

THE  
**PARLIAMENTARY DEBATES**

OFFICIAL REPORT

IN THE SECOND SESSION OF THE FOURTH PARLIAMENT OF THE REPUBLIC OF  
TRINIDAD AND TOBAGO WHICH OPENED  
ON JANUARY 13, 1992

---

---

SESSION 1992—1993

VOLUME 37

---

---

**SENATE**

*Tuesday, January 12, 1993*

The Senate met at 1.30 p.m.

**PRAYERS**

[MR. PRESIDENT *in the Chair*]

**LEAVE OF ABSENCE**

**Mr. President:** Hon. Senators, Sen. Diana Mahabir-Wyatt has indicated that she will be a little late for today's sitting of the Senate. While I am on my feet I think I ought to take this opportunity to welcome you back after your well-deserved recess and to extend to you and to all the members of your families all the best, good health and happiness for 1993.

**STAMP DUTY (AMDT.) BILL**

Bill to amend the Stamp Duty Act, Chap. 76:01; brought from the House of Representatives [*The Minister of Finance*]; read the first time.

*Motion made,* That the next stage of the Bill be taken at a later stage of the proceedings. [*Hon. K. Valley*]

*Question put and agreed to.*

**PAPERS LAID**

1. Report of the Auditor General on the Accounts of the Trinidad and Tobago Bureau of Standards for the year ended December 31, 1979. [*The Minister of Planning and Development (Dr. the Hon. Lenny Saith)*]
2. Report of the Auditor General on the Accounts of the Trinidad and Tobago Bureau of Standards for the year ended December 31, 1980. [*Hon. L. Saith*]
3. Report of the Auditor General on the Accounts of the Trinidad and Tobago Bureau of Standards for the year ended December 31, 1981. [*Hon. L. Saith*]

4. Report of the Auditor General on the Accounts of the Institute of Marine Affairs for the year ended December 31, 1982. [*Hon. L. Saith*]
5. Report of the Auditor General on the Accounts of the Institute of Marine Affairs for the year ended December 31, 1983. [*Hon. L. Saith*]
6. Report of the Auditor General on the Accounts of the Public Utilities Commission for the year ended December 31, 1990. [*Hon. L. Saith*]
7. Report of the Auditor General on the Accounts of Workers' Bank (1989) Limited for the year ended September 30, 1992. [*Hon. L. Saith*]
8. Report of the Auditor General on the Accounts and Financial Statements for the year ended December 31, 1990 on the Non-Reimbursable Technical Co-operation Agreement ATN/SF-3388-TT between the Government of the Republic of Trinidad and Tobago and the Inter-American Development Bank. [*Hon. L. Saith*]
9. Report of the Auditor General on the Accounts and Financial Statements for the year ended December 31, 1991 on the Non-Reimbursable Technical Co-operation Agreement ATN/SF-3388-TT between the Government of the Republic of Trinidad and Tobago and the Inter-American Development Bank. [*Hon. L. Saith*]
10. Statement made in the House of Representatives by the Hon. Patrick Manning, Prime Minister of the Republic of Trinidad and Tobago on Monday January 4, 1993. [*Hon. L. Saith*]
11. Report of the Legal Aid and Advisory Authority for the year ended December 31, 1991. [*Hon. L. Saith*]
12. Report of the Eric Williams Medical Sciences Complex Authority for the Financial Year January 1, 1991 to December 31, 1991. [*Hon. L. Saith*]
13. Fourteenth Annual Report of the Ombudsman for the period January 1, 1991 to December 31, 1991. [*Hon. L. Saith*]
14. Report of the Auditor General on the Accounts of the Trinidad and Tobago Methanol Company Limited for the year ended December 31, 1991. [*Hon. L. Saith*]
15. Report of the Auditor General on the Accounts of the Chaguaramas Development Authority for the year ended December 31, 1990. [*Hon. L. Saith*]

**ORAL ANSWERS TO QUESTIONS****Bridge Repairs  
(Arima)**

**22. Sen. Wade Mark** asked the Minister of Local Government:

Could the Minister state when the bridge at Mt. Pleasant Road (Arima) leading into Blanchisseuse would be repaired?

**The Minister of Local Government (Hon. Kenneth Valley):** Mr. President, Mt. Pleasant Road is the responsibility of the Arima Borough Corporation. The matter was considered at a special statutory meeting of the council on December 8, 1992.

The council noted that the collapse of the bridge may have resulted from the seepage of underground water and that the nature of the remedial works may require acquisition of the immediate surrounding properties.

The Ministry of Local Government is in the process of preparing cost estimates for the repair works.

**Sen. W. Mark:** Could the hon. Minister of Local Government state how soon he believes that particular exercise, that is now engaging the Ministry, would be completed so as, at least, to facilitate the people of that area?

**Hon. K. Valley:** Mr. President, given the urgency of the matter, the Ministry expects to have the cost estimates completed within one month.

**North Post Road  
(Repairs to)**

**28. Sen. Roi Kwabene** asked the Minister of Local Government:

- (a) Will the Minister inform this House how soon the North Post Road (access to TSTT Marine Wireless Station) in Diego Martin will be repaired?
- (b) Is the Minister aware of the dangerous landslips that have occurred in this area, posing serious threat to both pedestrians and motorists?

**Mr. Valley:** Mr. President, this road is in the constituency of Diego Martin Central, which I have the pleasure to represent in the other place.

**Sen. Capildeo:** The honour.

**Hon. K. Valley:** The Minister of Local Government, Mr. President, is aware that two landslips occurred on the North Post Road (around the access to TSTT Marine Wireless Station) in Diego Martin. Both landslips have since been repaired by the Diego Martin Regional Corporation at the cost of \$58,635.00.

**Library Facilities  
(Construction Costs)**

**30. Sen. Roi Kwabene** asked the Prime Minister:

Could the Prime Minister inform this House of the estimated costs for proposed plans to construct new library facilities in Port of Spain on the site of the old fire station?

**The Minister in the Ministry of Planning and Development (Sen. Camille Robinson-Regis):** Mr. President, the site will be dedicated to the National Library building which will house the National Heritage Library and the Public Library Services, the Information Network Division and the Administration Offices of the National Library System and a Concert Hall. The proposed gross floor area is 155,000 square feet, part of which may be constructed below ground. The esplanade around this building will be generously landscaped to link it and Woodford Square and it will be designed to accommodate outdoor cultural activities.

The old fire brigade building will be carefully restored by specialists in the restoration of historical buildings.

The project is now in the planning stage and, based on existing construction costs of similar facilities, preliminary estimates range between \$60 and \$80 million.

**Sen. Kwabene:** Could the hon. Minister indicate to this House whether any review will be taken of the tenancy currently held by the Trinidad Theatre Workshop?

**Hon. C. Robinson-Regis:** Mr. President, I am unable to answer that at this time.

**1.40 p.m.**

**Carifesta "V"  
(Costs)**

**31. Sen. Roi Kwabene** asked the Minister of Community Development, Culture and Women's Affairs:

- a. Will the Minister indicate to this House how much money was allocated and actually spent by the Government for the production of Carifesta "V"?

**The Minister of Community Development, Culture and Women's Affairs (Sen. The Hon. Joan Yuille-Williams):** Mr. President, the Government allocated a total of \$4.5 million for the production of Carifesta "v" and spent \$4.5 million on it. The venture was financially successful in that it generated an estimated \$1.5 million of its own revenue which was also used to undertake Carifesta "v" projects in addition to what was allocated.

**Sen. Kwabene:** Could the hon. Minister indicate to this Senate whether members of staff would be held on after this year?

**Hon. J. Yuille-Williams:** No, they will not be.

### Nelson Island

**34.** *The following question stood on the Order Paper in the name of Sen. Carol Merritt.*

Could the Minister indicate:

- a. Whether plans to accommodate socially displaced persons on Nelson Island have been operationalized?
- b. If the answer to (a) is in the negative, could the Minister state how soon will this exercise commence and what are the estimated costs?
- c. What is the rationale behind this plan to house such persons on Nelson Island?
- d. What would be the infrastructural requirements to run this facility?

**The Minister of Planning and Development (Sen. Dr. The Hon. Lenny Saith):** Mr. President, I ask that question 34 be deferred for one week and also, that it be re-directed to the Minister of Local Government.

*Question, by leave, deferred.*

### Telephone Service (Valencia)

**35. Sen. Carol Merritt** asked the Minister of Public Utilities:

- a. Could the Honourable Minister indicate whether there is any intention to extend telephone services to the residents of Valencia and surrounding districts?

- b. If the answer to (a) is in the affirmative, could the Honourable Minister indicate how soon this vital service will be extended to the residents of Valencia?

**The Minister of Public Utilities (Hon. Morris Marshall):** Mr. President, the Minister recognizes the need for the supply of telephone services to all residents of Trinidad and Tobago.

In this particular area, the Minister of Public Utilities wishes to advise this honourable House that telephone services for Valencia and surrounding areas will be provided in the first and second quarters of calendar year 1993.

**Street Lighting  
(Wallerfield/Valencia)**

**36. Sen. Carol Merritt** asked the Minister of Public Utilities:

Could the Honourable Minister indicate how soon street lighting will be provided in the area of the Eastern Main Road running from Arima, through the Wallerfield area into Valencia?

**The Minister of Public Utilities (Hon. Morris Marshall):** Mr. President, the Minister of Public Utilities wishes to advise the honourable House that a street lighting system exists along the Eastern Main Road between Arima and Maturita. However, the Minister is aware that the section of the Eastern Main Road between Maturita and Valencia is not adequately lit. The Trinidad and Tobago Electricity Commission soon intends to undertake a survey to determine the cost of street lighting for the mentioned roadway with the view of embarking on an exercise to remedy this situation.

**UNOCAL CORPORATION  
(EXPLORATION LICENCE)**

**The Minister of Energy (Sen. The Hon. Barry Barnes):** Mr. President, I wish to bring formally to the notice of this Senate that on Friday, January 8, the Government of Trinidad and Tobago signed with UNOCAL Corporation an Exploration Licence covering exploration and production of Block 89/3. For the benefit of hon. Senators, I have placed before them a small dossier which includes the following items:

1. Information on UNOCAL, a US, Corporation, a fully integrated energy resource company, with revenues in 1991 of \$11 billion US.

2. The international news release made by UNOCAL on January 8, reporting on the signing.
3. The obligations that have undertaken under the terms of the licence.
4. A brief description of the details of Block 89/3, and a map which shows the actual location of Block 89/3, which, as you will see, is roughly 69 kilometres from Toco, with water depths that range from 300 feet i.e. 100 metres—to 600 metres.

Mr. President, Block 89/3 was one of four blocks which were offered under the Competitive Bidding Order of 1989. The other Blocks were 89/2, 89/4 and 89/5. As is standard under such competitive bidding rounds, bidders are required to purchase the information data on the block to pre-qualify them for bidding. In this particular case, UNOCAL was, in fact, the sole bidder for Block 89/3 and met, in their bid, the minimum terms laid down in the competitive bid order.

