

Petition

Thursday, August 27, 1998

SENATE

Thursday, August 27, 1998

The Senate met at 1.30 p.m.

PRAYERS

[MR. VICE-PRESIDENT *in the Chair*]

PETITION

Request for Hansard

The Minister of Public Administration (Sen. The Hon. Wade Mark): Mr. Vice-President, I wish to present a petition on behalf of the Chief State Solicitor of No. 82 to 84 Queen Street in the city of Port of Spain in the Republic of Trinidad and Tobago.

Petition read.

Question put and agreed to, That the petition be granted.

NATIONAL TRUST OF TRINIDAD AND TOBAGO (AMDT.) BILL

**Special Select Committee Report
Presentation**

The Minister of Culture and Gender Affairs (Sen. The Hon. Daphne Phillips): Mr. Vice-President, I have the honour to present the report of the Special Select Committee appointed to consider and report on a Bill to amend the National Trust of Trinidad and Tobago Act, 1991.

1.40 p.m.

ARRANGEMENT OF BUSINESS

The Minister of Public Administration (Sen. The Hon. Wade Mark): Mr. Vice-President, today is Private Business, however, I seek leave of the Senate to deal with Government Business, Motion No. 1, before proceeding with Private Business.

Agreed to.

CONSUMER PROTECTION AND SAFETY (AMDT.) BILL

House of Representatives Amendments

The Minister of Trade & Industry and Consumer Affairs and Minister of Tourism (Hon. Mervyn Assam): Mr. Vice-President, I beg to move,

Consumer Protection (Amdt.) Bill
[HON. M. ASSAM]

Thursday, August 27, 1998

That the House of Representatives amendments to the Consumer Protection and Safety (Amdt.) Bill, 1997 listed in the Appendix be now considered.

Question proposed.

Question put and agreed to.

Clause 3.

House of Representatives amendment read as follows:

- A. In the amended subclause (3), insert the words “each of the following” after the word, “from”.
- B. Delete the proposed subsections (4) and(5), and substitute the following:

“(4) the President shall appoint the members of the Council by instrument in writing in the following manner:

- (a) the five representatives of the Minister, after consultation with the relevant Ministries;
- (b) the representatives of Consumer Organizations and non-governmental Organizations, after consultation with these Organizations and
- (c) representatives of the general public, in his discretion.

(5) Appointment shall be made for a fixed period of time not exceeding three years, on such terms and conditions as the Minister may think fit.

(6) The President shall also appoint one member to be the Chairman and another member to be the Deputy Chairman of the Council.

(7) The Ministry with responsibility for Consumer Affairs shall be responsible for the Secretariat to the Council.

Mr. Assam: Mr. Vice-President, I beg to move that the Senate doth agree with the House of Representatives in the said amendment.

Question proposed.

Question put and agreed to.

Clause 4.

House of Representatives amendment read as follows:

Delete this clause.

Mr. Assam: Mr. Vice-President, I beg to move that the Senate doth agree with the House of Representatives in the said amendment.

Question proposed.

Question put and agreed to.

Clause 6.

House of Representatives amendment read as follows:

In the proposed clause 7A(2), delete the word “should” and substitute the word “shall”.

Mr. Assam: Mr. Vice-President, I beg to move that the Senate doth agree with the House of Representatives in the said amendment.

Question proposed.

Question put and agreed to.

Clause 16.

House of Representatives amendment read as follows:

- A. Add the following paragraph (c)
 - “(c) by inserting immediately after the words “In this section” the following:
 - (a) “recalcitrant trader” means a person who in the course of his business has engaged in conduct which is detrimental to the interests of consumers” and
- B. Reletter the definition of “relevant association” as paragraph (b).

Mr. Assam: Mr. Vice-President, I beg to move that the Senate doth agree with the House of Representatives in the said amendment.

Question proposed.

Question put and agreed to.

ECONOMIC POLICY

[Second Day]

Mr. Vice-President: On the last occasion the Motion put before us was not seconded. Before we proceed, I now invite someone to second the Motion.

Order read for resuming adjourned debate on question [June 23, 1998.]

Be It Resolved that the Government of Trinidad and Tobago articulate its broad economic philosophy particularly regarding public participation in industry, economic liberalization and human resource management and its strategies for furthering the economic well-being of the nation. [*Sen. Dr. Eric St. Cyr*]

Seconded by Sen. Prof. John Spence.

Sen. Prof. Spence: Mr. Vice-President, since I am on my feet, could I ask whether the Private Members' Day that we missed last month will be provided later on? I do not want this session to run out and we do not finish the debate.

Sen. Mark: Mr. Vice-President, certainly we can always meet and discuss these matters. We have a short period and Prof. Spence and the Leader of Opposition Business can always meet with me and we can work out something.

Question again proposed.

1.50 p.m.

Sen. Dr. Eastlyn Mc Kenzie: Mr. Vice-President, I begin my contribution by warmly congratulating my old teacher, not that he is old in age, but that he was one of the very positive influences in my life. I warmly recognize that and congratulate him for this well-thought-out, very important and significant Motion he has filed in this Senate. Also, I would like to say to him, Sir, that this is a very timely Motion. He said in his presentation of this Motion on the last occasion, that he thinks that after two and a half to nearly three years in Government it is not too early to bring a Motion of this type for debate in the Senate. So, I congratulate him.

Mr. Vice-President, I refer to the contribution of Sen. Dr. St. Cyr in which he said that he was very concerned about three specific areas and expressed a desire to hear the Government's thinking in these areas. The areas he outlined were: public participation in industry; economic liberalization; and the one he termed "the third and most important" was as follows:

"The third and most important is, in my view, the policies regarding human resource management and development, because I firmly believe that it is human ingenuity which determines all things. ... It is human ingenuity which

determines whether some physical thing is or is not a resource. Most of the technology that we say is the determinant of productivity in so many cases is embodied in the human resource. ”

Mr. Vice-President, it is to this area that I would direct my contribution, and begin with a very popular saying we have in the human resource development discipline which comes from *Alice in Wonderland*—I am certain that Prof. Ramchand might be very versed in—which says, “if you do not know where you are going, any road can take you there”. So, I think that Sen. Dr. St. Cyr is hoping that at the end of the debate on his Motion, the country would know where we are going and the road that will take us there.

1.55 p.m.

Mr. Vice-President, the guide to human resource development and human resource management lies in the policies of Government, so as to guide career development, training and education, otherwise we could be a very wayward nation, leading in very different directions.

The field of human resource development deals specifically, but not just with the areas of training, education and development. In this discipline, it is very important that the three different areas be understood for what they are. In fact, we define the field of human resource development as those organized learning experiences that must occur within a definite time period; that must involve the possibility of improving job performance and growth.

When we talk about training, we refer to the type of learning that is provided in order to improve performance on the present job. In other words, training is job-related. When we talk about education, we talk about the learning experiences that are provided to prepare individuals for a different, but identified job, that would occur in the near future, and so that is individual-related. For development, although it is not job-related, it would have some impact on the present or future job, so it is organization-related.

I hope that putting the terms within a particular context would help us to see further, so when we talk about education, training and development, in the field of human resource development, if we have these well-thought-out and well organized, we are certain that the trend or the direction into which Government

Economic Policy
[SEN. DR. MC KENZIE]

Thursday, August 27, 1998

leads us, economically, would find the human resources to fit into those positions and to perform well.

We have seen, Mr. Vice-President, that regardless of the amount of computerization, “robotization”, we need to perform work and we need people to do these jobs. I am certain if Sen. Marshall had circularized a little of what he spoke of on Tuesday, we would have seen where he drew the inference, where, despite all the technology and computers; despite those areas of the world where there were very little natural resources, the difference in the level of development came about because of the heightened awareness and the development of the human resources. Mr. Vice-President, within this context, I agree, totally, with Sen. Dr. St. Cyr, that our human resources are the key to our economical and whatever type of development we may want to outline. I now refer to another statement: that successful organizations accomplish their mission through the development of their human resources to their fullest possible potential.

I come now, Mr. Vice-President, to the field of human resource management. As Sen. Dr. Cyr had given us a little history of the economic and social development of our country, I now hint on a sort of history of human resource management. The origin of the human resource management discipline came from the traditional personnel office. I am certain that those of us who have been around for some time would remember that human resource development and management were not buzz words, as we had personnel departments. That was the whole concept. This generally came into being—from my research—in the early 20th Century. In the 1930s, we saw the labour relations laws, the unions and wage and salary systems. All these aspects of the personnel function were prevalent and they increased.

Mr. Vice-President, then the idea came up as to why we confine this to personnel within the confines of labour relations, the trade unions, the wage and salary systems? The thought, idea and practice came within organizations of the extended areas into which these personnel divisions could extend. We then had external relations where it was said we would have to protect the organizations. By protection they meant, avoiding interfering with, or change of management decisions by outside forces. This became very important in those days.

