

*Leave of Absence*

*Tuesday, September 21, 2004*

**SENATE**

*Tuesday, September 21, 2004*

The Senate met at 1.30 p.m.

**PRAYERS**

[MADAM PRESIDENT *in the Chair*]

**LEAVE OF ABSENCE**

**Madam President:** Hon. Senators, I have granted leave of absence to Sen. The Hon. Knowlson Gift, for the period September 21, 2004 to October 01, 2004.

I have granted leave of absence to Sen. The Hon. Christine Kangeloo for the period September 16, 2004 to November 20, 2004.

I have also granted leave of absence to Sen. Roy Augustus for the period September 20 to September 26, 2004.

**SENATORS' APPOINTMENT**

**Madam President:** Hon. Senators, I have received the following correspondence from His Excellency the President, Prof. George Maxwell Richards:

“THE CONSTITUTION OF THE REPUBLIC OF TRINIDAD AND TOBAGO

By His Excellency Professor GEORGE MAXWELL RICHARDS, T.C., C.M.T., Ph.D., President and Commander-in-Chief of the Republic of Trinidad and Tobago.

/s/ G. Richards  
President.

TO: MRS. JOAN HACKSHAW-MARSLIN

WHEREAS Senator Christine Kangeloo is incapable of performing her duties as a Senator by reason of her absence from Trinidad and Tobago:

NOW, THEREFORE, I, GEORGE MAXWELL RICHARDS, President as aforesaid, acting in accordance with the advice of the Prime Minister, in exercise of the power vested in me by section 44 of the Constitution of the Republic of Trinidad and Tobago, do hereby appoint you, JOAN HACKSHAW-MARSLIN, to be temporarily a member of the Senate, with effect from 21<sup>st</sup>

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September, 2004 and continuing during the absence from Trinidad and Tobago of the said Senator Christine Kangaloo.

Given under my Hand and the Seal of the President of the Republic of Trinidad and Tobago at the Office of the President, St. Ann's, this 17<sup>th</sup> day of September, 2004."

"THE CONSTITUTION OF THE REPUBLIC OF TRINIDAD AND TOBAGO

By His Excellency Professor GEORGE MAXWELL RICHARDS, T.C., C.M.T., Ph.D., President and Commander-in-Chief of the Republic of Trinidad and Tobago.

/s/ G. Richards  
President.

TO: MS. BONNIE-LOU DE SILVA

WHEREAS Senator Knowlson Gift is incapable of performing his duties as a Senator by reason of his absence from Trinidad and Tobago:

NOW, THEREFORE, I, GEORGE MAXWELL RICHARDS, President as aforesaid, acting in accordance with the advice of the Prime Minister, in exercise of the power vested in me by section 44 of the Constitution of the Republic of Trinidad and Tobago, do hereby appoint you, BONNIE-LOU DE SILVA, to be temporarily a member of the Senate, with effect from 21<sup>st</sup> September, 2004 and continuing during the absence from Trinidad and Tobago of the said Senator Knowlson Gift.

Given under my Hand and the Seal of the President of the Republic of Trinidad and Tobago at the Office of the President, St. Ann's, this 20<sup>th</sup> day of September, 2004."

"THE CONSTITUTION OF THE REPUBLIC OF TRINIDAD AND TOBAGO

By His Excellency Professor GEORGE MAXWELL RICHARDS, T.C., C.M.T., Ph.D., President and Commander-in-Chief of the Republic of Trinidad and Tobago.

/s/ G. Richards  
President.

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TO: DR. TIM GOPEESINGH

WHEREAS Senator Roy Augustus is incapable of performing his duties as a Senator by reason of his absence from Trinidad and Tobago:

NOW, THEREFORE, I, GEORGE MAXWELL RICHARDS, President as aforesaid, acting in accordance with the advice of the Leader of the Opposition, in exercise of the power vested in me by section 44 of the Constitution of the Republic of Trinidad and Tobago, do hereby appoint you, DR. TIM D. GOPEESINGH, to be temporarily a member of the Senate, with immediate effect and continuing during the absence from Trinidad and Tobago of the said Senator Roy Augustus.