The bid closed on January, 1990, and, of course, the Ministry of Energy, among others in Trinidad, got, perhaps, slightly distracted by certain occurrences in 1990, so that the evaluation of the bid was delayed and UNOCAL was informed in December, 1990 that they were the successful bidder.

Mr. President, one of the items in UNOCAL's bid was the offer of a 30 per cent carried participation over the exploration phase of the contract. This means that over the exploration phase, UNOCAL would carry the total cost, which would only be recovered if and when there was a commercial find and the field was developed. But from the point of development, from the time a commercial find is declared, Government would have been required to put up their 30 per cent of the cost of the development. Government's 30 per cent participation was assigned to the state oil companies, and that meant that UNOCAL and the state oil companies would have to agree on a joint operating agreement prior to the award of the licence. It turned out that this became a matter of considerable difficulty between UNOCAL and the state oil companies.

Mr. President, it is important to understand, and, indeed, I sympathize with the state oil companies—they correctly see themselves as different from central Government. The state oil companies look at such an arrangement and what do they see? They are required to put up 30 per cent of developmental costs, but Government starts off by taking 12 1/2 per cent royalty. Government, certainly at the time, would also have taken 25 per cent of the gross as SPT. The state oil companies would be required to borrow that money to make that investment,

*Unocal Corporation (Exploration Licence)*  
[HON. B. BARNES]

*Tuesday, January 12, 1993*

possibly paying 10 to 12 per cent. So you have 12 1/2 per cent, Royalty to Government, plus 12 per cent to the banks, plus a further 25 per cent as Government SPT, amounting to a total of some 49 1/2 per cent of the barrel. On what is left the State oil companies must recover their costs and even then they face Government's Petroleum Profit Tax at 50 per cent.

**1.50 p.m.**

It is difficult for the state oil companies. In fact, this question of a carried participation for the state oil companies not only led to difficulties with respect to UNOCAL. I think Sen. Rooks knows, on a previous occasion it caused the withdrawal of Total/Lasmo from the U-shaped block and indeed it has led to similar difficulties in respect of Block 89/2. So that by the end of 1991, there was a stalemate and suspension, of negotiations and the licence was not finalised. The matter was reviewed by the Standing Committee of Energy in 1992 and a decision was taken by Government that the state oil company should be asked to withdraw and that in place of the 30 per cent participation, the Government would negotiate with UNOCAL an overriding royalty.

In the final analysis what we have is an Exploration and Production Licence in which UNOCAL takes 100 per cent of the risk, in which Government has 12 1/2 per cent basic royalty plus, an overriding royalty that varies from 2 per cent to a maximum of 10 per cent, depending upon the level of crude oil production if there is a find, and a one per cent overriding royalty in respect of natural gas. The other obligations of UNOCAL in this exercise are detailed on page three of the dossier in front of me.

Mr. President, Block 89/3 has been put to bed. We hope to re-commence discussions with the successful bidder in respect of Block 89/2 and for the information of the Senate, Blocks 89/4 and 89/5 received absolutely no bids in respect of that 89 offer.

Mr. President, I thank you and hon. Senators for their attention.

**Sen. Rooks:** I have noticed that you mentioned a 12 1/2 per cent royalty. Is that going to be established Government royalties?

**Hon. B. Barnes:** Mr. President, it is a bidding exercise. The Ministry in terms of the bidding order will establish minimum terms for the bidders. The bidders then come back and certainly if in the next round there is any bidder that wishes to offer 15 or 20 per cent royalty, I do not think that Government will refuse it.



*Transfer of Prisoners Bill*

*Tuesday, January 12, 1993*

#### **TRANSFER OF PRISONERS BILL**

Bill to provide for the transfer between Trinidad and Tobago and other countries of persons convicted of criminal offences and for the enforcement of sentences passed upon them, and for purposes incidental thereto and in connection therewith [*The Attorney General*]; read the first time.

*Motion made*, That the next stage of this Bill be taken at the next sitting of the Senate. [*Hon. R. Huggins*]

*Question put and agreed to.*

#### **PLANT PROTECTION BILL**

Bill to make provision for the control of plant pests and matters related thereto [*The Minister of Agriculture, Land and Marine Resources*]; read the first time.

*Motion made*, that the next stage of this Bill be taken at the next sitting of the Senate. [*Hon. R. Huggins*]

*Question put and agreed to.*

#### **ROTARY CLUB (INC'N) BILL**

*Question put and agreed to*, That a Bill for the incorporation of the Rotary Club of St. Augustine and for matters incidental thereto, be now read the first time.

*Bill accordingly read the first time.*

#### **BUSINESS OF THE SENATE**

**Mr. President:** Hon. Senators, the next item would be the second reading of the Stamp Duty (Amdt.) Bill which was deferred to a later stage of the proceedings. However, I understand, that Sen. Yuille-Williams would like to make a short statement but failed to catch the eye of the Chair during "Statements by Ministers". If you have no objection I would allow her to make a brief statement at this stage.

#### **PERFORMING ARTS CENTRE**

**The Minister of Community Development, Culture and Women's Affairs (Sen. The Hon. Joan Yuille-Williams):** Mr. President, my statement is in respect of the use of the old fire brigade station currently occupied by the Trinidad and Tobago Theatre Workshop.

*Performing Arts Centre*  
[HON. J. YUILLE-WILLIAMS]

*Tuesday, January 12, 1993*

Falling on the heels of the coup attempt in 1990 and the accompanying fires that ravaged much of down town Port of Spain, several prominent persons—architects, designers, planners and members of the business community—came forward with ideas for a new look city centre; one that would be more in keeping with the contemporary trends in urban design and that would allow room for continued development and expansion far into the future. These visionaries, as they were called by many, were of the view that we in Trinidad and Tobago, should convert our misfortune of that period into what they described as a golden opportunity, a once in a life-time chance to plan and implement major urban renewal programmes in Port of Spain.

I believe there is much truth in what they were proposing. The reality is that in the normal course of events there is neither sufficient space nor time to effect critical changes in urban design to a busy city that is lived in on a 24-hour schedule that harbours its own form of congestion and that can easily be disrupted whenever major construction work has to take place. The reality is that we do not always have a set of major fires that raze whole blocks to the ground and, therefore, make it mandatory that some form of urban renewal take place, thus presenting opportunities for a brand new creative approach to remodelling.

For the most part, each generation lives in a city inherited from its fathers and mothers; inherited from a time when the narrow streets were adequate and when the peculiar logic of that particular time in history informed the relationships that existed between each building and each other nearby edifice; between each courtyard and its surrounding landscape. Each generation, however, has a responsibility, not only to remodel its city to accommodate its present lifestyle, but also to build into such remodelling the capacity to withstand and lend support to much of the projected lifestyles of generations to come.

As a Government, we see the need to make our capital city more relevant to our times. We recognize the importance of devising ways of easing the constant congestion, of rationalizing existing space, of striking a harmonious balance between the relics—buildings and otherwise—of historic Port of Spain, and the monumental structures of the future; of remaking our skyline even as we preserve on the ground the culture, the ethos, that has taken us centuries to fashion.

**2.00 p.m.**

We recognize also just how difficult a task it is that we are proposing, but we believe that if we can hold the long time view of the development project process;

if we can visualize a step-by-step phased approach to implementation, and if at the same time we can hold before us a clear picture, in a macro sense, of what the overall, renewed, remodelled city ought to look and feel like, much of our difficulties would be lessened in the short term, and perhaps, completely disappear into oblivion over time.

It was with this kind of thinking that in March 1992, the Prime Minister established a committee on urban development charged with the task of devising a clear framework for the development of the Port of Spain city centre. Members of the committee were drawn from the Trinidad and Tobago Institute of Architects, the Trinidad and Tobago Society of Planners; the National Museum and Art Gallery and CONALIS and functioned under the chairmanship of Mr. Kenneth Snaggs.

As part of its deliberations, the committee paid particular attention to that area of Port of Spain, bounded by Duke, Frederick, Queen and Edward Streets housing major public sector facilities and arrived at a vision of that area as the civic core of the city. In the committee's report, this "core" is divided into blocks which include the old Police Headquarters block, Block C and the Hart Street block, Block B.

In the section of the committee's report which deals with Block B, this is of particular relevance here, since that is the block in which we will find the old fire brigade station which is currently occupied by the Trinidad Theatre Workshop. In respect of Block B, the committee presented a specific set of proposals for its development and enhancement. You will permit me, I am sure, to quote the two points in those proposals.

- "(a) This site should be dedicated to the national library building. This will house the national heritage library, the public library services, (including the Port-of-Spain Library to be relocated from Knox Street), the Information Network Division and the administration offices of the national library system, necessary ancillary services, for example, auditorium, restaurant and a book shop will also be accommodated here.

The total gross floor area would be about 155,000 sq. ft., part of which may be constructed below ground in order to reduce the bulk of the building; to allow maximum open space around the building at ground level and to ensure that the height of the new building does not exceed the top dome of the Red House.

*Performing Arts Centre*  
[HON. J. YUILLE-WILLIAMS]

*Tuesday, January 12, 1993*

The esplanade around the building should be generously landscaped to link it visually with the adjacent Red House, Trinity Cathedral and Woodford Square and it should be designed to accommodate outdoor cultural activity.

- (b) The old fire brigade building is of historical and architectural importance and needs careful restoration by specialists. The current use by the Performing Arts Society is not appropriate and should be relocated. The building should be incorporated into the library building."

It was against this background that discussions were held with officials of the Trinidad Theatre Workshop in September 1992. That organization had been occupying the old fire brigade station at the corner of Abercromby and Hart Streets, Port of Spain, since July 4, 1989. According to the letter which authorized the group to occupy the premises, they were to do so, "on a rent-free basis for a period of five years in the first instance", subject to their undertaking, "to effect restoration of the building and security arrangement to make the building usable and safe." It was expected that the building would be used for the "training of actors, directors and other theatre personnel".

It must be noted that there were no guarantees given that the workshop would be allowed to continue occupying the building beyond the five-year period of the initial authorization. It should also be further noted that given the state of the building at the time that it was authorized for use by the workshop, it would not have been possible for them to safely occupy it without first carrying out repairs and restoration work as specified in their letter of authorization.

In late September 1992, officials of the Trinidad Theatre Workshop were granted an audience with the hon. Prime Minister, at which time they were informed of Government's plan for the entire Hart Street area, including the old fire brigade building. They were given the assurance that they would be assisted not only with a search for alternate, adequate space in Port of Spain to house their activities, but also with the actual process of relocation at the appropriate time.

My Government recognizes the full value of the work being carried out by the Trinidad Theatre Workshop at present. Above all, we do value and place great significance on the contribution made by that organization and its founder, Nobel Laureate Mr. Derek Walcott, to the development of the theatre arts in Trinidad and Tobago, and indeed, the Caribbean region and beyond, over the years. It is therefore not our intention to frustrate the efforts at further development in any way. However, just as we value the work currently taking place at the old fire

brigade building, and its significance in terms of the overall development of our country and people, so too, do we attach an equally high significance to the need for urban renewal and development, and value highly the contribution that such a programme can make to our overall future long-term prospects as an independent people.