A number of structures were put in place to assist in this widened scope of personnel into the field of human resource management. Mr. Vice-President, the practices increased from, stabilizing hiring practices, improving hiring procedures,

protection from disability and death—where we had our death benefit programmes coming into being—and the whole thing expanded into a total field of human resource management. This has become very important and necessary in the development of our human resource to assist in the total development of any country.

What are some of the areas that were looked at and have been around? Mr. Vice-President, I would outline how important, relevant and significant some of these areas are to the question of productivity within the labour force in this country. When we read the newspapers today, there is the issue of the nurses and the caterers. There is scarcely an area of work that we do not hear how important and necessary it is that we look at some of these relations.

Mr. Vice-President, when we look at the union and labour relations, under them there are things, in their human resource management field, such as obeying the laws, avoiding work stoppages, favourable collective bargaining agreements and relationships with the unions and resolving problems and grievances quickly. So when we have matters dragging on, it is not only a union matter, it is also in the human resource management field. We must intervene. We must bring our expertise to bear, maintaining positive employee relations and managing arbitration. Mr. Vice-President, as one area unfolded, many more areas took centre stage.

2.05 p.m.

Then we saw the introduction of managing compliance reviews, quality of employee, sensitivity and fairness, organizational value, lost time to be cut. We do not want the time that one should be spending on the job to be cut, we want one to give as much, for as much pay.

Last Tuesday the point was also made how much work is produced for how much pay, how many hours do our employees spend on the job doing what? Do we get value for money? It is a human resource management function within the context of this resolution.

Mr. Vice-President, we do have the human resource management aspect of avoiding injury and death. It costs the Government and organizations so much to maintain good order and probably that is why it is costing our Minister of National Security so much money to ensure that good order prevails in this country. If situations disrupt us, the people disrupt us—whatever disrupts the smooth and orderly progress of people going about their business—it is a cost to the nation.

Economic Policy
[SEN. DR. MC KENZIE]

Thursday, August 27, 1998

In strengthening our organizations—are they so weak that they fold up? And it brings us back, again, to our small businesses. We must ensure that our human resource management disciplines evolve and are spread out to include even our small organizations, minimizing legal exposure; and one cannot close one's eyes to the cost.

We have just heard in the United States of America that it costs the Government \$40 million to help to bring to bear an inappropriate relationship matter. Mr. Vice-President, some of these matters look very far-fetched, but they do cost Governments a lot of money.

Correcting staffing levels—I wish the Minister of Public Administration could have been here to listen to this—the right person at the right place at the right time. All these come within the scope of the human resource management function that the goodly Senator has asked us to look at.

Effective job designs—we are hearing about that—looking at how our job specifications are put down. What are we doing about this?

Recruiting effectively: We have seen that nearly every day there is a row about recruitment.

Mr. Vice-President, on Tuesday the question came up: What kind of people are we recruiting? Who is recruiting? Is our recruitment procedure fair, just, and sensible?

Attractive organizational image: If people feel that your organization is not one to work for, they will run away; and probably we saw that, again, when the hon. Minister of Finance had to take away some of the funds from some divisions that could not attract the right people with proper qualifications and experience. All these come together to impinge upon productivity—and we saw it very clearly on Tuesday. They had to take the money from that area where they could not use it—because they could not attract the right people—and put the money elsewhere.

Mr. Vice-President, we have to look at efficiency and effectiveness within our public administration. Establishing high performance procedure: Do we just accept any old thing? Will anything do? Or do we expect a certain level of performance and do our employees know this?

Mr. Vice-President, wage and salary administration—retaining valued performers: Some of us are scared to pay and keep people who are key and valued performers within a specific organization. Why are we scared of providing equity

and fairness in the administration; keeping our costs reasonable so that we do not have overruns; not trying to overspend what we do not have and encouraging good attendance?

We saw in the papers just a few months ago, absenteeism among teachers in the schools; and again with all the stress and strain and whatever have you, has been added, employee assistance programmes to encourage good attendance, good safety and high mental concentration.

I am certain that the hon. Minister for National Security must have been reading about some of his policemen who are saying they are so stressed out, their circuits are short. All these aspects of our human resource management function must come into play.

Mr. Vice-President, the human resource management function is important also in evaluating and ranking our people. We have been hearing within the last two or three years about new performance appraisal forms. There is need for this. We also hear how difficult it is for the Government to fire anybody who is not performing.

This morning on the radio in Tobago I heard of a person who was complaining that she had worked with an organization for 17 years and at this point, they were saying her performance has not been good. The comment was: Why keep somebody for 17 years and then tell him/her that he/she is not functioning? So again, terminating poor performance. If you cannot do the job, we must be able to do this. Ethical standards; high output; good quality of worklife, optimum use of your human resource where you put your best people where they can function best.

Mr. Vice-President, we have systems where we seem to be stuck in a mold that once you are there according to Dickens, you are walking the same all the days of your life. If that is not effective and efficient practice, let us cut it out, let us not be afraid to change.

Mr. Vice-President, in the area of human resource development and management, if we get it wrong, we could jeopardize all the grandiose plans that the planners and the economists have for the development of this fair land of ours.

Mr. Vice-President, not all human resource problems can be solved by human resource development and management, but, I would like to sum up by saying that human resource development is meant to make a difference in the real world of cost, quality, quantity, accuracy and timeliness.

Mr. Vice-President, through you, I would like to say to Sen. Dr. St. Cyr how much I feel committed to the support of this Motion he has brought. Because at the end of it, I hope and I feel certain that we would all know where we are going and we would also know which roads will take us there.

I end again by the quote I started with: If you do not know where you are going, any road can take you there. You would not even know when you are lost, because you do not know where you are going. You do not know when you are lost, you do not know when you have got there. In fact, if you do not know where you are going, any road can take you there.

Thank you very much Sir, and congratulations to Sen. Dr. St. Cyr.

2.15 p.m.

The Minister of Trade & Industry and Consumer Affairs and Minister of Tourism (Hon. Mervyn Assam): Mr. Vice-President, I truly welcome this opportunity to join in this debate, on the Motion piloted by Sen. Dr. St. Cyr, with respect to the economic policies of our Government.

Just as the distinguished Senator from Tobago, Dr. Mc Kenzie, started with a quote from *Alice in Wonderland* and, perhaps, making some allusion to the fact that my Government does not know where it is going and perhaps, may be taking any road, and as a consequence of which we may get lost or may even end up at our destination and not know that we have arrived there, I thought that I would pull out something from my briefcase which I always walk with: a poem by Rudyard Kipling called "If". I am sure the distinguished Senator, the Professor of English Literature, is very familiar with it.

I will just read the first piece of it because our Government seems always to be battered; we are the subject and victim of domestic violence. I am wondering whether the Minister of Gender Affairs will assist us, because we seem to be always on the "wrong end of the stick".

Sen. Dr. Mc Kenzie: Mr. Vice-President, I really object to the allusion, or the perception held by the hon. Minister. I, for one, just wanted to point the way that if we stabilize—take it from Dr. Sen. St. Cyr—I never intended to imply that this

Government was going astray and I wish that the hon. Minister would not accuse me of that.

Thank you, Mr. Vice-President.

Hon. M. Assam: Not at all! On the contrary, I was saying that this Government has been battered—not by Sen. Dr. Mc Kenzie—I'm saying it generally: we have been the victim of domestic violence. I was merely calling on the Minister of Culture and Gender Affairs and the Minister of Social and Community Development to assist our Government in this regard.

Nevertheless, I will read the first verse of "If", in support of my Government:

"If you can keep your head when all about you
 Are losing theirs and blaming it on you;
 If you can trust yourself when all doubt you
 But make allowances for their doubting too;
 If you can wait and not be tired of waiting
 Or being lied about, don't deal in lies
 Or being hated, don't give way to hating
 And yet don't look too good nor talk too wise..."

Mr. Vice-President, I am very happy that Dr. St. Cyr raised such an important issue at this time in the economic history and development of our country, and particularly, during the almost three years of the administration of this Government.

I am very happy, as the Minister responsible for trade and industry in this country, to bring this honourable Senate a report of what has been taking place in my Ministry, and the proposed measures which were submitted to the Cabinet and which have been approved—in fact, that have been laid in this Parliament, and the very important measures which have contributed to the continuing economic growth and development of our country.

I refer particularly to the non-oil sector, because my distinguished colleague, the hon. Minister of Energy and Energy Industries, will have his say, because his ministry has also been making a significant contribution to the sustained development of Trinidad and Tobago.

Economic Policy
[HON. M. ASSAM]

Thursday, August 27, 1998

Mr. Vice-President, I welcome the opportunity, to apprise the Members of this honourable Senate of the basic objective of the Trade Reform Programme which has been implemented by the Government of Trinidad and Tobago. It is the creation of an expanded, diversified, export-oriented production base in the non-oil sector of the economy.