Given under my Hand and the Seal of the President of the Republic of Trinidad and Tobago at the Office of the President, St. Ann's, this 20th day of September, 2004."

**OATH OF ALLEGIANCE**

*The following Senators took and subscribed the Oath of Allegiance as required by law.*

Joan Hackshaw-Marslin, Bonnie-Lou De Silva, Tim Gopeesingh.

**SESSIONAL SELECT COMMITTEES  
(APPOINTMENT OF)**

**Madam President:** Hon. Senators, in accordance with the requirements of Standing Order 64(1) of the Senate, I wish to announce the appointment of the following sessional select committees:

**Standing Orders Committee**

Dr. Linda Baboolal	Chairman
Mr. John Jeremie	Member
Mr. Danny Montano	Member
Mr. Wade Mark	Member
Miss Dana Seetahal	Member

**House Committee**

Dr. Lenny Saith	Chairman
Mr. Satish Ramroop	Member

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Mrs. Hazel Ann-Marie Manning	Member
Dr. Eastlyn McKenzie	Member
Dr. Jennifer Kernahan	Member

**Committee of Privileges**

Dr. Linda Baboolal	Chairman
Ms. Christine Kangaloo	Member
Mr. Martin Joseph	Member
Miss Dana Seetahal	Member
Mr. Robin Montano	Member

**Statutory Instruments Committee**

Dr. Linda Baboolal	Chairman
Mr. Knowlson Gift	Member
Mr. Rawle Titus	Member
Mr. Sadiq Baksh	Member
Miss Dana Seetahal	Member

**FINANCE (SUPPLEMENTARY APPROPRIATION) (NO. 3) BILL**

Bill to supplement the appropriation of the sum of the issue, which was authorized by the Appropriation Act, 2004, 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 later in the proceedings.  
[*Sen. The Hon. C. Enill*]

*Question put and agreed to.*

**PAPERS LAID**

1. Address by His Excellency Professor George Maxwell Richards, T.C., C.M.T., Ph.D, President of the Republic of Trinidad and Tobago on the opening of the Third Session of the Eighth Parliament of the Republic of Trinidad and Tobago, at the Parliament Chamber, Red House, Port of Spain, on Friday,

September 10, 2004 at 10.00 a.m. [*The Minister of Public Administration and Information and Acting Prime Minister (Sen. The Hon. Dr. Lenny Saith)*]

*To be printed as a Senate Paper.*

2. Report of the Auditor General of the Republic of Trinidad and Tobago on the financial statements of the National Agricultural Marketing and Development Corporation (NAMDEVCO) for the year ended December 31, 1993. [*The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill)*]
3. Report of the Auditor General of the Republic of Trinidad and Tobago on the financial statements of the Trinidad and Tobago Racing Authority for the year ended July 31, 1998. [*Sen. The Hon. C. Enill*]
4. Report of the Auditor General of the Republic of Trinidad and Tobago on the financial statements of the Trinidad and Tobago Racing Authority for the year ended July 31, 1999. [*Sen. The Hon. C. Enill*]
5. Report of the Auditor General of the Republic of Trinidad and Tobago on the financial statements of the South-West Regional Health Authority for the period January 01 to September 30, 1998. [*Sen. The Hon. C. Enill*]
6. Report of the Auditor General of the Republic of Trinidad and Tobago on the financial statements of the Point Fortin Borough Corporation for the period January 01, 1998 to September 30, 1998. [*Sen. The Hon. C. Enill*]
7. Report of the Auditor General of the Republic of Trinidad and Tobago on the financial statements of the Chaguanas Borough Corporation for the financial year ended September 30, 1999. [*Sen. The Hon. C. Enill*]
8. Report of the Auditor General of the Republic of Trinidad and Tobago on the financial statements of the Tobago House of Assembly for the year ended September 30, 2000. [*Sen. The Hon. C. Enill*]
9. Report of the Auditor General of the Republic of Trinidad and Tobago on the financial statement of the Intellectual Property Office for the year ended December 31, 2002. [*Sen. The Hon. C. Enill*]
10. Report of the Auditor General of the Republic of Trinidad and Tobago on the financial statements of the Institute of Marine Affairs for the year ended September 30, 2003. [*Sen. The Hon. C. Enill*]
11. Report of the Auditor General of the Republic of Trinidad and Tobago on the non-receipt of financial statements from certain entities. [*Sen. The Hon. C. Enill*]