As a Government, we are therefore committed to the urban renewal programme as described in the framework for development, presented by the committee on urban development. Our distinguished Prime Minister has elaborated on this in the recent past. As a Government, we are equally committed to the full development of the arts and to the encouragement of all our artists, groups of artists, art organizations and associations to contribute, each in his or her own unique way, to this overall development thrust.

We ask them all, not only to join in a process of work that takes art and culture forward, but also to assist us in the urban renewal programme which we consider to be a vital necessity, at this particular point in our history as a people. We do not envision the location of appropriate alternate space for the Trinidad Theatre Workshop and its programmes as providing any significant difficulty.

Further, given the specific nature of the search to be undertaken, it ought to be possible to guarantee the workshop a period of tenure many times longer than the five-year period that they were initially guaranteed when they were allowed to use the old fire brigade building.

I should also point out that discussions have already begun as a means of devising appropriate strategies that would provide adequate incentive and support to the workshop during and after its period of relocation. Much of the details in respect of this particular thrust are yet to be firmed up. Suffice it to say that already we have begun to see ways in which the process of relocation can be effected with minimum dislocation on all sides coupled with maximum guarantees for early success.

In the longer term and on a larger scale, my Government is pressing ahead with plans for the establishment of a performing arts centre on the Princess Building Grounds. This facility, we feel, will compliment the work being carried out at present by the Trinidad Theatre Workshop and other performing arts organizations, associations and institutions in the country.

The work of the Creative Arts Centre at the University of the West Indies for example, can link into the programmes at the proposed performing arts centre and

*Performing Arts Centre*  
[HON. J. YUILLE-WILLIAMS]

*Tuesday, January 12, 1993*

indeed, to a large extent, impact on and inform developments at the centre. Pan, our national instrument can find at the centre an appropriate venue to display and present its full potential.

**2.10 p.m.**

Our newly formed National Dance Theatre Company, created last year in the throes of Carifesta V, in collaboration with the National Dance Association can find in the centre a worthy home. Our Best Village groups, such as Malick Folk Performers, North West Laventille, Barataria Community Council, Natak Sanstapan of Sangre Grande and the Siparia La Divina Pastora, hopefully will find in the Performing Arts Centre adequate support for the upliftment and enhancement of their productions. Nor will our calypsonians, currently clamouring for ideal performance spaces, be left out. So, too, are chutney singers, paranderos and the full spread of talent in the field of performing arts. A facility of this type has been long in coming. We are already in the process of developing a full user's brief with appropriate costings and designs. We intend, in due course, to make this facility a reality.

In the meantime, we press on with our two immediate concerns in the Hart Street area. Governments normally can find it possible neither to satisfy all needs nor to fulfil the desires of each and every section of society in exactly the way each section desires. There is always need for negotiation and compromise. In the final analysis, weight must be placed on that which serves the greater good, of course, without at the same time sacrificing any section of the citizenry. We feel that the Urban Renewal Programme will serve such a good while, at the same time, the relocation of activities currently being carried out at the old fire brigade building will allow us to preserve and derive full benefit from those activities pioneered by the Theatre Workshop.

In the process, were we to succeed at both tasks, we feel that we would have served the country well on two critical fronts.

I thank you.

**STAMP DUTY (AMDT.) BILL**

*Order for second reading read.*

**The Minister of Local Government and Minister in the Ministry of Finance (Hon. Kenneth Valley):** Mr. President, I beg to move, That a Bill to amend the Stamp Duty Act, Chap. 76:01, be now read a second time.

Mr. President, the proximate purpose of the Bill is to exempt certain instruments from stamp duty. But the fundamental purpose, is to remove an impediment to the development of our financial and capital markets in Trinidad and Tobago.

At present, when one enters into a mortgage agreement, stamp duty is triggered. On a further transfer of that mortgage to, perhaps, a third party, stamp duty would be required once more.

Mr. President, you would recall that, in 1985, when the Home Mortgage Bank was established, the Act which established that institution, Act No. 12 of 1985, at section 32, saw the need to exempt the instruments of transfers or mortgages bought by the Home Mortgage Bank from the provisions of the stamp duty legislation. At section 32, it says:

"Instruments of transfer relating to the purchase or sale of the legal or beneficial interest in mortgages by the Bank in the normal course of its business are exempt from stamp duty imposed under the Stamp Duty Act."

This was necessary, Mr. President, because here we had an institution which was really dealing in the secondary mortgage market. If it had to play its role of that type of exemption, because the margins with which these institutions operate is very small, a stamp duty is triggered, it would stunt the development of the institution.

The Bill before us today, Mr. President, is really going downstream, so to speak, from what the Home Mortgage Bank is doing. The Home Mortgage Bank, Mr. President, as you know, would purchase mortgages from other institutions. They fund those mortgages by long-term borrowing by a bond.

The legislation envisages a situation where those mortgages will now be funded by what is called a mortgage pass-through certificate, which, in effect, is a participation in a pool of mortgages held by the institutions.

Quite simply, if we consider the mortgagor, or homeowner, when he purchases his home and the mortgagor or lender secured it with a mortgage, stamp duty is triggered. The mortgage is, of course, with a financial institution and what happens with the pass-through securities, those mortgages are transferred or sold to a trust and the trust would then sell beneficial interest in that pool of securities to the individual investors.

*Stamp Duty (Amdt.) Bill*  
[HON. K. VALLEY]

*Tuesday, January 12, 1993*

So that whereas an individual may not be able to come up with the funding, let us say \$300,000, to provide a mortgage for an individual, he may be able to participate in the pool of mortgages by investing \$3,000 or, for that matter, \$1,000 or \$500 by buying a participation or buying a mortgage pass-through security. That is the simple concept, Mr. President.

First of all, let me say that under the current stamp duty legislation, stamp duty would be triggered at each stage. Not only would it be triggered when the original mortgagor buys a home and the mortgagee provides the funding for him. But it would be triggered, also, when a trust buys the primary obligation from the mortgagee. There is a feeling that it would be triggered, also, when one buys a participation in the pool of mortgages.

The purpose of the legislation is to avoid the doubling and tripling of the payment of stamp duty. Stamp duty would continue to be payable on the primary transaction, the first transaction, but stamp duty would be waived, as in the case of the Home Mortgage Bank, when the trust buys the mortgage from the primary mortgagee. It would also be waived on the setting up of the trust, or when the individual investor buys a participation in the pool of mortgages.

The effect of the legislation, Mr. President, of course, as I said, is to allow for the growth of the financial market. What we envisaged is that we would, by passing this legislation, create a vibrant secondary market for mortgages and, by so doing, enlarge the pool of funds available for the purpose of mortgage lending.

As you know, at present, the primary lenders for mortgages for the long-term lenders are the insurance companies and the pension funds; the trust companies attempt to finance their mortgage portfolio via fixed deposits, which, in the main, are short-term securities.

By passing this legislation, we see a number of benefits. Not only would we be widening the market for investors, as a whole, making it now easier for the common, ordinary man, as it were, to participate in the financial market, but we are also encouraging savings and savings in the long term. As you know, mortgages would generally be financed over 20, 25 years and so forth. So that this must be seen within the overall context of our initiative with respect to developing our financial infrastructure.

We have spoken on a number of occasions of the fact that we plan to bring to the Parliament, very shortly, a number of other pieces of legislation which, in the main, are supposed to provide the financial environment to meet our objective of



making Trinidad and Tobago the financial capital of the Caribbean. Those pieces of legislation, Mr. President, are the Revised Central Bank Bill, the new Financial Institution Bill, revision to the Insurance Act, the Securities Industry Bill, and the Companies Legislation.

I made the point already that this legislation would increase the funding available for mortgage lending and that would be put against the background of the legislation which would be brought to the Parliament shortly. That is, the amendment to the Pension Plan legislation under which we plan to allow individuals to access their pension plans for the purpose of making a downpayment on a first home. So it all ties in, Mr. President.

We know as a fact that the construction sector is one of the more important sectors in the economy in terms of job creation. We are saying that if that is so, we have to concentrate on what is necessary to get that construction sector moving. So that we are moving, on the one hand, to make the downpayment easier for the individual to get who wants to purchase a home, and at the same time we are moving to ensure that the pool of mortgage funding would be available. Thirdly, Mr. President, by widening the market, we want to ensure that securities are available in different types to meet the different needs of the individual, so that, as a whole, we would increase the level of savings in the society.

Mr. President, it was merely a week or two ago that we launched successfully the monthly purchase of Government bonds. I can tell you, Mr. President, that I have already received word from one or two financial institutions stating their interest in taking that monthly bond purchase plan to the private sector. We would want to act on that rather quickly, Mr. President.

Perhaps I should say just a few words on the security itself, some of the basic criteria, as it were, of the security. As I said, it is a bond type, transferable instrument. In other words, an individual who buys a participation in the security can, in fact, sell it in the market.

We would be making a market in mortgage-backed securities. So that if I were to buy one of those securities, say for \$5,000, earning an interest rate of less than 12 per cent—I do not know what mortgage rates are right now, mortgage rates are 15 per cent, say 12 per cent with the security—so let us say I am earning 12 per cent on that security and the maturity of the instrument is 20 years. If I am in need of cash, I can sell that in the market, either at a premium, or at a discount, based on prevailing interest rates in the market.

*Stamp Duty (Amdt.) Bill*  
[HON. K. VALLEY]

*Tuesday, January 12, 1993*

So that we are making a market in this instrument. The interest in the pool is said to be undivided in that each investor has a proportionate interest in each cash-flow generated from the pool of assets in the underlying mortgage. As you know, the mortgagor pays his mortgage on a monthly basis and as the money comes into the pool, the money passes through, after certain charges, to the investors. On a monthly basis, he gets his proportionate share. So that in a sense, it is somewhat akin to the Unit Trust concept, Mr. President. Each payment made by the borrower, as you know, again, the mortgagor makes his payment in terms of principal and interest and in the earlier part of the mortgage all of it is in terms of interest rather than in principal—so that, similarly, the investor receives his capital back over the period—interest and capital, it is a mixed payment; he repays part interest, part principal.

In the earlier life of the mortgage, he receives more interest and lower principal and later on more principal and lower interest. The issuer, Mr. President, or the trust company, or the financial institution of the mortgage pass-through security would always charge a fee for administering the mortgages until maturity. That is how they make their turn. This fee is normally paid out of the principal repayments of the underlying mortgages.

Now, the issuer would also charge a fee for accepting the risk of default on the underlying mortgages in arrangements where the mortgage pass-through securities are issued with recourse. And this is important, because in some cases, the risk can be passed on to the investor, or the risk may stop with the trust company. Of course, if it stops with the trust company, well then, the trust company would charge something for accepting that risk.