This initiative is complemented by a series of key strategies and measures, prime amongst which is the procurement of enhanced market-access opportunities for locally produced goods and services, mainly through the process of negotiated access to markets of targeted countries.

Mr. Vice-President, Trinidad and Tobago, prior to the 1980s, as you well know, pursued an industrialization policy based on import substitution which prescribed the utilization of cheap labour, combined with both local and foreign investment, supplemented by a regime of fiscal incentives, including tax holidays, duty concessions and a system of quantitative restrictions in the form of an import negative list.

Although this strategy produced some measure of growth in the production capacity of the country, the meaningful diversification or transformation of the country's economy and production base was not fully realized.

Members of this honourable Senate will recall that during the mid-1970s and early 1980s, this country enjoyed windfall earnings from the increase in the price of petroleum and petroleum products on the international market. At that time, the focus on industrialization policy shifted to economic diversification and transformation, through investing in the energy-based industries. Policy initiatives were also taken to stimulate the development of the non-oil manufacturing sector, with a focus on export generation.

Mr. Vice-President, these initiatives to develop the non-oil manufacturing sector via a trade liberalization regime, intensified in the 1980s. It is to the credit of successive governments beginning with the late George Chambers, who used the policy of structural adjustment; followed by the NAR government, which saw to the beginning of the negative list and trade liberalization; and continued by the Manning administration; and now we have intensified the process and we have been reaping enormous benefits and results of the consolidation of many years of the same type of economic strategies, and keeping the macro-economic fundamentals in place, to ensure that we gain maximum benefit from these policies.

Mr. Vice-President, accordingly, the plan of action which has been pursued by my Government for the generation of sustained economic growth and development, is based on trade liberalization and the promotion of export-led growth.

These initiatives are based on policy recommendations which are outlined in the following documents which were laid in this honourable House:

The Industrial Policy - 1996 to the year 2000;

The Trade Policy - 1997 to the year 2001;

The Medium Term Policy Framework - 1997 to 1999 (which was laid by the Hon. Minister of Finance).

Mr. Vice-President, Government's economic policies are specifically designed to foster improved efficiency in the operations of local companies; the expansion of export-oriented production in the manufacturing services, tourism, and agricultural sectors; enhanced international competitiveness; and increased export earnings, all of which would contribute to sustained growth; increased generation of employment; and an overall improvement in the quality of life for all citizens of Trinidad and Tobago.

Basically, the essential framework of the programme is the promotion of sustained export-led growth and development, through the following process:

The negotiation of bilateral agreements and initiatives planned towards expanding an export market production base;

The attraction of private investment flows;

The implementation of a strategy of appropriate industrial and trade policies.

The Trade Reform Programme is closely linked to initiatives to attract foreign investment. It is obvious that an essential prerequisite for the take-off of the economy is a substantial pool of capital which would be utilized to fuel investment in the private sector. Such capital could be derived from both domestic and foreign sources.

2.25 p.m.

Mr. Vice-President, considerable emphasis will be placed on the stimulation of investment in the private sector. To this end, the Foreign Investment Act will be amended to ensure that it is more friendly, promotional and less regulatory in

nature. In this regard, a draft bill, the Investment Promotion Bill, has been prepared by the Chief Parliamentary Counsel and is at present being reviewed by an inter-ministerial committee following which it will be taken to the Legislative Review Committee before being tabled in this honourable Senate.

If approved, the bill will become the Investment Promotion Act and will replace the existing Foreign Investment Act. In addition, the Government will be addressing a number of other areas, such as tourism, light manufacturing, agro-processing industries, entertainment, informatics, financial and other services, and also warehousing and transshipment which will be a part of the strategy of the free zone company. The attraction of investment in these areas, if it is to be successful, must be approached on a scientific and well-structured basis.

To this end, the Government will seek to raise international awareness of Trinidad and Tobago as an investment destination to develop a network comprised of public sector institutions based both locally and abroad, in an effort to facilitate quick responses to all investment inquiries; to provide effective pre- and post-investment services and, to this end, we have already established a pre-investment qualification window which is situated in the Tourism Industrial Development Company (TIDCO), to encourage current investors to reinvest in Trinidad and Tobago. This is why our Prime Minister has taken it upon himself to lead investment missions to different parts of the world, notwithstanding the fact that he has been criticized so severely for traveling abroad.

The results speak for themselves, hon. Senators. The latest available official statistics show that 41 private sector projects which have the potential to generate over 3,000 jobs and a total of TT \$13 billion in investment in the local economy had been approved and should come on stream before long.

Sen. Mohammed: How long before long?

Hon. M. Assam: Mr. Vice-President, I can have a private audience with the distinguished Senator if she wishes and educate her on some of the matters on which she wishes to be educated, including her own profession, the law.

A component of our investment and industrialization strategy is the establishment and extension of free zones throughout Trinidad and Tobago.

This programme is intended to attract export-oriented firms which would not otherwise have located operations in Trinidad and Tobago. Examples of these are Nucor, export of iron carbide; Carlyle Rubber, which is now located in Point

Fortin and which is exporting specialized tyres; and Nestlé which is involved in regional distribution of its products.

Some of the benefits which are derived from the operation of free zones include direct and indirect job creation; generation of foreign exchange; payment of payroll taxes; purchases of local goods and services; access to export markets; transfer of skills and technology; increased exports; increased shipping volumes; to name only a few of the economic benefits accruing from these operations.

The free zones programme of Trinidad and Tobago has developed quite differently from other Caribbean programmes and, in the process, has created a vehicle for economic development with particular features including the fact that all infrastructure, and I repeat, all infrastructure is currently provided by private investors and the jobs that are created are generally of a very high quality. The free zones concept will continue to be one of the main planks of the country's export strategy.

These efforts will be complemented by a series of key strategies and measures among which is the procurement of enhanced market access opportunities for locally produced goods and services mainly through the process of negotiations with targeted countries and groups of countries.

Mr. Vice-President, due to our country's small size, it is dependent on imported inputs for the production of goods and services, therefore, our market access strategy will undoubtedly be influenced by the on-going process of globalization and liberalization of the world economy. Such developments have led to the configuration of the global economy into several economic blocs, therefore, our local trade policy will, undoubtedly, be influenced by on-going developments in the global economy which is characterized by the establishment of mega trading blocs.

Against this background, Trinidad and Tobago will be forced to participate in the process or face the prospect of being excluded from significant flows of trade and investment which may tend to gravitate to members of these trading blocs. In cognizance of this fact, Trinidad and Tobago has concluded bi-lateral investment treaties with a number of countries, including the United Kingdom, France, Canada and the United States of America.

This country has also joined its Caricom partners with establishing free trade agreements with Colombia—and, very recently, I was in the Dominican Republic to witness the signing of a free trade agreement between Caricom and the

Economic Policy
[HON. M. ASSAM]

Thursday, August 27, 1998

Dominican Republic. We are in the process of negotiating similar agreements with the Andean Community, the Central American Common Market, and Mercosur.

In addition, representatives of both Trinidad and Tobago and Mexico have met for initial discussions with a view to establishing a free trade agreement with Mexico and we met with the President of Costa Rica only two weeks ago in Trinidad and have already initiated discussions with a view to starting negotiations for a free trade agreement with Costa Rica beginning March 1, 1999.

At the regional level, Trinidad and Tobago is committed to Caricom's efforts to establish a single market and economy by the year 2000. In fact, this country has already signed two of the nine protocols which are designed to bring the single market and economy into operation. These are Protocol 1, which amends the functions of the organizations and institutions of the Caricom Community, and Protocol 2 which focusses on the rights of Caricom nationals to establish enterprises in other member states, the provision of services and the movement of capital.

Similarly, Mr. Vice-President, my Government has been actively participating in the deliberations of the working group which had been established to lay the groundwork for the creation of the free trade area of the Americas due to come on stream by the year 2005. This free trade agreement will undoubtedly influence domestic trade policy because the FTAA framework will contain a compendium of rules and regulations for the conduct of trade in the entire western hemisphere.

Mr. Vice-President, Members of this honourable Senate should note that this country has been elected to serve as the Vice-Chairman of Competition Policy, one of the nine negotiating groups which have been established to undertake the groundwork leading up to the establishment of the free trade area of the Americas. This is undoubtedly a tremendous achievement for a small state and attests to the competence of our negotiators and a tribute to the quality of the human resource—about which Sen. Dr. Mc Kenzie has been speaking—that resides in the public services of Trinidad and Tobago.

In order to effectively co-ordinate the external negotiating strategy of Trinidad and Tobago, Cabinet approved the establishment of a Technical Co-ordinating Committee, the TCC, under the chairmanship of the Ministry of Trade and Industry. The TCC will supervise and co-ordinate Trinidad and Tobago's participation in all external negotiations with support from a number of sub-committees comprised of individuals with expertise in the various trade and investment disciplines.