12. Annual audited financial statements of the National Broadcasting Network Limited for the period ending December 31, 2000. [*Sen. The Hon. C. Enill*]
13. Annual audited financial statements of the National Broadcasting Network Limited for the period ending December 31, 2001. [*Sen. The Hon. C. Enill*]
14. Annual audited financial statements of the National Commission for Self-Help Limited for the financial year ended September 30, 2002. [*Sen. The Hon. C. Enill*]
15. Annual audited financial statements of the National Commission for Self-Help Limited for the financial year ended September 30, 2003. [*Sen. The Hon. C. Enill*]
16. Audited annual financial statements of the Trinidad and Tobago Solid Waste Management Company Limited for the year ended September 30, 2002. [*Sen. The Hon. C. Enill*]
17. Annual audited financial statements of the Youth Training and Employment Partnership Programme (YTEPP) Limited for the financial year ended September 30, 2003. [*Sen. The Hon. C. Enill*]
18. Annual audited financial statements of Taurus Services Limited for the financial year September 30, 2003. [*Sen. The Hon. C. Enill*]
19. Annual audited financial statements of Point Lisas Industrial Port Development Corporation Limited Group (PLIPDECO) for the financial year December 31, 2003. [*Sen. The Hon. C. Enill*]
20. Sixty-eighth report of the Salaries Review Commission. [*Sen. The Hon. C. Enill*]
21. Sixty-ninth report of the Salaries Review Commission. [*Sen. The Hon. C. Enill*]
22. A Green Paper - Reform of Government's Procurement Regime. [*Sen. The Hon. C. Enill*]
23. Report of the Auditor General of the Republic of Trinidad and Tobago on a Special Audit of Security in Primary Schools. [*Sen. The Hon. C. Enill*]
24. Annual report of the Trinidad and Tobago Postal Corporation (TTPOST) for the year 2002. [*Sen. The Hon. Dr. L. Saith*]
25. Annual report of the Trinidad and Tobago Postal Corporation (TTPOST) for the year 2003. [*Sen. The Hon. Dr. L. Saith*]

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26. Annual report 2002 of the Comptroller, Intellectual Property Office, Ministry of Legal Affairs. [*The Minister of Legal Affairs (Sen. The Hon. Danny Montano)*]
27. 26<sup>th</sup> annual report of the Ombudsman for the period January 01, 2003 to December 31, 2003. [*The Vice-President (Sen. Rawle Titus)*]

**FINANCE (SUPPLEMENTARY APPROPRIATION) (NO. 3) BILL**

**The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill):**  
Madam President, I beg the move,

That a Bill to supplement the appropriation of the sum of the issue, which was authorized by the Appropriation Act, 2004, be now read a second time.

Madam President, the Bill provides for the issue from the Consolidated Fund the sum of \$2,065,864,013 under the various heads as indicated in the Schedule to this Bill. This Bill is a money Bill and was passed in the other place on Friday, September 17, 2004.

This Government has been open and transparent in the management of the country's financial resources. In the 2004/2005 budget to be presented shortly and in the debate to follow, detailed accounts would be given on how financial allocations have been utilized. I am sure that the national community, including those opposite, would be very impressed with the progress we have made over the last year.

