the petroleum legislation had expired at the end of December, 1991.

The very process of the discussions, the complexity of the issues that were before the committee made it impossible to discharge that mandate in the original six weeks. It went on, discussions, further research, hearings and investigations for a period that stretched more into six months than six weeks.

The calibre of the team represents the very best available talent, technical talent that the Government could muster, headed by John Andrews, who is now head of the Public Service, the Permanent Secretary to the Prime Minister, and someone who, before that, had spent a very long time in the Inland Revenue Division and is perhaps the country's resident expert on oil taxation. Behind him was Rupert Menz, from the Ministry of Energy; Mr. Andrew Jupiter, also from the Ministry of Energy; Mr. Reynold Rampersad, my Permanent Secretary; Randy

Petroleum Taxes (Amdt.) Bill
[HON. W. MOTTLEY]

Wednesday, November 11, 1992

Kong, now head of Inland Revenue, Mr. Anselm Allum, who really is the key man in the Oil Audit section of the Inland Revenue Division.

Senators should be under no misapprehension that this was the best that we could muster to deal with the issues. And they spoke with the oil companies, oil companies who could far out-gun them in terms of the resources available to them. Amoco alone, for instance, has two towers in Houston with 3,000 people employed there, not one of them on mechanic work; all of them on brain work, backed by computers *et cetera*.

But at the end of the day, from the discussions that emerged was a respect from the other side as to the competence of our people, especially as they rate that competence next to that of countries far larger than ours, so that I think that Trinidad and Tobago can be proud of this team that really did the work and discharged their responsibilities well.

The state has the sovereignty to legislate. But as I explained in my presentation, the nature of the world and the major issues today, whether environmental or international finance or trade, compromise our sovereignty. It is a foolish nation, indeed, that sticks to the old flag and the days of sovereignty to the end. These issues demand discussion, compromise and in the end working out something that is in the interests of both the investor and the nation. We believe that has been achieved.

We shared their concerns, too, that even though the legislation that we bring now might be good legislation, there are risks. But there is hope that in the end it will deliver more production and oil, and that depends on the activities undertaken by the oil companies.

The Ministry of Energy has sought to get work programmes from the several companies. These discussions have taken place with existing companies like Amoco and companies that intend to drill, like Exxon. They also took place with companies like Enron, which only signed up two days ago. So it was discussions with foreign companies, existing companies, as well as our own local companies, Trintoc and Trintopec. In that respect, Mr. Andrews had difficulty wearing two hats at the same time.

Mr. President, the facts are that the Ministry of Energy has gotten work programmes out of these companies. But, again, we would be foolish to believe that those programmes are entirely binding. If we have a programme that says so many thousand feet to be drilled and so on and tomorrow morning the price of oil

went to \$1 per barrel, there is no way that we could hold the companies to it. Those are just the facts of life.

A very sophisticated working relationship has developed now in Trinidad and Tobago that is recognized as a very competent area of oil administration between especially the Ministry of Energy and the working companies and there is a degree of working relationship and trust, but it is always subject to the overriding commercial considerations and we cannot pretend otherwise.

As to the calculations done by the Oil Audit Section as to how we arrived at approximately \$150 million forgone, I want to assure hon. Senators that those calculations were as competently done as possible. Certainly, my bringing them here and trotting them forward before you will not serve the purpose. Quite frankly, I will confess that even as Minister of Finance the intricacy of those calculations escapes me. There are reams of calculations done on computer runs to arrive at these and the net figure that flows out is \$150 million. It is very complex because in some cases, for instance, the PPT goes up and the SPT goes down and again it depends on what pricing you use for the different oils. For instance, for the 1993 Budget we are probably going at \$21 on marine oil and for land oils it is probably going to be about \$16. They are quite complex calculations done with reams of computer runs and tables upon tables, out of which drops out the \$150 million, and we have done those calculations in 1992 and we have done them for 1993. We have not done them any further than those two years at this stage. All I can assure the Senate is that we have done those calculations in as much detail as possible.

To come to a few of the points that were raised here. Yes, the legislation, as I did point out, draws distinction between new investors and the existing investors and, in fact, we went out of our way to try to put some additional benefits for new investors coming into Trinidad and Tobago for the first time to make it attractive for them to do so. We have an interest in not only having different sources of natural gas, but also hopefully different sources of new oil.