In view of the recent developments in international trade, in particular, the on-going negotiations in the FTAA, Lomé and World Trade Organization fora, these deliberations will determine the future rules of global trade. When one considers the fact that there is a tendency to link the grant of market access to the satisfaction of non-trade conditionalities, such as environmental and labour issues, Trinidad and Tobago must ensure that it develops a definite negotiating strategy. Such a strategy should ensure this country obtains the most favourable concessions during the bargaining process. It is significant to note that these committees include representatives from the private sector, labour, the University of the West Indies and non-governmental organizations, thereby allowing both the private and wider public sectors to play an important role in the negotiating process.

Indeed, we have satisfied all the conditions to bring civil society into the ambit of the total negotiating process and strategy of the Government of Trinidad and Tobago. Government is also aware of the potential adverse impact of granting tariff and other market opening measures to foreign exporters as a direct result of trade negotiations. Some of the detrimental effects of trade liberalization include increased competition from foreign goods and possible loss of market share for local manufacturers, with the obvious loss of returns on investment, possible retrenchment of workers and closure of some firms.

Based on these factors, Government has implemented, or is in the process of implementing a number of safeguard mechanisms which are designed to protect the local manufacturing sector. These include the introduction of revised anti-dumping legislation, the establishment of an anti-dumping unit within the Ministry of Trade and Industry effective January 1, 1996, and the introduction of a competition policy framework later in 1998.

The anti-dumping unit has successfully investigated the allegations of the dumping of cheese originating in New Zealand. In that case, the firm involved has agreed to enter into a price undertaking in order to avoid the application of anti-dumping duties on its products.

The anti-dumping unit is currently investigating similar allegations in relation to salt, biscuits and pasta products imported from Venezuela, the United States and Costa Rica respectively.

The proposed competition legislation is designed to address abuses of dominant market positions in general, barriers to market entry including restrictive contracts, licensing and the exclusive arrangements, so-called horizontal restrictive

Economic Policy
[HON. M. ASSAM]

Thursday, August 27, 1998

practices such as price cartel, market sharing, territorial monopoly agreements and other economic concentrations and mergers.

Considerable progress has been made in preparing the proposed competition policy framework for Trinidad and Tobago. In this regard, a Fair Trading Bill has been drafted by the Chief Parliamentary Counsel which will be examined by an international committee, following which it will be submitted to the legislative review committee and then laid in this honourable Senate for approval and eventual enactment. This process, I hope, should be completed no later than the end of October 1998.

The enactment of this legislation will foster increased competition between firms and encourage new entrepreneurs to enter particular sectors as restrictive barriers to entry are gradually eliminated. The entry of more firms into the market in general will lead to a general decrease in prices because no single entity or group will be in a position to determine both the supply or price of a particular commodity.

Mr. Vice-President, the development of small business is another essential prerequisite for the balanced development of the economy. It is evident that this sector will continue to be the foundation for the Trinidad and Tobago economy by providing products and services and, very importantly, employment opportunities for the citizens of Trinidad and Tobago.

2.40 p.m.

The small business sector provides an opportunity for the smaller investor to get a foothold in the market. No doubt, a vibrant and small business sector would generate additional demand for goods and services and raw material inputs thereby increasing the general level of business activity in Trinidad and Tobago.

To this end, work will focus in the following areas: addressing key areas of institutional support incentives, increasing the sector's capability to provide productive employment; eliminate the barriers associated with smallness, ensuring equity between established large and small enterprises; and increasing the sector's contribution to gross domestic product.

In particular, Government has improved the incentives available to the sector as indicated in the 1998 budget presentation. These improved measures are outlined as follows: the loan guarantee level to the Small Business Development Company (SBDC) has been increased from a maximum of \$150,000 to \$250,000;

the asset value threshold for qualification for a small business at the SBDC has been increased from \$500,000 to \$1.5 million; Government's annual financial grant to the SBDC has been increased to \$8 million.

These initiatives have immediately borne fruit based on figures supplied by the SBDC which indicate that loan applications had increased by 30 per cent between January 1998 to March 1998 when compared to the same period in 1997. In fact, a total of \$5 million in loan guarantees has already been completed for the first quarter of 1998.

Mr. Vice-President, the recently introduced Venture Capital Act would also serve to enhance the sector's ability to obtain much needed financial inflows. This is designed to promote the injection of equity capital into small and medium-sized corporations without the burden of excessive financial charges which are usually associated with debt financing.

Based on the above factors, it is obvious that Government's economic policies are specifically designed to foster private sector growth and development by providing a favourable climate for investment and commercial activities. The role of the Government has therefore been transformed to that of a promoter and catalyst of trade and industrial development.

In light of this fact, Cabinet is at present considering a document entitled *Policy Framework for the State Enterprise Sector* which reexamines the role of state companies with a view to rationalizing the operations of these firms in an effort to maximize returns to the state. The implementation of the above-mentioned economic policies and various programmes had indeed revitalized the local economy. In 1997 for instance, Trinidad and Tobago recorded its fourth consecutive year of economic growth. Real output has increased from 1.9 per cent in 1994, to an average of 3.4 per cent during the period 1995—1997. In fact, strong performances were recorded in the manufacturing, construction, distribution and transport subsectors while the tourism sector has displayed increased vibrancy with arrivals increasing by 30 per cent in 1997, well over the world average of 9 per cent, and the Caribbean average of 6 1/2 per cent. This improved performance highlights the continued success of Government's policy towards diversification of the Trinidad and Tobago economy.

Mr. Vice-President, the growth of the economy had a dampened effect on both the unemployment and inflation rates. Indeed, the annual average rate of inflation has been on the decline from 10.8 per cent in 1993 to an almost miraculous 3.5 per cent in 1997. [*Desk thumping*] We should, therefore, pay tribute to the Minister of

Economic Policy
[HON. M. ASSAM]

Thursday, August 27, 1998

Finance for handling the management of the economy in such an auspicious way and for bringing inflation to the very, very low rate of 3.5 per cent which is of international significance. In fact, this has been responsible in large measure for Trinidad and Tobago being able to attract investment of such magnitude.

The reduced rate of inflation was partly due to fiscal and monetary policies, the removal of import surcharges on certain categories of capital and consumer goods and to the private sector for greater efficiency and higher productivity.

Mr. Vice-President, you would recall that I have already mentioned the fact that the private sector is represented on our national negotiating teams under the various negotiating committees. My Government has always sought to include the wider society in the development process. Prior to the drafting of legislation in respect of competition, industrial trade and small business policies, my Government organized a number of consultation meetings in order to obtain the comments of the public and maximum input. These views are reflected in the text of these three documents. In fact, the Government would continue to seek to involve the public in all its future endeavours and to ensure the widest possible participation in the developmental process.

Before I conclude, I would like to say a word with respect to human resource development because I endorse totally the—

Sen. Prof. Spence: Mr. Vice-President, I did not want to interrupt the flow of the Minister's presentation on which I congratulate him, but since he has finished that phase, I want to ask him if he could say what preparations are being made for World Trade Organization's (WTO) discussions lately. He mentioned preparations for trade negotiations, but I did not hear any specific reference to WTO's discussions which are likely to be taking place here early next year.

Hon. M. Assam: With respect to WTO, we have been preparing our officers in the Ministry of Trade and Industry and other agencies of Government in order to deal with the new round of WTO's negotiations that are likely to take place some time in 1999. In fact, as Minister of Trade and Industry and Consumer Affairs, I have to go to Geneva some time later this year to defend the Government's trade policy with that body and I am hoping that our trade policy would be given the green light in order to proceed with the implementation of this policy in Trinidad and Tobago and elsewhere. We are very well prepared for the second round of the WTO's negotiations and I expect that we would be putting out some paper in the

very near future indicating how we intend to proceed when the second round begins.

Sen. Prof. Spence: If I could ask another question on that. How much are we able to join with regional governments and developing country governments in that process?

Hon. M. Assam: The Caricom has established what is called a Regional Negotiating Machinery (RNM) and this machinery is responsible at this point in time for the negotiations for the post Lomé IV and the Free Trade Area of the Americas (FTAA). Once the framework and the machinery have been set up for these negotiations, we would then utilize our common resources to deal with the second round of the WTO's negotiations. I wish to advise that Trinidad and Tobago is very much in the forefront of these negotiations, in fact, we have officers from Trinidad and Tobago leading the negotiations in investments, intellectual property, anti-dumping countervailing duties, electronic commerce, and there is another one. There are about six officers from Trinidad and Tobago who are leading negotiations for Trinidad and Tobago in the FTAA and there is also a team from Trinidad and Tobago leading negotiations in the RNM with respect to the post Lomé IV negotiations. We would be doing a similar exercise for WTO.