There is not a single area of governmental activity where the country has not moved forward as a result of careful and creative deployment of resources allocated by the Appropriation Bill, 2004.

In recent times, questions have been asked, sometimes with alarmist intent, about the state of the country's finances in the light of expected increased revenues from persistently high international prices for petroleum products. The Government has remained unruffled, knowing full well that at the right time all queries, sensational and sincere, would be handled with method and clarity.

In December 2003, the Executive Council of the Tobago House of Assembly (THA) agreed to acquire the Courland Estate to facilitate its housing development programme. Given the timing of that decision, no funds were provided in the Assembly's 2004 budget for this project. Accordingly, the Government proposes that supplementary funds be provided in the amount of \$90 million to the THA to facilitate the financing of the purchase of four parcels of land in Courland Estate,

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Tobago, to continue the process of providing affordable housing for the citizens of this country.

**Sen. Mark:** Madam President, on a point of clarification. Could the hon. Minister indicate to us how many parcels of land were involved? The Minister just said about four parcels. Could the Minister tell this honourable Senate what that amounts to in terms of acres?

**Sen. The Hon. C. Enill:** I have noted it and I would get it to you.

Under the Petroleum Production Levy and Subsidy Act, Chap. 62:02, petroleum products subsidy is payable to marketing companies. This subsidy arises when the price that the marketing companies pay to purchase those products is more than what they collect in sale at the pumps.

Over the years, arrears of subsidy payments to the National Petroleum Marketing Company Limited (NP) have accumulated. As a result, NP has built up outstanding liabilities to Petrotrin for the purchase of petroleum products. It has now become urgent that this debt be settled so as to contribute to the financial viability of the state company.

As at July 31, 2004, a sum of \$712,641,123 was owed to Petrotrin by NP. Through this supplementary allocation we shall now settle this debt owed to Petrotrin by the National Petroleum Marketing Company. Petrotrin, therefore, would now be in a better position to pursue its strategic objective for the economic development of Trinidad and Tobago.

Madam President, Parliament would recall that the Interim Revenue Stabilization Fund was originally established in August 2000, with a balance of \$415 million, to address the inherent volatility in oil prices and its impact on Government's fiscal position. The fund is the repository for the accumulative savings from petroleum taxation revenues above the established annual benchmark.

In 2001, an amount of \$600 million was added to the fund. In fiscal 2003, a further sum of \$497.4 million was, in fact, transferred. The balance of that fund now stands at \$1.5 billion. In 2004, the Government intends to transfer \$1,263,222,890 to the Revenue Stabilization Fund. This would bring the total transfers to the fund at the end of this financial year to \$2,775,894,090. The total balance of the fund would be approximately \$2.853,700—close to \$2.8 billion—when one includes interest. We also intend to introduce and finalize the legislation for this fund by December of this year.



Our commitment to the people of this nation and to proper fiscal management has caused us to re-examine the approach to this fund. We have taken the position that in 2003, at the close of the financial year we should honour the principle of the fund, that is, to allocate 60 per cent of the excess revenue from oil and gas receipts to the fund. Our calculations at the finalization of the accounts for fiscal 2003 indicated that the amount for transfer to the fund, based on the final revenue numbers for that fiscal year, should have been \$973,402,930.

It should be noted that \$497.4 million was transferred in fiscal 2003. We are now proposing to transfer an additional amount of \$476,002,930 to the fund. This would bring the total sum transferred, with respect to fiscal 2003, up to the proposed 60 per cent of the difference between the original estimated revenue from oil and gas and the final out-turn. We do what is right, Madam President.

For fiscal 2004, the original estimated revenue from oil and gas was \$4,962,634,011, but largely because of sustained high prices, the latest revised estimate is \$5,405,940,000. This has resulted in projected excess revenue of \$443,305,989. Based on the present formula used to transfer excess revenue to the Interim Revenue Stabilization Fund, Government is required to transfer 60 per cent of the excess revenue to the fund. This would have resulted in a transfer of \$266 million.