Many concerns came from Sen. Mark and Sen. Daly, especially about clause 4 of the Petroleum Taxes (Amdt.) Bill. Questions were raised especially in relation to the Phoenix Park matter. Commitments were given by the previous government to Phoenix Park and the Government has tried to incorporate in this legislation some of those commitments that were given, to discharge the commitment given by the previous government. So that whereas, for instance, the explanation given yesterday clearly indicates that although natural recovery impost—

Sen. W. Mark: On a point of clarification. Is the Minister saying, Mr. President, that that particular commitment was granted to Phoenix Park by the previous administration?

Hon. W. Mottley: Not specifically. It was broadly designed but it will accommodate some of the commitments that we have been given. It is not specific to one company, it is broadly designed. The clause is sufficiently wide to accommodate any company that qualifies for the consideration of the President under clause 11A, that is, the company must be in the refining business and it must be declared an approved enterprise under the Fiscal Incentives Act. So long as these criteria are met, the company may be considered by the President for relief under the Petroleum Taxes (Amdt.) Bill, if enacted.

7.00 p.m.

At the time that such a statement was made in the Parliament, the operations of Phoenix Park were considered to be taxable under the Corporation Tax Act. Legal opinion subsequently indicated that the company falls to be taxed under the Petroleum Taxes Act. This Act, however, has no machinery for granting such relief, hence the necessity for these amendments at clauses 5—11A, B and C. The amendments are retrospective because the company was made an approved enterprise from June 1, 1991. It has already been accorded relief from customs duty under the Fiscal Incentives Act.

Sen. W. Mark: On a point of clarification. Is it legal for this Parliament to amend a very important Act of Parliament to accommodate, in this instance, one company involving Phoenix Park? I am trying to get clarification as to whether that is constitutional.

Hon. W. Mottley: As explained, you cast a net, and if the company happens to fall there, it happens to fall there, but it is not specific. It is not named Phoenix Park.

Sen. Daly: I think it is quite important. I do not want to prolong the agony, but is the Minister suggesting that in whatever agreement was arrived at in relation to Phoenix Park, a promise had been given to the investor that they would, in fact, get relief from Petroleum Profits Tax and that the Minister is now redeeming that promise?

Sen. Barnes: If I can intervene, Mr. President. In fact, I think the intention was to give them tax exemption and it was passed under the Fiscal Incentives Act. Then they picked up that under the definition in the law on refining, this operation

was a refinery. Now there is nobody in the industry that I know who would think that that is a refinery, but unfortunately the law so defines it and that is all it is.

Hon. W. Mottley: Yes, Mr. President. In relation to another item that was raised, the explanation given yesterday clearly indicates that although the national recovery impost, which is charged at the rate of between one and three per cent is being removed, the petroleum profits tax rate is being increased from 45 to 50 per cent. So when you drop out the national recovery impost and you bump up the petroleum profits tax from 45 to 50 per cent you, in fact, have a net increase in taxes under this petroleum profits tax, more than compensating for the dropping out of the national recovery impost. So that we have, in fact, increased the taxes under the PPT, although in the main reducing the taxes under the supplementary petroleum taxation.

On some of the other matters raised by Sen. Hosein—I know, Mr. President, that you were not clearly seeing the logic in connection between safety matters and this bill. It escaped you. I think I understood Sen. Hosein's logic in that, clearly, he is foreseeing that if this bill is successful, the more petroleum activity there is, there are likely to be more accidents. I do not know if on that score he would have us not vote for the bill. Mr. President, not to be facetious, those matters are properly dealt with under factory inspectorate type of legislation and should not be the concern of this Senate. This is in fact a money bill.

In closing, Mr. President, I would only want to say that we on this side are fairly confident of renewed activity in the oil business, largely as a result of these initiatives. We have already seen, as I have indicated, evidence of strong investor confidence by Amoco's new rig. I had the pleasure, together with Senators Barnes and Rooks, to go out on that rig last week. It is an impressive piece of machinery. It stands as tall as the Financial Complex.