Sen. Dr. St. Cyr. Mr. Vice-President, before the hon. Minister winds up his contribution, could he please tell us whether the free trade agreements signed with Colombia and the Dominican Republic are one-way agreements or whether they are reciprocal. I am asking this in context of a proposal which was bandied about ten years ago that the large Latin American neighbouring countries like Mexico, Colombia and Venezuela could usefully grant one-way free trade to Caricom countries.

Secondly, could the hon. Minister tell me whether I made a correct inference that the main thrust of the Government's thinking is to minimize state enterprise participation and maximize private sector initiatives in economic activity?

Hon. M. Assam: I will answer your second observation first. You are quite right. Your inference is correct, that the Government's economic policy and philosophy is to make the private sector the engine of growth and to de-emphasize state involvement in the economic affairs of Trinidad and Tobago, except where it is deemed absolutely essential. That is the economic policy and philosophy of this Government, and that is why the paper on state enterprises which we are now considering would at some time be published to indicate, I hope, Government's

Economic Policy
[HON. M. ASSAM]

Thursday, August 27, 1998

unequivocal policy with respect to our diminution of activities in the economic affairs of the country and giving way to the private sector.

With respect to one-way trade agreements with Colombia and the Dominican Republic, the answer is no. They are reciprocal. There was a five-year non-reciprocal trading arrangement, with Colombia and that has now given way to a reciprocal arrangement also with the Dominican Republic. However, there are what we call exempt lists and there are two: one with respect to trade in goods, and one with respect to trade in services. On that list, would be certain goods and services where it would not be reciprocal.

Secondly, the LDCs would not be subjected to that particular reciprocal arrangement, they would receive the same treatment from Colombia and the Dominican Republic as they received in the Treaty of Chaguaramas and the revised protocols when they come to be signed and ratified by the heads.

Mr. Vice-President, before I take my seat, I want to say a word about human resource development, because Sen. Dr. Mc Kenzie spent a large part of her contribution on human resource and we endorse totally her thinking on this. In fact, this Government when it came into office realized we were spending millions of dollars every year on training and skills development, but they were uncoordinated activities. As a consequence of this we were not getting the optimum benefits from the millions of dollars we spent each year on training, skills development and even education. In fact—and this is no slur on the public sector—people used to go on courses and we did not have a record of these courses, and when they came back instead of being put into the areas where they could best utilize the training they received, they were transferred to another department or ministry and the country did not benefit from this training and expenditure of funds, whether they were taxpayers' or whether they were given a scholarship from countries or organizations. The Cabinet has now requested the Minister of Public Administration to develop a human resource data bank and very shortly we would know the name, address, age, qualification, and training of every public servant in Trinidad and Tobago so we could direct that training and experience into the areas for which they are best suited and would give best benefit to the country.

2.55 p.m.

The second thing is, we have pulled together all the training agencies into a National Training Agency (NTA) so that every training institution will now have

focus and will not be involved in any kind of scattershot operations. As you realize, we have also developed a National Skills Development Agency and it is being undertaken by Metal Industries Company (MIC). One would see these agencies being established all over the country: on Wrightson Road near PowerGen, Macoya, Usine Ste. Madeleine, Point Fortin; all over the country. There is also one in Tobago as one will realize.

We are using the moneys of the investors who come into this country. There are clauses in their investment agreements where they must put a certain amount into a skills development fund. I am sure that Sen. Prof. Kenny would be happy to hear that they must put a certain amount of funds in an environmental fund so that if they destroy the environment they would be responsible for its remediation. This is the way this Government has tied investment to certain conditionalities. So we are well on the road to training and retraining, skilling and reskilling a large portion of our population. It is the intention of the Prime Minister, who said it publicly recently, that every five years we must be retrained. So every year 20 per cent of the labour force must be trained or retrained and in five years we would have a highly skilled, highly trained labour force. The Prime Minister's dream of a quality nation could be realized before long because we have established a national quality council.

Sen. Yuille-Williams: Before the Minister goes further, on a point raised on human resources and something which I have always been thinking about myself. The Minister talked about training in the public service where people are sent for specialized training and so forth. For example, if someone went out from agriculture and received training pertinent to that ministry, you know the problems there where one has to deal with promotions and transfer. That person has been trained for one ministry but there is an opportunity for him at another ministry, but time comes around for promotion. I think that is where the problem is. What is the Minister going to do then? Are you going to say because you have been given six or nine months training for this particular ministry I will deny you of that privilege of being promoted and, therefore, transferred out there? I have seen it happen before and I would like to see how the Minister intends to get around that.

Hon. M. Assam: That is a very important point the Senator raised there. Once the Minister of Public Administration has a database, we will not deny public servants the opportunity to be promoted. However, one must know that even though this person who was in agriculture has been promoted to the Ministry of Legal Affairs or whatever other ministry, whenever we need the expertise that

Economic Policy
[HON. M. ASSAM]

Thursday, August 27, 1998

person has acquired wherever it has been acquired, we can tap into that expertise in any future activity of the Government. So that person would be able to be a part of the expertise data bank and could be called upon at any time to serve in any capacity, even though that person may be transferred or promoted out of that particular ministry or agency. That is how we intend to utilize it.

I do not know if I have allayed your fears and assuaged your woes, Senator, but it is hoped that the policy of this Government with respect to human resource development is well understood, the importance it places on it and the strategies it intends to employ and the institutions it is establishing to ensure that human resource development is given priority in the development of Trinidad and Tobago.

Mr. Vice-President, it has been a pleasure for me to come here this afternoon to explain the Government's trade policy, in particular, but other policies that are tangential to the economic growth and development of Trinidad and Tobago. I sincerely hope that this debate will benefit from my small contribution.

I thank you very much.

Sen. Danny Montano: Mr. Vice-President, I rise in support of the Motion. Sen. Dr. St. Cyr is always sincere. He is always gentle, articulate and dignified in presentations that he makes, and he certainly needs to be congratulated on all counts.

Mr. Vice-President, before I get into the substance of my contribution I would just mention in passing, one matter with respect to the previous speaker before me who congratulated himself, his party and the Minister of Finance, on controlling the rate of inflation to 3.5 per cent. Perhaps the Minister was not here on Tuesday when I advised this honourable Senate that the annualized rate of inflation, according to the Retail Price Index as published by the Central Statistical Office, is 7.6 per cent for 1998 and the annualized rate of inflation on food prices for 1998 is 23.2 per cent. If the Minister wishes to congratulate his Government and his Minister of Finance for that disastrous performance, then I will applaud with him. Mr. Vice-President, woe is me. A little knowledge is a dangerous thing.

In my contribution today, I want to go down a slightly different line. In looking at the proposed resolution, Sen. Dr. St. Cyr said that the Government should articulate its broad economic philosophy, particularly regarding public participation in the industry. In that context, I want to deal to some extent, with the question of state-owned enterprises and the policy as regards divestment. Insofar as that is concerned, I would simply like, as best as I can, to articulate the position of my

own party which was quite clearly stated in 1988 in a document—which, unfortunately, I could not put my hands on this morning; I have misplaced it in my office—and was later reiterated again in 1992.

Essentially, that policy was that Government should retain an interest in those companies that are of national strategic importance and interest. That is the point. I have made a very simple, clear statement. As opposed to the policy of the People's National Movement, both the economic and divestment policies of the Government are somewhat less than clear. In a recent conversation I had with an economist friend of mine, I said that the policies were somewhat opaque. He corrected me and said, "No, they are translucent." Let me just define the words for you so you would see what we are talking about. According to Webster's dictionary, "opaque" means not transmitting light, not transparent and obscure. That was my definition. My friend's definition which I felt was perhaps even more clever, was that the Government's policies were translucent—according to Webster's dictionary—allowing light to pass through without being transparent. I thought that was very clever. What he said was, "You see my friend, they can see out. We cannot see in." That is what he meant. I thought I would share that with my hon. colleagues in this Senate.

Mr. Vice-President, in that context, there have been words expressed in this Chamber regarding the divestment of certain parts of the Government's portfolio. I was able quickly, to put my hands on a particular statement that was read in the other place on March 25, 1994, regarding the Trinidad and Tobago Electricity Commission (T&TEC) divestment. This issue was raised in this Chamber just a couple days ago, and with your leave, I would like to read parts of the statement of the Minister of Energy and Energy Industries. I would just like to make a brief quotation so you would understand the clarity with which the former administration did things. It was not done closeted. I will draw the comparisons in a few moments. It states:

"In February 1993, the Trinidad and Tobago Electricity Commission (T&TEC) brought to Government's attention its Generating Plan Report 1991—2010, which detailed the Commission's best professional assessment of the required timely investment in new generating plant to meet Trinidad and Tobago's projected increase in electricity demand over the period. T&TEC further indicated that there would be the urgent requirement to have additional generating capacity installed by 1996 if an acceptable standard of reliability was to be maintained.