However, Madam President, because we are committed to sound financial management and fiscal responsibility, and because we wish to make this country's future as secure as possible, this administration has decided to transfer the full amount of projected excess revenue of \$443,305,989 to the fund. This excess revenue is calculated on the basis of SPT, PPT and production-sharing contracts.

In addition, we are also transferring an additional \$343,913,971, an amount equal to the amounts in excess of our budgeted amounts received from oil companies for royalties and other non-tax revenues. I repeat, Madam President, the full amount of the excess revenue from oil and gas would be transferred to the fund that is \$787,219,960. We are saving for a rainy day both metaphorically and literally, given the kind of weather the Caribbean has been experiencing in recent times.

I would now spend a few minutes on the issue of petroleum pricing which has dominated a lot of our discussion over the last couple of months. In the current tax regime, the supplemental petroleum tax, profit tax on oil and production-sharing contracts, are the major sources of revenue from the oil industry. The production of natural gas is taxed as part of the profit tax. There is currently no SPT on natural

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gas. The Government also receives from the companies: royalties, unemployment levy, withholding taxes, excise duties and a small oil impost. The seemingly limited response of revenue collections to the sharp rise in spot oil prices during the year could be explained by several factors.

**2.00 p.m.:**

Firstly, BPTT oil production, which fetched an average price of US \$31.06 per barrel for the fiscal year to date, was 10 million barrels or 30 per cent less than budgeted. The resulting shortfall in this source was only partially offset by the increases in Petrotrin's production of eight million barrels which basically fetched an average price of US \$23.80 per barrel compared to US \$31.06 for BPTT production.

Secondly, the current legislation, which was put in place during the period 1986—1990 when oil prices were low, provided oil companies with extraordinary flexibility in claiming expenses and investment allowances in order to stimulate exploration at that time. These expenses and allowances invariably increase when oil prices are high, reflecting increased investment activities by the companies. These investments were very significant this year and, as a result, the claims that arose from them were substantial and adversely affected revenues from oil companies.

For the last year, the Government has been discussing the change in the oil and gas tax regime and much more would be said on this matter in the next budget. As a result of these decisions, the Government expects at the end of fiscal 2004 to declare a surplus of \$437.1 million at the end of the year. I have no doubt that those who ask will now know where the money has gone.

Thank you, Madam President. I beg to move.

*Question proposed.*

**Sen. Wade Mark:** Madam President, first of all, I congratulate my colleague sitting opposite me on his assumption—I should say his reincarnation to the position of acting Prime Minister. He occupied that position for a long period of time during 1991—1995 and I do not know if he has come out of “banwas” and he is now back in the spotlight. I congratulate him and wish that his term is not confined to eight days, but more than that, in the future. I am sorry I am not seeing my friend. She is not here but I still see her name. I will say more about that a little later.

Madam President, the Bill before us deals with almost a supplementary appropriation as the Minister outlined. He did startle me somewhat when he said in his opening remarks, in a very boastful way, that the Government that he is part of has been very open and transparent in its financial dealings with the population particularly when it addresses financial matters, and every particular or conceivable area under this administration has seen some improvement and some movement forward over the last few years.

No one can argue, and we would not argue that the decision on the part of the Government to allocate sums to the Revenue Stabilization Fund in accordance with the formula that we had established under the UNC administration is not something commendable. I think it is something that they had to do and they did it and we have no query or problem with that. We would like the hon. Minister to clarify for this honourable Senate why it took the Government a whole year and that in the year of September, 2004, we are being told by the Minister in the Ministry of Finance that the Government has transferred sums of money to the interim Revenue Stabilization Fund. We are told in the note which was circulated before this honourable Senate that the sum of \$476 million was supposed to be placed in this stabilization fund at the end of fiscal 2003. We are now at the end of fiscal 2004 and we are being told by the hon. Minister that this is good financial management. I say this is sloppy financial management, not good financial management. Could the Minister tell us why it took an entire year to place in the Revenue Stabilization Fund, moneys that were earned, moneys that were in the accounts, moneys that showed up at the end of fiscal 2003 but still the Minister did not place the excess revenue, the 60 per cent as we are told, based on the formula into the Revenue Stabilization Fund?