Sen. W. Mark: On a point of clarification. Could the Minister tell us what was responsible for the increase in the cost of that project from TT \$1 billion to TT \$1.3 billion? Could you tell us the reason for this jump? It is the same natural gas project involving Amoco over the next 20 years that has brought the Gorilla rig on the scene. The initial cost was \$1 billion and we understand there is a jump of \$300 million. What was the reason for that jump?

Hon. W. Mottley: I am not familiar. Sen. Barnes tells me that there are two platforms and it was always \$1.3 billion, as far as he knows. But in any event, that kind of rig is not required to do gas work. It is required to get down to 20,000 ft.

Petroleum Taxes (Amdt.) Bill
[HON. W. MOTTLEY]

Wednesday, November 11, 1992

and operate at great pressures. That is why that rig is out there and will start drilling for oil exploration next year.

Similarly, the Exxon explorations are due to start this dry season with over 17 prospects on land; Enron is due to start their operations, we understand, in May next year. So that, we have already the indications of renewed activity. Texaco are keenly following interests and show every sign of wanting to expand their operations here. At the same time we are talking to some European oil and gas companies.

I want, in other words, to paint an optimistic picture for Trinidad's energy sector and with these few words, Mr. President, I beg to move.

Sen. Daly: Mr. President, I hope I rose before the Minister sat.

Mr. President: Yes, in the 65th minute.

Sen. Daly: Perhaps I could just say, in passing, that the 65th minute is only the parliamentary version of the 11th hour. I wonder if we can have the Minister's assurance that in the negotiations with the investors, whom we hope this Act will induce to come here, he will see to it that the neutral and technically skilled persons whose names he mentioned, will be involved in the negotiations to ensure that we get a good deal.

Hon. W. Mottley: Mr. President, let me assure this Senate, that Ministers never get involved in negotiations of this kind. So I do not think that Sen. Daly should lose any sleep on those matters. Certainly from our standpoint, the only technical Minister we have in these matters is Sen. Barnes and he has his hands full directing the affairs of the Ministry of Energy, without having to get into the day-to-day negotiations; and certainly, for instance in some of the discussions that we had with the oil companies on these matters before us, it was always the membership of this team.

Question put and agreed to.

Bill accordingly read a second time.

7.10 p.m.

Hon. W. Mottley: Mr. President, in accordance with the provision of Standing Order No. 63, I beg to move that a bill to amend the Petroleum Taxes (Amdt.) Bill, be not committed to a committee of the whole Senate.

Question put and agreed to.

Bill accordingly read the third time and passed.

**PETROLEUM PRODUCTION LEVY AND
SUBSIDY (AMDT.) BILL**

Order for second reading read.

The Minister of Finance (Hon. Wendell Mottley): Mr. President, I beg to move,

That a bill to amend the Petroleum Production Levy and Subsidy Act, Chap. 62:02, be now read a second time.

Question proposed.

Question put and agreed to.

Bill accordingly read a second time.

Hon. W. Mottley: Mr. President, in accordance with the provision of Standing Order No. 63, I beg to move, that the Petroleum Production Levy and Subsidy (Amdt.) Bill, be not committed to a committee of the whole Senate.

Question put and agreed to.

Bill accordingly read the third time and passed.

**INCOME TAX (IN AID OF INDUSTRY)
(AMDT.) BILL**

Order for second reading read.

The Minister of Finance (Hon. Wendell Mottley): Mr. President, I beg to move,

That a bill to amend the Income Tax (In Aid of Industry) Act, Chap. 85:04, be now read a second time.

Question proposed.

Question put and agreed to.

Bill accordingly read a second time.

Income Tax (Amdt.) Bill

Wednesday, November 11, 1992

Hon. W. Mottley: Mr. President, in accordance with the provision of Standing Order No. 63, I beg to move that the Income Tax (In Aid of Industry) (Amdt.) Bill be not committed to a committee of the whole Senate.

Question put and agreed to.

Bill accordingly read the third time and passed.

Motion made, That the Senate do now adjourn to Tuesday, November 17, 1992 at 1.30 p.m. [*Hon. L. Saith*]

Question put and agreed to.

Senate adjourned accordingly.

Adjourned at 7.17 p.m.