To meet this schedule, T&TEC would require funding of TT \$500—\$700 million in capital expenditure to provide additional generating capacity. T&TEC would not be able to raise these funds which would have to be provided by the Government or by loan financing supported by Government guarantees.”

Mr. Vice-President, we have just underlined the fact that T&TEC did the responsible thing and brought the facts to the government of the day and said this is what we need.

The Minister went on:

“Further, to permit T&TEC to repay such loans would necessitate a significant increase in electricity tariff rates.

Madam Speaker, given the stringent financial constraints under which the Government and, indeed the country must operate,...

Mr. President, bearing in mind in 1994 the budget of the day was a bare \$7 billion as opposed to \$11.5 billion in 1998—

“...T&TEC’s proposals for Government financing were unsupportable, nor could Government willingly accept the prospect of significant increased levels in electricity tariff rates. Government was, therefore, obliged to require T&TEC to review their proposals and to develop a “Least Capital Cost-Generating Plan.”

On this basis, T&TEC subsequently proposed a programme requiring Government guarantees to support loan financing of approximately \$150—\$200 million, to be repaid on the basis of annual increases in tariff rates to year 2010 with the prospect of some loss in plant reliability and availability, in spite of an accelerated rehabilitation programme at an additional estimated cost of \$80—\$100 million.

In these circumstances, the Government submitted T&TEC’s proposals for review...

The Energy Task Force...”

To which the proposals were submitted.

“...also received a formal submission from the Oilfields Workers Trade Union (OWTU) entitled: ‘No to the Privatization of T&TEC’ which detailed a proposal programme for the proper refurbishment of T&TEC’s existing generating plant...

The OWTU's proposals were technically sound but made no attempts to quantify the cost of the proposed programme or to address the question of financing these costs. Accordingly, OWTU's proposals were submitted for evaluation by Black and Veatch International of the United States of America, recognized experts in the field of power generation. Black and Veatch confirmed the technical merit of the OWTU's programme but estimated the cost of putting it into effect at US \$70.5 million.

Madam Speaker, in order to ensure that bid solicitation from prospective partners was carried out in a professional, objective and transparent manner, T&TEC retained the services of the International Finance Corporation (IFC), an arm of the World Bank, to serve as consultants in the preparation of an Information Memorandum in the evaluation of bids."

3.10 p.m.

"T&TEC invited 52 firms to participate in the pre-qualification tender, and 15 of these responded. All 15 met the pre-qualifications and were accordingly invited to tender."

Mr. Vice-President, we know the results of the whole thing. We know what happened, and I do not want to bore you too much with what went on. The preferred investor, the Minister went on, was a 75/25 joint venture alliance between Southern Electric International and Amoco, a long-time friend of Trinidad and Tobago. Mr. Vice-President, the total bid for those assets of T&TEC was some TT \$625 million. That is what was paid for the assets, and today we are hearing from T&TEC that it has now turned the corner and is operating at a profit.

Sen. Prof. Spence: Mr. Vice-President, I wonder if the hon. Senator could tell us whether, indeed, the new company had to buy any of the new generating machines, and also, how much they spent on refurbishing the old machines.

Sen. D. Montano: Mr. Vice-President, I do not have that information available, but it was part of the agreement that the joint venture immediately commit US \$19.6 million to plant upgrades. That was the immediate requirement as part of the package.

What is significant—and Members must understand in the financing of companies like this, it relates to TSTT as well—when state-owned enterprises are sold, invariably, those state enterprises in the past have been very heavily debt ridden. That debt, for the most part, had been foreign debt expressed in foreign

Economic Policy
[SEN. MONTANO]

Thursday, August 27, 1998

currencies. That debt, and the company thereby, is exposed to foreign currency risk. When the debt is, in effect, extinguished from the proceeds of the sale of the assets, and the debt on the balance sheet of the new company is effectively converted into equity, the foreign currency risk is now shifted to the investor, not the local company. That is a very significant point, that in the divestment policy of any government, there must be responsibility and care in terms of how the divestment and the management of the divested assets are handled.

Mr. Vice-President, I think that the track record of the previous administration is clear and very apparent and transparent, but I want to begin to enlighten hon. Senators of this Chamber about what this Government is doing. I will use the word “meddling” of the Ministry of Finance and the Government, generally, into the affairs of state-owned enterprises that have been divested, at least partially, and with your permission, I would like to read from a number of articles in the media, just to show you what the general level of thinking is and what is taking place. I quote some excerpts from an article in the *Trinidad Guardian* of March 4, 1998 written by Mary King:

“Corruption an economic factor?”

Mary King, as I understand it, is an economist who was, I believe, at the beginning of the term of this administration—I would use the word liberally—a friend of the Government, and was appointed to the Board of, at least, WASA, and I understand was summarily dismissed, for what purpose I am not certain. Apparently, she is no longer a friend of the Government. It goes on:

“In my last article, I indicated that the directors of National Flour Mills marked for firing by our Government had to subject themselves to humiliation and abuse to demonstrate that islands of integrity and principle exist in the country. Islands upon which we can build the defence against the multi-headed hydra-corruption.”

Mr. Vice-President, whose corruption? She goes on and quotes from a report from Transparency International, 1997:

“A market economy is an economic system which is, of course, based on the individual search for profit. But nothing is more destructive to a society than the pursuit of fast and easy money by any means, which makes honest people who work hard appear to be naive and foolish.

Easy money—and why not bribes—is mistakenly perceived by many as being equivalent to a market economy. What is needed is a legally framed economic system, and not uncontrolled freedom, where the strongest takes it all.”

She continues:

“...corruption creates a clique that inter-trades among itself in a kind of cartel that effectively keeps out the rest of the society; only one group seems to get all contracts. Hence, corruption cannot allocate resources efficiently.”

Mr. Vice-President, have we heard sounds about that since 1995? Do we have any indications of that taking place, or have Members forgotten the airport? I do not think so. She continues:

“For example, in negotiating the price of natural resources, bribes can be given to local officials based on reduced prices, especially if pricing is not transparent i.e. confidential among firms and, as a result, attractive concessions are won.”

I hope the Minister of Energy and Energy Industries is listening.

“Consider, also, the schemes carried out by public officials in state-owned companies that produce commodities whose prices are fixed by the world market. Some special buyer comes with a Minister's blessing for a product at a special price below that of the world market. The difference is shared with local officials and the middle-men, who then sell the product at the world price.”

Mr. Vice-President, what I am talking about here is divestment; the control of the state of the commanding heights of the economy and huge companies, and where the behaviour of the Government must be understood and must be regulated.

I have the *Daily Express* of Saturday, February 14, 1998; the NATUC column:

“State enterprises are not inherently bad, wasteful and inefficient. It is how they are controlled and managed that gives rise to the problems currently being realised.

These enterprises do not belong to their boards; they do not belong to the party; they do not belong to the Government either. They belong to the citizens of Trinidad and Tobago.”

I wholeheartedly endorse that statement. They continue:

“Labour has proposed to every Government since 1981 that the Corporation Sole should be divested of his power; that the notion of trusteeship on behalf of the people must be explicitly legislated, as should accountability of state boards to Parliament.

Economic Policy
[SEN. MONTANO]

Thursday, August 27, 1998

Policy decisions in the state enterprises ought to be taken with great care, well measured judgment, and concern for the future. Short-term political expediency must not be allowed to drive decision-making.”

They continued that their philosophical position which they were advancing can be translated into three principles: participatory democracy in decision-making, transparency in the process of decision-making, and non-partisanship in policy formulation.

Mr. Vice-President, there is another article by Mr. Dumas which I do not think I will go into, but he raises a number of other questions, and again, *vis-a-vis* the accountability of the company, *vis-a-vis* the accountability of the Corporation Sole. The point of these articles is to bring home the question of accountability, not only of the state-owned enterprises, because even that definition is not exactly clear. The issue that Mr. Dumas was raising is, what is a state-owned enterprise when it is only partially owned, and what are the duties and responsibilities of the Corporation Sole in situations like that?

I want to draw the attention of hon. Senators, and I started off talking about corruption and how it can be linked with state-owned enterprises. I want to deal with some of the issues at the National Flour Mills. Now, I do not want to bore Senators. I think everybody here is quite familiar with the general facts of what has taken place, but I would just like to remind Senators of one or two salient and interesting points.

Senators would know that the contract to purchase the rice was with a company called Gangadas Shah which is, according to the report by KPMG, themselves, only a broker. They are commodity brokers in India. They are not exporters or producers; they are brokers. The report goes on to say that Gangadas Shah purchased the rice from another company called Bisham Saroop Ram Kishan, who were also brokers, and not primary producers or exporters of rice. So, there is the ludicrous situation where a broker is buying from another broker, and according to the report, the profit earned by Gangadas Shah amounted to 20.1 per cent of the selling price of the rice. That is a mark-up of 25 per cent for doing nothing but literally placing a phone call.