**Sen. Enill:** I thank the Member for giving way. There is a very simple reason for that. At the end of the financial year whatever funds that are excess relate directly to the Consolidated Fund and, therefore, the question of transferring money in one year basically has to do with surpluses. And, quite frankly, you cannot transfer—what happens at the end of the year is any surplus that you have simply goes to your account in the Central Bank so you have a bigger account but for purposes of Parliament, the way that you deal with it, you deal with it in the current year out of current resources so that it does not interfere with your deficit. It is normal. The funds are not spent at the end of the particular period. It goes back into the Consolidated Fund and that is what happens. So the issue of when we do it really has to do with the timing of available resources and that does not interfere with your fiscal position.

**Sen. W. Mark:** Madam President, I also would like to find out from the hon. Minister why did it take so long to tell this nation the actual revenues we earned as a result of the excess that we had budgeted? We budgeted US \$25 a barrel of oil and the average was around US \$38. We are told US \$31, we estimated US \$38 but we would go with the Minister's conservative figure of US \$31 for the time being. But we understand that those revenues come to the Ministry of Finance on a quarterly basis. In fact, the Minister indicated in an article in the *Express Business* of September 08, 2004, and I quote:

“...I get the figures on a daily basis so I know them. ...”

So the Minister receives information on a daily basis—

**Sen. Enill:** Read the rest.

**Sen. W. Mark:** You said that you have gotten information on a daily basis so you know them, “...but I have asked my people to check on things and to ensure that what we are getting here is absolutely accurate...”

I am asking—the Minister in the Ministry of Finance would know by the end of December 2003 if we deal with quarterly figures, October, November, December, what was his expected budgeted figures in terms of revenue and what he actually received as it relates to the sum realized by the State due to high oil prices.

I imagine the Minister of Finance would be able to tell us at the end of December what those figures were. I imagine he would tell us at the end of March, what were those figures and then he would go on March, April, May—in other words, every quarter, except for last quarter, I imagine the Minister would have some difficulty in providing the Parliament and the nation with some information. How can this Government boast about being open and transparent when to date, as we speak, we do not have a sufficiently comprehensive grasp of the total revenue earned from oil and gas production as a result of increases recorded? We are now being told that certain sums are being transferred to the Revenue Stabilization Fund but the Minister of Finance has not told this Parliament and we demand that he tells this Parliament how much revenue did Trinidad and Tobago enjoy as a result of the surplus or the excess increases in the price of oil as well as the price of natural gas. I am sure that the Minister should have those figures at his disposal because he gets those figures on a quarterly basis and he ought to be in a position to tell the nation what is the actual outcome of this process.

Madam President, we are told another thing that is quite shocking, I should say. And the Minister has to level with this Parliament. Here it is the price of oil goes to \$50 a barrel. We are told that it is an average of US \$31 per barrel yet there is a shortfall in the production of crude oil by some three million barrels, I am told, for the year 2004. One would expect that the oil producers in this country upon hearing about these increases in oil prices out there would engage in greater exploration but here we have a cut back in crude oil production. Why is there a cutback in crude oil production and I want to quote the Minister on the matter.