It is a well-known concept in finance, Mr. President, that the higher the return, the higher the risk. So that if one wants a higher return, one has to accept the risk that the mortgagor would default under the obligation.

Basically, Mr. President, that is the concept and, as I said, what we are attempting to do here, this afternoon, is to continue on our course to provide the financial infrastructure so that things can happen in Trinidad and Tobago; that we can improve our savings rate, that funds can be provided for long-term investments, and that, in particular, the construction sector can be provided with a fillip.

I beg to move, Mr. President. I thank you most sincerely.

*Question proposed.*

**Sen. Wade Mark:** Mr. President, let me take this opportunity very early in the proceedings to welcome and to extend greetings to my colleagues on all sides for 1993, and to hope, for instance, even though dark clouds still hover over our country, that we will have a productive and positive 1993.

I also want to indicate, Sir, that it seems as if a practice is developing in this Senate whereby we are always greeted with the junior Minister being parachuted into the Senate, whilst his senior seems to be so bogged down with matters of state, in terms of the disposal and dismantling of our structures, that he finds it difficult to be here. Nevertheless, we welcome our colleague, again, the hon. Member for Diego Martin Central.

Mr. President, the proposed amendment to the Stamp Duty Act, as far as we on this side are concerned, holds some grave and profound implications for the financial system, investors as well as workers. When I refer to workers, I refer to pension funds in this instance.

Mr. President, this particular system which is now being introduced into Trinidad and Tobago is very premature. It is being introduced and foisted upon this population without sufficient information or clarification. We know that our capital market is extremely small and weak with little or no regulations or regulatory controls to ensure investors' interest and to safeguard the ordinary working class man and woman's investments.

The existence of widespread interlocking directorates coupled with a blatant and obscene manipulation of shareholders' funds, as was recently witnessed in the recent Neal & Massy/Angostura takeover of Geddes Grant Limited is a case in point.

Another critical issue is the continued subsidization of institutions which are very profitable from all indications, institutions that continue to make very healthy profits in our country and the Government continues to call on the taxpayers of this country to subsidize these operations. We know that this instrument or new system which is now being introduced, Mr. President, is not an issue or instance where we already have an existing stamp duty arrangement, but certainly, down the road, three years from now, two years from now, these institutions, financial and otherwise, would be enjoying stamp duty exemptions, payments that they would have ordinarily had to meet in their day-to-day operations.

At a time when large sections of our population are being called upon to band their stomachs and to co-operate; at a time when unemployment is on the rise and

*Stamp Duty (Amdt.) Bill*  
[SEN. W. MARK]

*Tuesday, January 12, 1993*

poverty levels continue to rise, Mr. President, we are saying that it would be useful if we could have gotten from the hon. Minister some appreciation of the projected revenue loss that the country would experience over, let us say, the next two years as a result of this intervention.

**Mr. Valley:** Zero.

**Sen. W. Mark:** Mr. President, it is against this background that we feel that this particular piece of legislation which is before us is ill-timed, ill-advised and particularly in the scheme of things, at the moment in Trinidad and Tobago, there ought to be more critical areas of focus by this so-called caring administration. With so many bandits on the loose in our country today, located both inside and outside of the Government, it is really not surprising that we have this piece of legislation here today.

**Mr. President:** Senator, I do not think it is being kind to suggest that there are bandits inside the Government. I am sure you do not want to start off the year in that manner. You may think so, but you do not have to express it.

**Sen. W. Mark:** We have an old saying that in spite of the veneer of respectability that is sometimes projected, a bandit is a bandit, whatever his disguise. But I do not want to dwell much in that area.

Mr. President, the stated intention of the proposed amendment is to exempt from stamp duty certain instruments pertaining to a system of investment termed mortgage pass-through securities whereby an individual investor can purchase such securities through a trust fund set up for that purpose and comprising of a pool of mortgages.

The instruments to be exempted are as follows: Those instruments involved in the transfer of mortgages or interest therein by a bank or financial institution for the specific and sole purpose of creating a trust fund, in which investors can purchase marketable securities. Secondly, the relevant declarations of trust which are required in setting up such trust funds. Thirdly, those instruments relating to the issue, sale or transfer of the marketable securities.

Mr. President, the Government seeks to exempt the financial sector from paying stamp duty on the above transactions. However, homeowners remain obligated to pay stamp duty when they have to engage in mortgage transactions with the said financial institutions. I would imagine that maybe sometime later on, the hon. Minister of Finance might want to bring some new piece of legislation

that would encourage potential homeowners to get more on the market by giving them greater incentives.

Mr. President, on the question of the trust itself, the Bill does not tell us to which trust these securities are to be sold. We are not too sure if they are talking about existing trust companies which are owned by banks or other financial institutions, or are we looking at the possibility of creating new trusts to deal with these specific marketable securities?

**2.40 p.m.**

Mr. President, the new instrument which is being introduced in this Bill is a transferrable debt instrument and was first used in the United States some time in the 1970s. It is the predominant form of pooled mortgaged form of collateralized securities activity traded in the secondary market today in the USA.

Mr. President, it is our view, from a theoretical point of view, that the basic intention of the amendment is to develop and encourage the formation, as the Minister pointed out, of a secondary market in mortgages. Such a market is expected to allow banks and financial institutions to improve their liquidity, if their mortgage portfolio becomes too heavy. But this instrument is being introduced against a background of a tight liquidity market, characterized by high interest rates which some commentators anticipate to reach as high as 25—30 per cent in 1993.

When there is turmoil on the rates of exchange, on the rates of interest, on the deposit side, mortgage lenders would become worried that the cost of funding would escalate and increased rates would have to be passed on to the mortgagors. the mortgage pass-through securities appear to be an alternative avenue open to mortgage institutions for funding their mortgage portfolio.

On hindsight, Mr. President, the system is not a totally new one in Trinidad and Tobago. In fact, and again as was pointed out by the Minister, the Home Mortgage Bank has been offering what has been described as available rate mortgage participation certificates since March 1991 and from our information, functions in an almost similar manner as the proposed mortgage pass-through securities. This bank also enjoys exemption of stamp duty as well. But the jury is still out on this one, insofar as the efficacy of this arrangement on mortgagors is concerned.

*Stamp Duty (Amdt.) Bill*  
[SEN. W. MARK]

*Tuesday, January 12, 1993*

The present liquidity crisis is expected, all things being equal, to further push mortgage rates upwards. It is reported, for example, that the National Commercial Bank increased its mortgage rate by some one per cent last year. Mr. President, the mortgage pass-through securities are supposed to allow for long-term investment funds to be attracted to the market, which ought to promote increased stability of mortgage interest rates, as mortgage institutions will no longer be dependent on short-term deposit funding.

The Minister claimed, earlier in his presentation, that the small people—I would imagine he was referring to homeowners ultimately—would benefit from this arrangement as a result of what is supposed to be an increased stability in the mortgage market. We do not have the information; we do not know precisely how the small man or the homeowner, in this instance, would benefit from this particular arrangement. It is purely speculative on the part of the Minister and he is extremely hopeful that in the final analysis it will trickle down. This regime is now in the trickle-down phase of its existence so probably, Mr. President, they are hoping that the homeowner, or whatever you call it, home purchasers, will ultimately experience through lower rates—*[Interruption]* Mr. President as far as we are concerned we are not too sure—and the Minister has not provided us and maybe when he is addressing this issue later on he would be able to let us know—precisely how are the small people or, in this instance, potential homeowners/mortgagors will benefit from these new instruments that are being introduced into the system.

Some time ago, Mr. President, we recalled when there was a big take-over in 1991 and the population was expecting a reduction in beer prices as a result of the takeover of one company by another. That is now history. The monopolization of that market has now led to stiff increases in prices in that area.

We feel that the Minister is extremely optimistic and is engaging in wishful thinking since, as far as we are concerned, we do not see any kind of regulations accompanying this piece of legislation that would give us, on this side, the kind of assurance that the investments that are being made in this secondary market, which are not being made by any one financial institution or individual, but would come from, as you know, pension funds. This is why I indicated earlier that this new system being introduced, if not properly managed, can in fact hold grave implications for workers in Trinidad and Tobago.

The Minister also indicated, Mr. President, that this instrument would probably contribute towards the stimulation of savings in Trinidad and Tobago. Now that, again, Mr. President, is a very optimistic view. The PNM lives on the basis of hopes and words, but the reality is, Mr. President, that national savings, as you know, are down; 9.9 per cent was saved in 1992 out of each dollar and the Government is seeking to increase that in 1993. Mr. President that is way below the mark in terms of what is required—

**Mr. Valley:** And not Wade.

**Sen. W. Mark:**—for a sustained investment growth and transformation in any developing economy.

We believe that the question of the stimulation of savings as a result of the introduction of these new instruments has not been sufficiently developed by the hon. Minister. Because if we are really concerned about savings, Mr. President, we have in Trinidad and Tobago a capital flight situation, where through over-invoicing of imports and under-invoicing of exports, Trinidad and Tobago loses hundreds of millions of dollars every year. In fact, over the last four to five years we have estimated that close to about \$5 billion may have leaked out of the system as a result of capital flight and the last regime did not put any mechanisms or controls in place to ensure that there was some control in that area.

I cannot understand when the Minister talks about savings, Mr. President, and he knows that his Government has embarked on a programme of liberalization of our economy where imports are getting out of control and it is now being predicted by professional bodies and groups that Trinidad and Tobago stands to lose thousands of jobs as a result of that ill-advised approach to our development process. We cannot understand where the savings are going to come from and we are seeing where the Government is making absolutely no effort to deal with that question of savings.

But we have a few hints for the Government. We think that, for instance, if it can clamp down on the flight of capital in our country; if it can institute mechanisms within the Central Bank to stem the haemorrhage that is taking place today, we feel that the Government can save much money through that process. Also, if it can introduce some more controls as far as imports are concerned—we also have corruption that it can address—if it is concerned about savings as well.

Mr. President, we are arguing on this side that, as far as the savings aspect is concerned, in a tight liquidity situation and with no prospects of expansion, but all

*Stamp Duty (Amdt.) Bill*  
[SEN. W. MARK]

*Tuesday, January 12, 1993*

we see on the horizon is further contraction of our national economy, greater levels of unemployment and dislocation, further cuts in wages and conditions of service, we do not know where the savings are going to come from and who exactly will be investing in these security papers on that secondary market. We are not too clear at all in our minds on this question, and from all the evidence, we do not hold out much optimism as the hon. Minister has, as far as this particular aspect is concerned.

**2.50 p.m.**

These are supposed to be some of the possible advantages that would arise as a result of this new system that the Government is seeking to introduce. But I want to make it very clear that you cannot introduce—this Government has become very famous for introducing measures into our country via this Parliament without the accompanying regulations to ensure some controls and safeguards, as far as the people's interests and welfare go.