Mr. Vice-President, in terms of what we are discussing, the report continues on page 18, as follows:

“On May 4, 1998, KPMG also contacted Mrs. Drayton of the Prime Minister's office to request an interview with Prime Minister Panday. Mrs.

Drayton called on May 6, 1998 to request the following information. Who hired KPMG? Who was paying them, and what was the scope of the investigation?"

3.25 p.m.

Mr. Vice-President, why would the Prime Minister want to know who hired KPMG Peat Marwick and who is paying them? Mrs. Drayton stated that the Prime Minister needed this information in order to decide whether or not to meet with KPMG. Mrs. Drayton was supplied with the requested information, however, she never called back to arrange a meeting.

I happen to know KPMG Peat Marwick very well, and just to enlighten hon. Senators, I used to work for them many years ago. I did my period of internship with them, qualified in Canada with them and worked for the local practice for two years. I left in 1978 and have no connection at all with them at this time. But I know the firm very well and can say that they are one of the largest accounting firms in the world, highly reputable and so forth. I would really like to know and would like someone on that side to answer, why would the Prime Minister ask who hired KPMG Peat Marwick, one of the leading forensic accounting firms in the world.

The one question I would really like to have answered is: What did that firm want to ask the Prime Minister? How is the Prime Minister involved in a scandal with the National Flour Mills? What did he have to do, if anything at all, with the report of dog rice? [*Cross talk*].

What happened is a matter of record and that is to say, nothing has happened. What is the whole scandal about? Very simply, it would appear that one member of the company was acting improperly and obviously entered into a contract that was so highly irregular as to be obviously tainted by a corrupt motive. That is the conclusion to which the whole country has come.

Mr. Vice-President: I have no problem with your making reference to the National Flour Mills as it relates to a state enterprise or an enterprise in which the Government has an interest, but that particular company, as we are well aware, is, in fact, a subject that is before the courts as we presently sit here.

Therefore, according to Standing Order 35(2) I think we ought to be cautious as we make reference to the National Flour Mills. Some of the statements infringed

Economic Policy
[MR. VICE-PRESIDENT]

Thursday, August 27, 1998

that particular Standing Order. I therefore, ask you to direct your contribution with reference to this fact. The Standing Order states:

"35.(2) Reference shall not be made to any matter on which a judicial decision is pending, in such a way as might, in the opinion of the Chair, prejudice the interests of parties thereto."

Keep that in mind as you make your contribution.

Sen. D. Montano: Thank you, Mr. Vice-President, I would be so guided. I am coming to the point about this whole business, that the Government must enunciate what its policy is because the rest of us, sitting on the outside, not being able to see into the translucent veil with which it has shrouded itself, are scurrying to find out what is going on.

In the meantime, I have the unpleasant duty of bringing an article to the attention of this honourable House that was in the *TNT Mirror* this morning. It is dated, of course, Friday, August 28, I received it this morning. The headline is "Government Moves To Fire KPMG". Again, this does not have anything to do—

Sen. Prof. Spence: Mr. Vice-President, I raise the question under point of order 35(1), because I find it very difficult to understand this thrust of the hon. Senator's contribution with respect to Dr. St. Cyr's Motion. Dr. St. Cyr made a plea that we should really discuss economic policy. I am having a great deal of difficulty getting the point. [*Desk thumping*]

Mr. Vice-President: I am trying my best to give as broad an interpretation of the Standing Order on relevance as I can. I am, however, persuaded that from time to time you are definitely going across the line. I am not going to ask you to reverse your line of contribution, but I want you to be sensitive to the fact that it is a Motion we are dealing with which is very specific and, therefore, we do not want to read into it anything that is not there.

I am looking at the resolution in the Motion and it certainly directs one's attention to the "economic philosophy regarding public participation in industry, economic liberalization and human resource management". I think we have strayed significantly from that. You can make references to state enterprises but when you get involved in what you just launched into, it basically appears destined to be a discussion on the working of a state enterprise. I think we have gone far beyond the ambit of the resolution we should be dealing with.

Sen. D. Montano: Mr. Vice-President, with all due respect to my colleague, allow me to explain what is the point of the whole issue. An economic philosophy does not exist in a vacuum. The practices of the Government are critical in the execution of its philosophy or policy. In terms of the development of the entire economy, when you are dealing with significant state-owned enterprises or companies that have significant investment by the state, the state's meddling is of critical importance to further investment in the country to alliances with strategic partnerships. It is critical to the long-term economic well-being of the country.

Beyond that, the point of the article which I was going to read, but I would not anymore, is that the Government is moving to have KPMG Peat Marwick, one of the leading accounting firms in the country, dismissed or not re-appointed as auditors of any other state enterprise. When the Government starts to interfere with institutions such as the Institute of Chartered Accountants and reputable accounting firms, where is the whole economy heading? The Government is completely undermining any confidence that anybody, locally or internationally, could have in the administration of the economy of Trinidad and Tobago! That is the point! That is the nexus between this and the broad economic policy.

A state cannot interfere with a firm such as KPMG Peat Marwick and simply gratuitously withdraw its name from the tendering processes of the state-owned companies. I would advise my colleagues that I have been able to verify this story. This is not just an idle statement, it is 100 per cent true! I say this in defence of KPMG Peat Marwick, that presently, from my information which I verified because I am the Chairman of the Public Accounts Enterprises Committee, they are the auditors of, at least, four parent state-owned enterprises. With the subsidiaries there are approximately 11 companies in total, but the subsidiaries go along with the parent companies. There are basically four parent companies.

I have been advised and happen to know that KPMG Peat Marwick has had that number of state-owned audits for the last 10 or 15 years. I challenge the Government to tell me that is not so, because next year at this time I would file a question to find out how many state-owned firms is KPMG Peat Marwick auditors to. I assume it would be three, five or something of the sort and would also assume that they would not have been interfered with, because this is completely wrong. That is the nexus!

It is not only wrong, but how does anybody in his right mind believe that foreign investment is going to come here under these kinds of conditions, where there is systematic victimization of the opponents of the Government? What

happens with the remaining accounting firms? I am sorry that Sen. Marshall is not here. Does it mean then for the remaining accounting firms, that if they find any irregularities in any of the state-owned enterprises and that embarrasses the Government, they must stay quiet about it?

The whole basis and foundation of the Institute of Chartered Accountants was founded on their complete independence. The Government is making a mockery of one of the oldest institutions in the world, the one that has guaranteed the integrity of financial markets all over the world. If the Government makes such a mockery, what happens with our stock exchange? Would it make a mockery of that too? What kind of economic philosophy can exist in that kind of situation? That is the point.

We move on now from the question of economic policies. Specifically, I would talk about foreign exchange which is one of my pet projects, because it has such a dramatic impact on every facet of our local economy. Despite repeated requests, I have yet to hear the Minister of Finance or anybody on that side, articulate any policy, transparent, translucent, opaque or otherwise, about foreign exchange. I have heard no philosophy. I do not know if the Government wants to stabilize it at \$6.30; if it wants the rate to go to \$7.00 or \$3.00. I just do not know.

I heard the hon. Minister of Trade & Industry and Consumer Affairs talking earlier about trying to stimulate foreign investment and bringing legislation to stop dumping on our shores and so forth. What I have not heard are any policies enunciated anywhere which have anything to do with the real issues—to touch the real issues—such as foreign exchange.

On more than one occasion, the hon. Minister of Finance talked about world trade agreements and the fact he had to signal to the private sector that the export allowance must be done away with because of world trade agreements and so forth. He talks constantly about levelling the playing field and trying to comply with world trade agreements. One of the things I would draw to the attention of hon. Senators is, as of this morning, almost every significant currency in the world except that of the United States and Western Europe is falling dramatically against the American dollar. All the eastern nations' former tigers are now pussy cats their currencies are worth virtually nothing.

Japan's economy is in a complete shambles. It has moved in the past four years from 88 to 147 yens to the US dollar. The Chinese currency is holding steady. All the countries in Latin America are facing a currency crisis, *vis-à-vis* the American dollar. The Canadian dollar has fallen in the past two years by about 20 per cent

against the American dollar. As of this morning, the Central Bank of the United Kingdom stepped in to support the Canadian dollar. Britain stepped in to support the Canadian dollar.

3.40 p.m.

We are standing here talking liberally and generously about levelling the playing field. We must operate on a level playing field for these big boys and we are hearing silence from the Government and the Ministry of Finance *vis-à-vis* foreign exchange. How on earth could anybody stand here and say that the playing field is level?