He said investments were significant this year but he did not go on to tell this Parliament by how much. Investments were significant but still production has been reduced. He went on to tell us another thing. The archaic and backward oil and taxation regime that we have in this country allows these companies to rip off and to rape Trinidad and Tobago, to rip off and to rape the country. The Minister of Finance must tell this Parliament how many dry holes or dry wells were hit by these oil companies to date and how much money they have claimed as write-off in exploration allowances and other expenses. We need to know because we understand there are a lot of unseemly things taking place out there and the Government seems not to be aware. Are these people deliberately drilling conscious of the fact that they would meet dry wells or dry holes and then claim US \$20 million as a write-off and deny the citizens of this country the moneys that they deserve? These are things they must tell us. Why did we have a shortfall of three million barrels of oil this year when the price of oil averaged at US \$31 per barrel as he has indicated? We need answers.

So we would like the Minister to complete the picture for us. Let us know what has happened. We need to get some information. We need to get answers from the Minister of Finance. We need to know what the figures are. We want to know, for instance, if the Government is still engaging in “footsy” as it relates to the new oil and tax regime because every year we delay in revising the oil and tax regime the citizens of this country are losing revenues. We pay oil companies to explore and if they do not succeed, we pay for that as well, and that has to be wrong. You have to revise that and we are waiting on the Government to come to this Parliament and let us know when they are going to revise this particular regime.

Madam President, we did not hear in this country about any natural disasters apart from the near miss we had with Hurricane Ivan. There was no natural calamity in the oil industry. So is it a conspiracy on the part of the oil companies to deliberately under-explore because when the price of oil is very high—or have

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they explored deliberately and struck dry wells and dry holes and, therefore, every time they explore and they strike dry holes or dry wells it is US \$20 million or US \$40 million they claim from the state in Trinidad and Tobago?. Let us know. We need to know, as a Parliament, if we are being asked to approve this particular Bill before us and we are not a rubber stamp. We need to know. Are we depleting our reserves at a faster rate than we are being told?

We were told by the Minister of Energy and Energy Industries last year—it was in the newspaper that we would have a tidal wave of oil and natural gas. Where is this tidal wave? Who was fooling who? Because there is a three million shortfall in oil production when the price of a barrel of oil is nearing US \$31 a barrel on average given what we are told by the Minister of Finance. Where is this so-called tidal wave in terms of oil production and natural gas production? We know that once you produce gas you get oil with it. Are we getting oil or are we just getting gas? What is happening? Why a shortfall of three million barrels or maybe more? This is what I am told and the Minister would have to tell the Parliament whether my figures of million is correct or incorrect. Let us know. This is an extremely worrying matter. Here it is we are talking about an aluminium smelter. ALCOA is supposed to build an aluminium smelter. We are supposed to be getting gas, and we have gas in reserves, a tidal wave of gas, and a tidal wave of crude oil production. Where is the evidence of this? Is this a pie in the sky arrangement? Do we have natural gas to facilitate an aluminium smelter in this country? Let the Minister of Finance level with us and let us know what is happening.

Madam President, we want to know the level or the value of the write-off for this year to date. We would like the Minister to tell us that. We would also like the Minister to disaggregate for us how much revenue from crude oil production, how much revenue from natural gas production. We want a disaggregation. We want to know how much revenues we are earning from natural gas production in this country because it is at an all-time high. We want to know how much revenues we are earning from crude oil production because the price of crude oil is also high. We need to know these things and the Minister must come and level with us and not give us no “ole talk,” or ruse about transparency and openness. What openness? What transparency? What good financial management are you talking about? Sloppy financial management! That is the hallmark of this regime and they are boasting about that and telling this Parliament that everything has moved upward since they came into power. I do not know if the Minister of Finance is living here. He is talking about crime moving up—murder, kidnapping, robbery and rape or unemployment and food prices.

Madam President, I have taken the advice of the Minister of Legal Affairs and the Minister of Consumer Affairs. I have begun eating cassava, a root crop, as a substitute. I do not know how long it would last but I have begun to eat root crop.

Let me just go on to another item that is of concern to us and this deals with the issue of Petrotrin and the subsidy amounting to \$712 million that this regime owes to Petrotrin.