We have a typical example here today. We have a Stamp Duty (Amdt.) Bill, two pages, explosive implications, no regulations, no safeguards. They are asking people to invest in a secondary market and they bring no accompanying provisions or regulations or controls to deal with that question. That, I guess, is to come. It is like waiting on the hon. Minister of Industry, Trade and Tourism. I do not know what he is doing in the Government. He has no business in the Government, as far as I am concerned. He should be out of it. He says to the whole country, "get out of business; leave business for Kuei Tung and his group and let the Government see about governing." I do not know what is wrong with this group of men and women.

We cannot understand and this is why we would be very reluctant to give support to this piece of legislation. Where are the regulations? Where are the controls? When are they coming? Is it a question of the cart before the horse? We are still waiting in this Parliament for the Minister of Works to bring regulations to deal with maxi taxis. He said it will be coming shortly. Up to now, it has not arrived. They are coming here today and they say it is a very simple and straightforward exercise. It is a very complex area that we are focussing on and we are saying, that it requires some more thought. We believe that to safeguard the investors moneys, why the haste?

We want to indicate that we have had too many experiences in this Parliament where we pass legislation with no accompanying regulations, only to find out later



on, through bitter experience, the consequences of our inaction and lack of foresight. We are saying that if this new Bill is not accompanied—if they do not bring the necessary and appropriate regulations and controls to ensure and to give us the assurance that people's moneys are going to be protected—this is a new instrument, a new system that is being introduced into our capital market for the first time. We never had it before. But, you see, this Government is on a mad course, running headlong into disaster. I do not mind if they go on a retreat. The problems that we face in our country with matters like these that we are debating is that the Government introduces these measures and at the end of the day it is the people in our country who have to pay the price in the event of a collapse. So we have difficulties in dealing with this matter in terms of supporting it.

We are of the firm view that if this matter does not have the appropriate mechanisms of protection, we believe, if implemented without those mechanisms, this Bill, this new instrument or system that is being introduced, if not properly managed, can send shock waves and have ripple effects throughout the financial system in Trinidad and Tobago. Therefore, we are saying that we need more regulations and safeguards in order to get our support on this side for this piece of legislation.

We have some questions also that the Minister would have to answer. We want to know to what extent would these new instruments which are being introduced, be confined to the business people of our country. Are foreigners going to be involved in this exercise? Or is it going to be confined to only local investors, be they insurance companies, finance houses, or what have you? Or in your haste to transform Trinidad and Tobago into the financial and business capital of the Caribbean and gateway to Latin America, can we expect that you are going to open this market to foreigners so they can come in? We want to know! These are areas that need to be clarified. I am saying that they need to address that.

You see, this Government is committed to a process of deregulation of our financial system. We believe that the Government is sending signals daily to our country, and maybe what we are witnessing today is another step or jump, in that direction. We want to know, as well, would there be a monopolization? Because we know how the financial markets operate in this country. We know that groups, interlocking directorates, manipulate the system and rob people and rip-off people and there are no regulations in this country to safeguard shareholders' interests.

*Stamp Duty (Amdt.) Bill*  
[SEN. W. MARK]

*Tuesday, January 12, 1993*

I tell you, Mr. President, the classic example of that daylight robbery—that is why I say, a bandit is a bandit—is that Geddes Grant affair. We have a stock exchange which is weak and feeble. Then you are coming to introduce a new instrument. Where is the Security and Exchange Commission? That legislation is to come. But they are coming with a piece of legislation that will impact and have serious consequences for people's investments and they do not have the necessary mechanisms and institutions to safeguard people's moneys.

We want to ask the hon. Minister about the question of the monopolization of this area. They have confined their legislation to the financial sector. We want to know, for instance, if you are continuing on your beat in terms of this alliance and this partnership between—we have no problem with the private sector, but this approach that the Government is taking, is going to cause it to end up in hot waters. We want to know what protective mechanisms are going to be put in place to protect the small man's moneys.

**3.00 p.m.**

Whenever people invest in the secondary markets and they use people's pension funds it is a long-term investment. And you know the kind of manipulations and insider trading that takes place on the financial markets of our country! We are not seeing the mechanisms in this two-page titbit piece of legislation that has been brought here, that has explosive implications for the financial system—and they tell us this is a simple thing. We are not on that particular beat and we are saying to the hon. Minister, come better than that. Give us some more details. Let us know how our investment is going to be protected in such a market.

It is a new market and a new instrument that is being introduced. We want to know how we are going to be protected. We take too many things for granted. We have a financial market here. It is small. What kind of education does the Government intend to introduce so that people can have a better appreciation of this new system and instrument that it is introducing? The Minister is very firm in his view that this will generate a number of benefits. But we are concerned with making the public more conscious and more aware. Because in the final analysis it is our investment that is going to buy those paper securities on the secondary markets. Therefore, the public ought to be educated and be made more conscious and aware of these new instruments that the government has introduced. We want the accompanying measures and we want the Government to take our

contributions very seriously. We want greater transparency in this matter. If the Government is committed to a process of deregulation of our financial system, let it have some consultation with the population. If it wants to deregulate, let us know what the implications are. The Government wants to allow market forces to determine interest rates and to decontrol its interventionist role in the market place, in the foreign exchange management of our country, let it tell the population. The Government is sneaking things in and the implications are very dangerous. That kind of politics is not going to carry them very far. Too many people in our country have been swindled and continue to be swindled by unscrupulous elements existing in this society.

Mr. President, the Hon. Minister made mention in his presentation that the Government intends to bring a few pieces of legislation in order to ensure that in its quest to make Trinidad and Tobago the financial centre of the region, it would need to amend the Central Bank Act, the Insurance Act, the Companies Ordinance. I guess it is going to abolish the stock exchange and introduce something else—the Securities and Exchange Commission. So they are going to oversee the stock exchange and introduce new instruments now. The new instruments are introduced and then you bring in, in the final analysis, an Exchange and Securities Commission to oversee the stock exchange.

Mr. McLeod told the Minister that he has things upside down. I want to let the junior Minister of Finance know that he has matters upside down. We need the Securities and Exchange Commission before. We need to oversee these people. We want that commission so that, for instance, when those instruments are issued and people's moneys are invested there can be some protection for them on that market. I believe that the Minister is putting the cart before the horse and maybe, he himself, is not even aware of that reality. They speak of bringing all sorts of legislation to make Trinidad and Tobago the financial centre of the Caribbean. The Minister did not mention that he would bring shortly a Monopolies Commission Bill. I do not know if the Minister and his Government has abandoned that road because, the PNM Government is quickly abandoning all its principles.

We heard about some kind of relationships this morning—symbiotic. We advise the Government of Trinidad and Tobago that it is on a disastrous course of development. It is adopting failed models of the 60s that Williams himself dumped. It is now licking up models that have been destroyed and failed. We advise the Government that, in addition to the legislation it wants to bring, that

*Stamp Duty (Amdt.) Bill*  
[SEN. W. MARK]

*Tuesday, January 12, 1993*

was mentioned by the Minister, we would like it also to bring legislation on the Monopolies Commission. We want a commission to deal with the huge monopolies in our country.

If the Government is serious about poor people's business it should also bring to this Parliament, as quickly as possible, the Safety and Health Bill. We need that piece of legislation. We want a revised Retrenchment and Severance Benefits Act. These are things we are serious about. If you are concerned about poor people in our country, these are some of the areas you have to prioritize.

Mr. President, the bottom line of this whole exercise that we are engaged in, this Stamp Duty (Amdt.) Bill, who benefits? In whose interest is this Bill? Is it in the interest of the majority of people of this country? Or is it in the interest of a small private sector clique? This is what the matter boils down to, because when we get rid of all the trimmings, this is what it boils down to. We want to know, for instance, who benefits from this thing. We are clear in our minds that potential home-owners and mortgagors are not going to be the beneficiaries of this exercise. Trickle-down economics is expected to afford them some reduction in rates, but Reagan was in power for eight years, Bush was there for four years, and it is still trickling-down. It has not reached the people as yet. We have some difficulty in that particular kind of approach that the Government is a foist on our population.

**3.10 p.m.**

We believe that in the final analysis, it is the big institutional investors who are going to benefit once more from this exercise. What is going to happen in the final round is that poor people will have to carry big people. I hope that the hon. Minister of Energy, in the same way that he came here and gave us something on UNOCAL, that he would come and bring to this Senate, the agreement between NUCOR and the Government of Trinidad and Tobago.

There is no doubt that a highly developed financial system ought to serve as a signal or a hallmark of any modern economy. We are not arguing that. What we are saying is that in Trinidad and Tobago at this time, our financial markets are very weak and underdeveloped and therefore, gradualism is the name of the game. You have to introduce these things gradually; educate the masses and ensure that when these instruments are introduced there is something in those instruments for the small people, the mortgagors.

This Government is locked in a deadly and an unholy alliance with forces which in the final analysis would not even care about them, much less for the

people of the country. We query the urgency of this matter. We wonder if the Government's priority is not totally confused and if the Government still has not put its house in order, and in an effort to pretend to the population that it is working, it brings these pieces of legislation, that in terms of their livelihood out there, would not make a difference.

We say that the Government's priority is wrong and also baffling. We feel that there are, indeed, other pressing matters that we ought to address if we are to avoid catastrophe in 1993, yet the PNM Government continues to fiddle while the nation burns. We feel that full blown liberalization, of which deregulation is an element, is going to be disastrous for our country. It has to be properly thought out.

All the international experts have been telling, warning and cautioning us that you go in that area when your macro—you see macro economic instability is a good indicator. All our macro economic indicators show us that Trinidad and Tobago is an unstable and unhealthy economy. It is in this context that the Government is rushing through a number of pieces of legislation, when in truth and in fact, the Government ought to be seeking to strengthen and then respond to these particular measures that it is seeking to introduce. Three countries—Uruguay, Chile and Argentina—sought to introduce full blown liberalization of their economy and there were crashes in the three places. The system crashed and they had to reintroduce restrictions.

In coming to the end of my contribution—

**Mr. President:** I was just about to tell you that your speaking time has expired. Are you about to conclude?

**Sen. Mark:** Do you mean my first 45 minutes? I thought you meant my hour.

We, on this side have great difficulty with this piece of legislation. It hurts us to engage in such debates, when we feel very strongly that there are other more vital and pressing matters that ought to engage the attention of this Government, which at this time are being ignored, because the Government seems to be so preoccupied in its haste to rid our country—in spite of what my colleagues in the back might say, I still maintain—of our national patrimony. I do not consider it to be rubbish. I think national patrimony is a serious thing.

There are certain people in this country who probably just do not care about those things, but we, on this side have that commitment. We serve warning to this

*Stamp Duty (Amdt.) Bill*  
[SEN. W. MARK]

*Tuesday, January 12, 1993*

Government and notice at the same time, that if it does not introduce appropriate legislation in 1993, so that there can be greater accountability for the disposal and use of our resources, the United National Congress will embark on international missions to deal with all those potential investors that are now coming to this country to ensure that if the Government does not listen to us, in Trinidad and Tobago, it will then have to listen to somebody else out there.