We have a population of 1.3 million. How could that ever be level with the playing field that the United States, Germany, Britain or France is playing on? When I mentioned on Tuesday that inflation was going up and the price of food was going up, the Minister made a sort of roundabout response saying that the food import bill was rising and that is why he mentioned baby carrots or something of the sort. He said that as though poor people are eating baby carrots and that was causing the cost of food to go up.

Mr. Vice-President, I want to know what the Minister is going to do about that. How is he going to discourage imports and stimulate the local production of food? What is really happening to stimulate and to create a preferential bias for local products? That is the point. Somebody has to create a preferential bias to buy local. That has to happen. I have heard nonsense about levelling the playing field. There is no playing field that we can get on with the larger economies. We are not even close to the playing field much less standing on a level one. That is just vacuous nonsense.

Mr. Vice-President, there is much more that I can go on to. I can talk about the regime of taxation. In terms of the taxation regime our local companies are uncompetitive with their foreign competitors simply on the basis of the cost of doing business here. There is the absurd situation where we have manufacturers here buying sugar from Caroni (1975) Limited at a price that is higher than what they can import it for.

How on earth is the playing field level when you do that and you are asking the local manufacturers of soft drinks and candies to export head to head with countries that are using a lower priced sugar and we are a producer of sugar? We

Economic Policy
[SEN. MONTANO]

Thursday, August 27, 1998

are producing sugar and we have to pay a higher price. Mr. Vice-President, what kind of madness is going on? How could that be correct in terms of the taxation?

The reality is that our tax rate makes our companies uncompetitive. They are uncompetitive and furthermore, I am telling this honourable Chamber as a professional accountant, some of you are in business, some are not and you will understand this. When you live in an island economy the cost of financing your raw material inventory is much higher than it is in any other country because of the lead times and the amount of inventory that you have to stock.

I am sure Senator Baksh will understand what I am talking about. His counterpart in Miami can pick up the phone and get what he wants in 24 hours. The amount of capital that he requires is extraordinary. When he is faced with an inflationary environment where his currency is being devalued and he has to replace his inventory with a higher priced commodity and pay the punitive taxes, he cannot do it.

Furthermore, he is facing a regime of interest rates that would cripple any business. He has got to finance inventories that are vastly larger than his counterpart in the United States, and that includes all the manufacturers as well. They have to finance huge inventories with huge rates of interest. How then do you encourage the local entrepreneurs to be truly competitive? That is the issue. That is levelling the playing field.

I do not mind attracting any foreigners to come here and do business but, I will say it openly, there must be a preferential bias for local companies. When it comes to taxation regime I will draw your attention to—

Mr. Vice-President: The speaking time of the hon. Senator has expired.

Motion made, That the hon. Senator's speaking time be extended by 15 minutes. [*Sen. M. Shabazz*]

Question put and agreed to.

Sen. D. Montano: Mr. Vice-President, I want to draw your attention to the very liberal taxation regime that has been granted to expatriate companies that are being allowed and encouraged to come here to develop our natural resources. I am not suggesting that it should not happen, but what I am trying to tell you and trying to draw to the attention of hon. Members is the position that we are creating for foreigners *vis-à-vis* the position that our own nationals face.

I have several articles here written by Mr. Dennis Pantin and he was talking about not only the taxation issues but the relative amount of reserves of natural gas that we have. He was pointing out that Atlantic LNG has been granted a 10-year tax holiday. There are many other companies that have been granted long tax holidays. We have hotel legislation on the books already and I know the Minister is working on the revised legislation to again extend tax holidays to hotels. But what about the local manufacturers? They are significant earners of foreign exchange and what are we doing to them? What are we really trying to do? Where is the philosophy that really serves to encourage local manufacturers? All is not well in wonderland.

I would just like to read something from a magazine that I got in this Senate. It is called the *Amoco News* second quarter, June of 1998 written by Mr. White. I would like to enlighten Members if they have not read it and highlight certain parts of it. It says that Trinidad and Tobago has, if not a better opportunity than most countries in the world to develop the natural gas business, he says we have a wonderful opportunity here:

"When one considers the size of the population and the magnitude of the gas industry one would recognize that it is a world scale operation. Trinidad and Tobago has excelled in attracting business the country now has to build from here. Most people did not realize that there are almost 75 plants operating at Pt. Lisas."

We tend to think of it in terms of the 15 major ones but there are 28 secondary and 32 tertiary plants providing almost 5,700 jobs. Mr. Minister of Energy, who do you think put them there?

Mr. Ganga: Not you.

Sen. D. Montano: Well it was not you and it was not the UNC. It will out live you and your party.

Mr. Vice-President, Mr. White went on:

"In the Caribbean and Latin America there are over 300 trillion cubic feet of gas. Of that Venezuela has got 135 trillion cubic feet, Argentina much further south has 35 trillion cubic feet and Trinidad and Tobago has 19 trillion cubic feet of gas."

Mr. Vice-President, he goes on to say that with the kind of work that has gone on in the last five years we believe we can see improved reserves of 50 to 60

trillion cubic feet of gas in Trinidad and Tobago over the next 10 years. He expects that we could go from 19 trillion to 50 to 60 trillion in the next 10 years.

Then he goes on and says:

"Excluding LNG, Trinidad and Tobago is today using about 900 plus million cubic feet."

Nine hundred million cubic feet usage translates to 58 years based on the 19 trillion cubic feet. That figure is likely to be in the range of 2.3 billion cubic feet within the next five years excluding LNG. The 2.3 billion per day would translate to reserves based on the present 19 trillion of 22 years.

He goes on elsewhere to indicate that of the three LNG plants, the first one is likely to use 450 million cubic feet per day and the three expected plants are likely to use approximately 1.3 billion cubic feet per day. Based on that, and looking at the proven reserves that we now have, we have 14 years left of natural gas.

Mr. Vice-President, I am someone who never counts his chickens before they hatched. Based on the fact that there are likely to be three LNG plants, we have 14 years of natural gas left and according to the article by Mr. Pantin they have 10-year tax holidays, we will get revenue for four years. If they find more then we will get something.

Over the next 10 years there is no tax and so where are you going? It is the same question that Dr. Mc Kenzie has asked. Where are we going and when are we going to get there? Are we lost or are we there? We do not know. We really do not know and these are serious questions.

Mr. Vice-President, I will have to close but I will say this in winding up. In terms of development of human resources, the Minister who spoke before me spoke about organizing all the public service and technocrats and sending them to training. Our future lies in the primary school, that is where the human resource development has got to be. In the primary school. It has got to start there now!

Mr. Vice-President, unless we develop a proper educational system—because what we have has presently broken down—I would like to advise hon. Members that based on inflation figures that I have just given you, the increase that the teachers got a little while ago is gone because of the inflation rate. Who are we encouraging to come into this system? Who are we encouraging and how do we expect those young men and women to be motivated to do the kind of job that our country requires? Everything this Government has done has told me that what they are going to do is not sufficient.

Mr. Vice-President, at this point I am just about out of time and I will close. I must thank hon. Members and I would like to congratulate the Senator for bringing the Motion and I thank you very much.

SUSPENSION OF SITTING

Mr. Vice-President: I would just like to suspend the sitting for five minutes because I understand there is a problem. I would like to inspect the premises. I would crave your indulgence to stay around for a few minutes while I make a quick assessment and then determine what course we should follow thereafter.

3.57 p.m.: *Sitting suspended.*

4.00 p.m.: *Sitting resumed.*

Mr. Vice-President: There has been a one minute inspection of the *Hansard* in particular. There are other areas of the compound that are suffering from water coming into the building as a result of the torrential shower that apparently has just taken place. I do not think it is possible to ask the *Hansard* Department to operate in the conditions I have just witnessed there.

I am going to suspend the sitting for the afternoon. I will invite a motion for the adjournment. That may be more in order, but we are not going to be able to continue.

ADJOURNMENT

The Minister of Finance (Sen. The Hon. Brian Kuei Tung): Mr. Vice-President, I beg to move, that the sitting of the Senate be now adjourned to Tuesday, September 01, 1998 at 1.30 p.m.

Sen. Prof. Spence: Mr. Vice-President, is the hon. Member correct in saying 1.30 p.m.? I think we were meeting at 10.00 a.m. on Tuesday.

Hon. B. Kuei Tung: I am sorry, I have to Chair a Finance and General Purposes Committee meeting of Cabinet on Tuesday morning.

Sen. Mohammed: May I just ask the hon. Senator if he can indicate what matters we will be dealing with on Tuesday?

Hon. B. Kuei Tung: We will be dealing with a Bill to amend the Sawmills Act, a Bill to amend the Forest Act, Chap. 66:01, and if we have time, we will do the State Land (Regularisation of Tenure) Bill subsequently.

Question put and agreed to.

Senate adjourned accordingly

Adjourned at 4.05 p.m.