We need greater accountability in public affairs in Trinidad and Tobago. Already, we are seeing elements of corrupt activities in this regime which we will disclose at the appropriate time. Therefore, we reluctantly serve notice that we would be unable to support this piece of legislation. We feel that the Minister of Finance needs to bring more comprehensive measures to accompany this piece of legislation, instead of what we have before us.

We believe that if the hon. Minister can provide the Opposition with the kind of regulations—we do not want any assurances. We are not taking on words in 1993. We are not on promises in 1993, that it is going to come with this thing later on. If the Government is serious, it must bring the attached regulations and control mechanisms so that, for instance, we can look at it collectively as a Senate, in order to ensure that the interest of the people of our country is in fact being protected, promoted and advanced.

Therefore in those circumstances, unless the hon. Minister is able to give us the kind of information based on what we have raised, some of the clarification which we seek and also bring to this Parliament the necessary regulations to ensure the protection of the potential investors in this secondary market for mortgages, we think that this measure would have great difficulty in getting our support on this side.

Finally, we also urge the hon. Minister to look at the mortgage market more carefully. In 1993 if the Government is serious about incentives for construction in that area, the reduction of mortgage interest from \$48,000 in 1986 to \$24,000 in 1993—

I am saying, Mr. President, that if they are concerned about providing incentives—providing the middle class that they want to wipe out in this country—so I am speaking on behalf of the middle class and I am saying that if they are serious—

**3.20 p.m.**

**Mr. President:** Senator, we could avoid all these problems if you would address the Chair.

**Sen. W. Mark:** Mr. President, we on this side represent not only the working class, but we also represent the middle class. We have a great interest in the business class, and we also make it abundantly clear that the only difference we have with the business class in this country is the kind of exploitation that they continue to engage in at the expense of our people.

Mr. President, all I am saying to the hon. Minister is that when he asks the question about the interest rates, I think that if the Government is concerned about providing incentives in the area of home-ownership, as far as mortgages are concerned, one of the areas that the Government would have to look at is that of mortgage interest which it reduced from \$36,000 in 1993—in fact, reduced it in 1992, we had \$36,000 and the Government has now brought it down to \$24,000. We feel that is causing much hardship among middle class nurses, civil servants, policemen, prison officers and many other persons who have more or less been transformed under this regime in less than a year, falling on the heels of the previous regime, into what has been classically described as the "new poor" in Trinidad and Tobago. This Government has a responsibility to ensure that at least those people who have their homes are able to maintain them and those potential home-owners are given the necessary incentives, concessions and encouragement to acquire new homes in Trinidad and Tobago.

I thank you very much, Mr. President.

**Sen. Muntaz Hosein:** Mr. President, may I wish you and your family and all my other Senate colleagues and their families a very happy New Year.

Mr. President, following the sneakers retreat that the Cabinet was engaged in, I was looking forward to some kind of change in attitude, especially a change in the bringing of Bills before this honourable Senate. But my colleague described the Bill before us as "the cart before the horse". Or is it, Mr. President, the coffee and liqueur before the main course?

Mr. President, one is considering a secondary mortgage market and the assumption here—and the Minister alluded to buoyancy in the secondary mortgage market. But there cannot be buoyancy in a secondary mortgage market if you do not have buoyancy in the primary mortgage market. Somehow this concept

*Stamp Duty (Amdt.) Bill*  
[SEN. HOSEIN]

*Tuesday, January 12, 1993*

seemed to have alluded the Hon. junior Minister. This is the area in which it seemed that the taxpayers' money was wasted on that sneakers retreat, because it seemed not to have done anything for the Cabinet.

How is it that the primary mortgage market in Trinidad and Tobago will be assisted by the measures being brought to the Senate today by this Hon. Minister? The waiver of stamp duty, as it goes from one step to the other—one can understand the waiver of the stamp duty. But one must understand, who will be the investors and, therefore, we will see who will benefit from the measures brought before the Senate. Is the ordinary man going to benefit from this measure? What are the problems facing this country at present? One must understand the relevance of this Bill as it relates to the problems of the country. Is the problem of the country a secondary mortgage market? One must ask the question: What is being done about job creation in the country? What is being done about the retrenchment that is taking place? What is being done about the low wages within the country?

Mr. President, we have a primary mortgage market in this country with a failure rate that is astounding. In some institutions, the failure rate in the primary mortgage market is 20 per cent. The conditions of the country are not changing. So how are they going to change the failure rate in the primary market? They are not addressing the primary market, but they are bringing instruments to look at the secondary mortgage market. Mr. President, it is a known fact in Trinidad and Tobago that people have had to go to their financial institutions to refinance their mortgages because they are unable to make the payments.

Mr. President, this reminds me of 10 or 12 years ago in the United States when interest rates went from eight to nine per cent to 17 and a half per cent and then to 22 per cent. I know that the Minister will recall this. He will know that, as a result of that, a large percentage of the home-owners in the United States lost their homes. They lost their homes because they were unable to meet the payments of the mortgages. This is the real problem in the country and the home mortgage market, not the secondary mortgage market, which has been brought before us here. The primary market is where the problem is.

One may pump \$1 billion into the mortgage market system, but if you do not look at the primary market, who is going to borrow that money to build homes? If the people are retrenched—and the latest estimate I read is 14,000 jobs will be lost



in 1993. If we are facing that kind of future, can the Minister tell us who he expects to buy and invest into mortgages?

Mr. President, newly-weds in this country have to either live at their relatives or squat, because they cannot afford to build a house; they cannot afford the mortgages. This is the problem that we have in the country. Before this Government addresses the primary mortgage market, it is bringing measures addressing the secondary mortgage market. The reason is that they are incapable of handling the situation. The Government is pulling all kinds of red herrings to let the people know that it is doing something when, in point of fact, it is doing absolutely nothing.

Mr. President, 1993 and beyond will see more and more mortgage failures. When you start to look at 20 per cent mortgage failures, you are looking at an alarming situation. One wonders if a Government has—I mean, we have a Minister of Finance, and how many junior Ministers? I lost count. What are they doing? Why can they not look at this alarming situation? Why are they bringing legislation that is not attacking the problem?

Mr. President, the man in the street seems to be saying that measures of this kind are brought for "the boys" because it is no secret that the insurance industry is the biggest investor in this kind of securities and these are the people that will benefit from it, not the poor man. But it is going to backfire because they cannot really achieve the benefit if the primary mortgage market is not looked at.

If you do not have a proper and vibrant primary mortgage market, your secondary mortgage market will fall to pieces. I advise that the junior Minister should look at his economics a little more closely, because they need reviewing. I do not know whether it is really his economics, or his inability to really tackle the problems.

Our Minister talked about increased funding for mortgage lending. That assumes that people are breaking down the doors looking for money to build homes. This is not the truth, Mr. President. The truth is that people cannot afford it. We have a situation where interest rates are rising steadily. Under that kind of scenario, nowhere in the world can a home mortgage market be vibrant. No economic theory will justify it.

This is a wishy-washy Bill. I mean, to come here and try to pull wool over our eyes by talking about getting the construction industry moving—we have been hearing that for the longest time. How many times have we heard that? It seems to

*Stamp Duty (Amdt.) Bill*  
[SEN. HOSEIN]

*Tuesday, January 12, 1993*

me that the construction industry is minus a battery, because no amount of push-starting seems to get it moving and it is simply because the economics of this Government are cock-eyed and, therefore, it cannot get anything moving. We are reverting now to virtually giving away to get foreign investors into this country. Very soon we are going to have to find out from this Government what are the terms and conditions of these investments that they are talking about which we sorely need. But we must not do it at any price.

Mr. President, how can this Government talk about increasing the level of savings without tackling the major issues in savings? How can the Government tax people on savings and then it wants to increase the level of savings? It simply does not make sense.

Mr. President, the workers of this country, the people—and my colleague referred to the middle income earners in this country—are living on the edge. They are hardly able to make ends meet; that is the problem in the country. How are they talking about savings? Where are they going to get this money from to save? How are they going to increase savings by putting people out of work? That is what this Minister must tell this Senate.

We are facing retrenchment, and he is talking about increasing savings. Where is the money coming from?

Mr. President, we have less and less money in this country. Unless we earn foreign exchange, and that is the area which this Government must tackle, and bring fresh money into this country, we cannot get anywhere [*Interruption*] But not at any cost. You see, we have got to watch them, you know. We have the history of the DC-9, foreign affairs, foreign scandals, the race track, which is lying there in bushes. This is the kind of thing they are talking about. We have to watch them with an eagle eye, because we are the watch-dogs of the people of Trinidad and Tobago.

Mr. President, we want to be able—and this is a simple matter—all we are asking is that the Government accounts for the people's money that it is spending. That seems to be a sore problem whenever we touch it. You get more heat than light when you talk about accountability in this Senate and in the other place.

Mr. President, this Bill that is brought to the Senate of Trinidad and Tobago, the investor is going to buy these securities on the track record of the finance

House, which holds these mortgages. Is that sufficient? Will the small investor, if he is going to—let us assume that there will be some small investors, I doubt it, but let us assume that there are, what protection is the Government going to offer those small investors?

**Mr. Valley:** He made that point already. Make another point.

**Sen. M. Hosein:** I am asking what they are going to do.

**Mr. Valley:** That is the point he made for half an hour, make another point.

**Sen. M. Hosein:** Why, you cannot answer it? Is that the reason?

You see, Mr. President, we also have to find out what will happen if the secondary investor decides to sell out these mortgages. What is the position of the homeowner? This is the kind of protection that we are talking about and the Minister must give consideration to that kind of protection.

If they really wanted to help homeowners, Mr. President, why did this Government not come here today in tandem with this Bill and say, "look, we are going to remove stamp duty from all people who are building houses and mortgages and so on". Why did it not come and say that? Then it would be helping the small man, then it would be helping the people who want to build homes. But the Government is not concerned about that. That is what it has to do; that would be a positive way to help small people in this country.

Mr. President, there has been some talk about vibrancy and more money, but where is it coming from? It seems to me that they are taking it out of one pocket and putting it in the next pocket. Money is being shifted around by way of paper. That is all. So there will be no vibrancy in the market because of that.

Mr. President, all this Minister had to do was to get at the core of the problems of the homeowners. If this Government was to be able to put vibrancy in that area, then this Bill that is before the Senate will start to make some sense. So what is the point of this Bill? The Government has brought this Bill before the Senate and led us to believe that it is business as usual, as far as it is concerned. The Government always seems to be bringing things at the wrong time, minus this and minus that, and comes before this Senate to make it appear that it is doing something.

Today there is a situation, Mr. President: It did not even know whether its left shoe was on the right foot. So I do not understand why Members went on this retreat and waste—I want to know, also, what it cost the taxpayers for this retreat.

*Stamp Duty (Amdt.) Bill*  
[SEN. HOSEIN]

*Tuesday, January 12, 1993*

Perhaps the Minister would tell us in his winding-up what is the cost of that retreat.

Mr. President, as usual, it seems that the Government is all about PR, all about trying to fool people, because it has simply no answers to the problems of the country. I invite the Government, Sir, to simply resign, go about its business and let somebody else take over who can do the job.

Thank you very much.

**Sen. Martin Daly:** Mr. President, it seems to me that we are at a very dangerous point in this country's affairs. I say so because we are clearly in a transition period between a time in our history when the Government was the main generator of economic activity to a stage at which the Government is actively withdrawing from being a main generator of economic activity.

This Government has repudiated comprehensively the philosophy that the state should be involved in the commanding heights of the economy. Every single time a Front Bench Minister speaks, that becomes clearer and clearer. We have had a statement from the Minister of Industry, Trade and Tourism that the Government must get out of business. So it is out in the open.

While we make this transition and the Government talks and preaches about export-led growth, we have a very dangerous situation. We have a situation where things have to get worse before they get better. We have a situation where it is not being either admitted or explained to the people that things have to get worse before they get better.

It is agreed that jobs have to be lost as a result of trade liberalization. It is somewhat heartening now that the matter has, apparently, been studied, as opposed to reacted to emotionally, the estimate has gone down from 45,000 or 50,000 jobs to 14,000.

The fact remains that if we are going to lose 14,000 jobs, the economic depression in this country will get markedly worse. It may be that as a result of the Government's plans for export-led growth and the stimulation of foreign investment, ultimately jobs to replace the ones that are being lost and maybe more jobs will be created. But I repeat that it is a very dangerous situation that in the meantime the economic fortunes of the country seem to be at something of a standstill.

I have spoken very strongly in the Senate in favour of foreign investment and I was pleased to see that just as I was indicating to the Senate what was taking place

in what was the former Soviet Union, when foreign investors come and then they not only make an investment in relation to a particular activity, but they make donations like the one that was made recently at the University of the West Indies. But we must not talk unguardedly about optimism—and the mood is optimism.

It is against that background that the Minister has come here to promote this piece of legislation. Of course it is a good piece of legislation, because it is going to permit a certain activity or encourage it. It is not a question of permit—the Government is not creating any trust, as some people seem to think. What the Government is doing is creating conditions where the private sector will be able to, at an attractive cost, because they are free of stamp duty, to develop trust funds in which investors can buy units of participation. That is a good thing.

In fact, I would like the Government to go further. I would like to see the Government bringing legislation to stimulate the use of mutual funds, equity funds and employee stock ownership. I would like to see the Government go further along this road. But I have a problem when the Minister suggests that this is all part of an orderly transition—he did not use those words, but he spoke about bringing these things in a piecemeal fashion. Then he talks about the stimulation of savings, the growth of the financial market, and the vibrancy of the secondary market for mortgages.

Mr. President, in the transition period which I have described, I venture to suggest that talking of stimulation of savings, talking of a vibrant secondary mortgage market and the growth of the financial market—I am sorry to say this—is just public relations.

The economic conditions that exist in the country at the moment do not suggest that any of these things are reality. They do not suggest that at all. I believe I know why the Government is bringing this piece of legislation now. I said it is worthwhile, but I am going to be on this scene for most of this year. They must come clean with the population. We are in a transition period and the stimulation of savings and the other objectives stated by the Minister are really statements that are not in touch with reality.

The critical issues in this country right now are jobs and crime and the two things are related. There is nothing on the horizon that presents any serious hope, let alone a statement that the mood should be optimism for 1993, that problems, jobs and crime are going to abate in this country.

*Stamp Duty (Amdt.) Bill*  
[SEN. DALY]

*Tuesday, January 12, 1993*

What, therefore, this bill really is about is simply this: We have a serious liquidity crisis in the financial system and the Government is looking for ways to ease that crisis. Why not come and tell us that? That is the purpose of this Bill and insofar as it is going to help the liquidity crisis, of course, it is worthy of support. So, Mr. President, I do not, for one moment, accept that this Bill is going to achieve any of the objectives stated by the Minister, and I think the Minister is being whimsical when he suggests that this Bill is going to produce any of these results. There is no disposable income in the system, so where are the savings going to come from.

**3.50 p.m.**

The reason for developing any of these secondary markets, whether in mortgages or whether you develop a mutual fund market, or any other kind of market, is to try and improve the tight liquidity situation, where the banks and other financial institutions are competing with each other for scarce financial resources. It would be far better if the Government would admit that there is a liquidity crisis and that the purpose of this Bill is designed to ease the liquidity crisis, instead of making statements that are falsely optimistic.

I am happy that we are getting this foreign investment. I am happy that I have converted the Government—I have converted the Government on many things in the last year—but I am happy that I have converted it into bringing something in the semblance of an executive summary of deals which it has struck. I am very sorry that the royalty rate is not mentioned in there, and we have to take it down. I am also very sorry that there is no projection of, if all goes well, what the 12 1/2 per cent royalty will present for the country. But I do not mean to accept the gift of the semi-executive summary ungraciously. I just want to nudge you along the road a little further. Now I mentioned the question of the Government's conversion. It is very difficult not to, *en passant*, touch on the conversion of the NCC to having bids for media rights, instead of the choice of a person without a bidding system. But anyway—I mentioned "conversion" because it is important that the Minister listen to what has been said about the need to have the regulatory framework put in place if you are going to be developing all these new instruments and encouraging the financial sector to put out new instruments. It is important that the Minister listen to that.

I am particularly concerned about the Companies Act. Somewhere in the course of last year, the Government became convinced—no doubt in its talks with the multilateral lending agencies—and the international lending agencies, that we

must have an up-to-date Companies Act. It is particularly important, Mr. President, that if the Government is going to introduce legislative measures to facilitate the growth of the financial market, that we put the regulatory framework in place as soon as possible.

The reason why the Companies Act is important, is that modern companies legislation contains disclosure requirements about the financial health of companies, and those disclosure requirements become important when the activities of banks and insurance companies are going to increase and the types of investment instruments are going to be more widespread. It is important to know, through the disclosure requirements of modern company legislation, that XY insurance company that is dealing in and issuing these new instruments is in a sound financial state. Because we hear rumours from time to time about the state of certain companies, particularly insurance companies.

So I would ask the Minister to face reality and admit that this has to do with the liquidity problem. I would ask him to listen carefully and understand that it is important, however praiseworthy it is, to gradually introduce these pieces of legislation, to get on with the business of putting the regulatory framework in place. I would ask the Government, through the Minister, not to become complacent and believe that success in attracting foreign investment is the end of our problems.

Therefore, Mr. President, while I support this Bill wholeheartedly, I do so for the reasons which I suggest are the good and right reasons for supporting it. It is no good, Mr. President, making Trinidad and Tobago the financial capital of the world, where some people in the financial towers of the capital are eating cake and the tumbrils are rolling with the heads of everyone who is engaged in that financial activity. That does not make sense; and therefore it is very important that we do not lose sight of the critical issues of unemployment and crime and make false suggestions that we are on the road to recovery, or this is a year about which we should be optimistic.

Commentators as diverse as Dr. Ryan and Lloyd Best are agreeing that we have a race on between economic development and social unrest, so it does not do the Government any good, when it introduces a praiseworthy piece of legislation like this, to indulge in false optimism or public relations. This is a simple attempt to deal with the liquidity crisis.

So, Mr. President, with those few remarks I would support this Bill and I would ask the Minister to pay particular attention to the need to bring the

*Stamp Duty (Amdt.) Bill*  
[SEN. DALY]

*Tuesday, January 12, 1993*

regulatory legislation that is necessary, in order that persons who may not either have the capital adequacy, or otherwise be financially sound, to make sure that those persons do not enter these markets and do not issue instruments of the kind which the Government is stimulating.

Thank you, Mr. President.

**Sen. Michael Mansoor:** Mr. President, my contribution shall be very brief. Indeed, I had not intended to speak on this matter at all, because I find it very easy to support this piece of legislation, in that, what it really does is that it recognizes that there are some institutions that are very good at interfacing with borrowers and they may not have sufficient financial resources to fund those mortgages and the other institutions which can attract funds, do not have the marketing clout to actually issue mortgages to the owners of homes and commercial properties. So, Mr. President, this is a good piece of legislation and I think it is worthy of support, certainly of my support.

I was, however, a bit disturbed when I heard the Minister say that it was the intention of the legislation that these mortgage participation certificates would be made available to small investors in denominations of \$1,000.00 and such small denominations. The reason I make this point, Mr. President, is because the Minister seemed to suggest, if I heard him correctly, that some of these mortgage participation certificates, if you call them that, would be issued with recourse and some without recourse. So that what you are really dealing with is a very complicated security instrument. It is not a simple fixed deposit certificate or mortgage participation certificate where the investor can expect a certain repayment schedule.

What I think the Minister was suggesting is a very complicated security which, in my view, is not the type of security that we will want to foist on the general public of Trinidad and Tobago. And with respect, Mr. President, I think that the type of financial intermediation that we are talking about here, really, was not intended for that type of investor. Because immediately you make that instrument available in very small denominations, the issues that Sen. Mark raised become real. Because what the company issuing these securities would have to do, is to be very specific in terms of the mortgages that are being invested in. It would also have to be very specific as to what recourse means and what the certificates issued without recourse means, because the small investor would be exposed to a new risk.



**4.00 p.m.**

So that, with respect, I would like to ask the Minister whether or not he really intended the Senate to understand what I understood him to say, that these complicated security instruments with clauses to do with recourse and without recourse, would be made available *carte blanche* to the unsuspecting investor who may not have the sophistication to understand what the instrument means. If, however, the Minister meant that this Bill was merely intended to facilitate the sale of mortgages and the creation of trust funds, to facilitate the sale in blocks of mortgages, that issue does not arise.

So it is a question of clarification. I am supporting the legislation, but I believe if what the Minister has in mind is the type of security that he alluded to, I think that the other issues which, in my view, do not really pertain to this discussion, become real.

The other question I wanted to ask the Minister is: Why banks and financial institutions only? Because there are, indeed, mortgage companies which are very good at interfacing with homeowners and who may wish to sell their mortgages or who may wish to finance their investments by way of these certificates. So why only banks and financial institutions?

I would like to conclude by saying that I really do believe that what is intended here is that all of these securities that would come under this Bill, would be securities that would be approved by the Supervisor of Insurance, because, in fact, many mortgage companies would wish to invest in these instruments. If that is so, the issues with respect to the regulatory framework and the considerations which, I believe, Sen. Mark brought to bear on this debate, those considerations would, in fact, be taken up and dealt with by the Supervisor of Insurance. Because one can rest assured that the Supervisor of Insurance would not be prepared to indicate that a particular mortgage participating certificate—if you call it that—would be approved for statutory fund purposes, if the institution issuing that security was not likely and quite capable of meeting the commitments under the security.

Mr. President, like Sen. Daly, I would like to support this piece of legislation and I would ask the Minister to be very specific as to whether or not the intention was to create something akin to a fixed deposit for small investors without a new regulatory framework to deal with the kind of difficulties that would arise in the issue of such a security instrument.

*Stamp Duty (Amdt.) Bill*  
[SEN. MANSOOR]

*Tuesday, January 12, 1993*

I would like to say, again, I do not think that that is the immediate intention. I think it is a security that is more intended for financial houses who would be able to make the kinds of investment determinations without the issue of things like detailed prospectuses and the other kinds of information that would become necessary if this were going to be a type of security instrument to be sold in small denominations with recourse, and without recourse, and obviously, with other criterion, conditions which would be confusing to the small investor.

So I support the legislation and I would like to ask the Minister for clarification on that particular point. I thank you.

**The Minister of Local Government and Minister in the Ministry of Finance (Hon. Kenneth Valley):** Mr. President, perhaps I should start by thanking my friends on the other side for their contribution in this debate. I should start, perhaps, also from the last speaker and work my way back.

Sen. Mansoor wanted clarification with respect to the size of the issue. Let me make it clear that he did not misunderstand me. The point I am making is that, conceptually, there is nothing wrong with the secondary issue, in other words, the trust selling participation at levels of \$1,000, or what have you. The issue he raised, one wonders whether the same concerns cannot be expressed with respect to equity where, obviously, the small investor can participate clearly in the equities market.

**Sen. Mansoor:** I thank the Minister for giving way. That is the point I am making. With respect to equity, there are detailed information requirements such as prospectuses. That is the point I am making, and the stock exchange and its regulations.

**Hon. K. Valley:** Perhaps I should deal with that right now. Having dealt with that, perhaps I should deal with this whole question about regulation. Because there seems to be a feeling that we are bringing some brand new thing here this afternoon. In fact, this is merely a specie of a certain class, or as my Latin friend would say, a specie of a genus. Securities are issued in this market every day. This is a mortgage-backed security. That is all it is, but it is security. The Exchange Control Act regulates the issue of securities.

So that I am making the point that, first of all, we are talking about a bank or financial institution issuing mortgages, transferring it to a trust. Remember there are laws governing trusts. The trust selling participation to individuals. The whole

mortgage is there, backed by properties outside. Remember that one takes a percentage of the valuation as a risk. The income coming in must be used for the sole purpose of the beneficiaries of the trust.

The point I am making, quite simply, is that there is legislation in place already, governing trusts, banks, financial institutions and the issue of securities. Where we believe there are shortcomings, we say, quite clearly, we are going to be coming to this House to make the amendments which are necessary. So that I do not understand that issue.

But more importantly, because Sen. W. Mark made the point with respect to the use of pension funds—

**Sen. W. Mark:** Before you go any further, could you indicate to this Senate what are some of the anticipated shortcomings that you perceive? Then, at least, let us know what is happening.

**Hon. K. Valley:** If you file a question, I would answer that. One would require the research. We are saying, quite clearly, that the Companies Act—yes, it has been long in coming, but we expect it is going to be coming shortly, within the month. As I understand it, it is to be presented to Cabinet within two weeks. We are in your situation. We wanted to have it sent in since last year. We are talking about other legislation, the Securities Exchange legislation, and so on. But I was making the point that Sen. Mark is concerned about the workers and their pension funds, but Sen. Mansoor made the point that that is governed by legislation. The type of investment that one could get into, using pension funds or insurance funds, is governed by legislation. One has to get the approval of the Supervisor of Insurance. It must qualify according the Second Schedule of the Insurance Act. That is there. The framework is there. So that when one comes with that type of hullabaloo, one wonders what is really happening.

Let me move on then to Sen. Daly, because he has made a very interesting point. He said we are dealing with a liquidity issue and savings would not increase. Mr. President, I studied finance. I would never argue with him in law. Sen. Daly baffled me because I cannot understand how one can ease a liquidity situation without simultaneously increasing savings, because I do not know where it is going to come from. So that if he says that it is going to deal with the liquidity issue, then, obviously, he is saying—although he says he is not saying it—there would be an increase in savings. There must be.

*Stamp Duty (Amdt.) Bill*  
[HON. K. VALLEY]

*Tuesday, January 12, 1993*

**4.10 p.m.**

That is the only point he made. I am simply making the point that he was walking on a wrong premiss.

The main point Sen. Hosein made was that we are concerned with the secondary market and we are not concerned with the primary market. Quite simply, if we are putting in place a system such that the supply of funds to the mortgage market would increase, then that would be to the benefit of the primary market, because there would be more funds available to the extent that one can—

**Sen. Hosein:** Mr. President, all we are saying to the Minister is that the people in the primary market cannot afford mortgages. Can the Minister tell us how they are going to afford mortgages?

**Hon. K. Valley:** Let me ask him: Why can they not afford mortgages?

**Sen. Hosein:** It is simply because you put them out of work in the first instance. Secondly, you cut their salaries. Why are you putting your foot in your mouth?

**Hon. K. Valley:** Let the records state, that Government has cut no one's salary. Further, if the hon. Senator would look at the information he would see that in 1991, there were some 401,000 persons employed and in 1992, the estimate is that 400,700 persons were employed. So that there was merely a decrease of 300 persons. That is what the official statistics show.

**Sen. Daly:** Does the Minister have the figures for how many more persons came in on the job market for the relevant period?

**Hon. K. Valley:** I do not have that information. I am talking quite simply, but they are changing the issue. One is that we are making people lose jobs. I am making the point that in terms of employment, 401,000 persons were employed in 1991, and the figures for 1992 show, 400,700 persons. I am sure many persons came on the job market. I am making the point that to the extent that supply of funds increase then that is going to be to the benefit of the primary market. But more importantly, given a certain demand, then with that increase in the supply of funds available for mortgages, interest rates for mortgages ought to decrease. That is the economic fact. There is a supply and demand issue. That is the obvious benefit to the primary market.

Sen. Wade Mark made the point that the capital market is small and weak. I do not know how weak our capital market is. I would grant that it is small. The fact that we are doing this is evidence that we are interested in widening and deepening the capital market. Part of what we want to do with our capital market is to put some of Government's equity on the market, especially our minority interest, because one of the problems with the capital market is that there is a shortage of securities. So that with the passing of this legislation, the fact that these mortgage bank securities would be traded also on the market so we are in fact taking into consideration the size of our market and trying to help it grow. That is what we are doing.

There was the issue of stamp duty, talking about revenue loss. I ask him immediately. The revenue loss is one big fat zero. If this legislation is not passed we would have earned no further revenue. The stamp duty is still paid on the original transaction. That is not the issue. If the legislation is not passed then there would be no mortgage pass-through securities. That is what it would be. There is no question of revenue loss. Homeowners have to pay stamp duty.

Mr. President, in the budget of 1992, the Government of Trinidad and Tobago removed stamp duty on residential property, the value of which does not exceed \$300,000. Only after that is stamp duty triggered. One would know also that the same homeowner received a mortgage interest deduction. That is not available in many other countries.

There was an issue also, concerning the fact, that it was decreased from \$36,000 to \$24,000. Mr. President, at the level of \$24,000 we are talking about a mortgage in the vicinity of \$250,000 to 300,000. In other words, we are talking about taking care of the middle income earner. Again, the argument is that above that level then we are really talking about an investment income and investment income must be taxed. So that if you have a house that is costing about a million dollars some part of that is an investment and, therefore, you ought not to get any tax benefit on it.

There was the liquidity issue. We spoke about the tight liquidity. I am making the same point I made a while ago. Yes, we are doing this because we want to bring new persons in the market and as we bring new persons into the market and they buy into these securities then the liquidity situation would ease. We would be encouraging, further, persons to save rather than spend. That is what we are about.

*Stamp Duty (Amdt.) Bill*  
[HON. K. VALLEY]

*Tuesday, January 12, 1993*

How would home purchasers profit? They would profit because of the increased supply of funds going into mortgage, that ought to have an effect on the interest charged on mortgage to the benefit of new home purchasers.

Sen. Mark made the point that one of our problems is the high level of capital flights. Let me inform him that it was some of those considerations which informed this Government to the position where we are now saying that, come the end of March, one can hold a foreign currency account here in Trinidad. So that if you are afraid of devaluation, do not fear. You can hold your foreign currency account here and keep it close to you. We were talking about doing things to avoid capital flight, we believe that is the best way to deal with that issue. You would remember last year in the budget of 1992, we allowed an exporter to have his own foreign currency account here and have free use of the account; we said that the non-resident can have foreign currency account. Now we are saying that a resident can have his own domestic foreign currency account. Do not send your money away. Bring it back here. We have not brought anything to the Parliament on that as yet because we are looking at regulations. When regulations are necessary we would look at them before we come to the House on every occasion.

Mr. President, on this whole question of regulations it was very interesting because Sen. Mark made the point that since 1991, the Home Mortgage Bank was doing something quite similar, but without regulations. Suggesting that the existing legislation is quite adequate

Sen. Mark talked about revised Retrenchment and Severance Pay Act. I would make the point that Sen. Mark ought to know. I think he was a member of NATUC which is part of a tripartite committee that is now looking at that. Our Government has already stated its position and we are waiting on them.

**Sen. Mark:** I think a question was raised and I would like to place it again on the records. Why is the legislation being confined only to commercial banks and other financial institutions? What about other companies? I would like you to clarify that.

**Hon. K. Valley:** Other companies like what? If we are talking about a financial transaction. It should be dealt with either by a bank or a financial institution. If the company does not fall under a bank or financial institution and it is not covered by that legislation I cannot see why we should allow it to do that sort of thing.

**4.20 p.m.**

Insurance companies fall under a financial institution.

**Sen. Mansoor:** I think it is specific to banks and financial institutions. This is the question I raised.

**Hon. K. Valley:** As a fact, under the new financial legislation the insurance companies would fall under that. Let me answer it this way. I do not think the intent is to exclude insurance companies or mortgage companies benefiting from the legislation.

With these few words, I beg to move the second reading of the Bill to amend the Stamp Duty Act Chap 76:01.

*Question put and agreed to.*

*Bill accordingly read a second time.*

*Bill committed to a committee of the whole Senate.*

*Senate in committee.*

*Clauses 1 and 2 ordered to stand part of the Bill.*

*Question put and agreed to, That the Bill be reported to the Senate.*

*Senate resumed.*

*Bill reported, without amendment; read the third time and passed.*

**ADJOURNMENT**

**The Minister of Planning and Development (Sen. Dr. The Hon. Lenny Saith):** Mr. President, before I move the adjournment of the Senate, may I take the opportunity on behalf of the Members on this side to wish Members of the Senate and their families a very happy and prosperous New Year.

Despite the gloom and doom of the Leader of the Opposition and the cautious gloom and doom of Sen. Daly, I tell the Senate that my own feeling is that while we will go through a very difficult year, we believe that we will survive it and that at the end of 1993, we will be better off than we were at the beginning of 1993.

I beg to move, that the Senate do now adjourn to Tuesday, January 19, 1993 at 1.30 p.m.

*Question put and agreed to.*

*Senate adjourned accordingly.*

*Adjourned at 4.25 p.m.*