When allocations are made for a particular item I would imagine that that allocation would be honoured. We are told by the Minister of Finance that over a period of years the Government of Trinidad and Tobago has not been honouring its obligation to the company that, in turn, is not honouring its obligation to Petrotrin. Why is that? This Government does not budget. Do we not have a Minister of Finance budgeting every year? Does the Minister of Finance not know that they have to pay NP \$200 million every year because we are subsidizing gas prices at the pump? And if they are allocating the money on an annual basis, how come it has gone to \$800 million? Did the Government spend that money? Come and give us a proper explanation. We need a proper explanation. It is \$800 million that they are asking for approval to pay to Petrotrin because of sloppiness on the part of the Ministry of Finance in not honouring its obligation. We need to know where that money went.

There is a levy and the Minister of Finance must tell us what is going on here. I refer to the Budget Statement of the Minister of Finance in the *Hansard* record of 2003/2004. We are told and I quote at page 45 of the *Hansard* report:

“Producing companies are also being required to bear an increased share of the cost of switching away from leaded gasoline. Accordingly, the levy of 3 per cent of gross income payable by oil producing companies will be increased to 4 per cent.”

They are levying on oil companies to deal with the very subsidy they are supposed to pay. What did the Minister of Finance do with that money? So they are levying on the oil companies; this money is supposed to help subsidize the prices of fuel at the pump for the consumers. They get this money on a regular basis. It is a circular flow. They get it from the oil company, they send it down to National Petroleum (NP), who should send it down to Petrotrin. That has been going on for a while. Where has this money gone? Could the Minister of Finance account? He says they are transparent. This regime is transparent and open. We want to get the openness and transparency of this production levy that you charge these companies 4 per cent on their gross income and they pay it to you and you

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are supposed to pay that to NP so that they could pay that to Petrotrin. Where that money went? The Ministry of Finance must account to the Parliament and let us know where the money has gone. They are allocating \$712 million from the Consolidated Fund. Where did the money from the levy go? We need to know. You spend it on CEPEP! Do not come and tell us about transparency and you are open. That is not going to go down good.

Madam President, may I inform you as well, the country underwent severe pain and hardship as a result of the Minister of Finance taking the decision to increase the price of gasoline in the last budget.

The Minister of Finance, the hon. Patrick Manning, told the South Businessmen Association—It is recorded in the *Guardian* of Monday, July 12 2004 at page 5. The headline: “State owing Petrotrin \$820 million.” But what is interesting is this particular quote, Mr. Manning is quoted as saying:

“We have been able to do it so far, because we subsidise it.”

Talking about the cheap price at the pump, relatively that is.

“For the year so far, the subsidy at Petrotrin is \$820 million.”

He goes on to say:

“That is why we had to raise gas prices, because that subsidy was well in excess.”

Here the Prime Minister and the Minister of Finance is telling the country and the world that he had to increase gas prices in order to address the subsidy owed.

Madam President, we are told that the reason the price of gasoline was increased in the last budget was to help subsidize Petrotrin and NP so that we can get cheaper fuel at the pump.

Let me quote from the Budget Statement dated Monday, October 06, 2003.

“The additional revenues...”,

that is coming out from the new increases in gas prices—

“estimated at \$249 million, which will be derived from this increase, will be used to fund a number of programmes geared to poverty alleviation and job creation...”



They taxed the population. The Government derived \$249 million from taxing the population so that we can pay higher fuel prices at the pump and that had the ratchet effect, the cost of living gone sky high. We would talk about that on some other occasion. Hear what this \$249 million was put for and tell me if you see anything in here going to Petrotrin or going to NP or to subsidies that we were told about in this article I referred to.

“the reforestation programme will be allocated the sum of \$50 million;”

Nothing gone to Petrotrin; nothing gone to NP; \$50 million of the \$249 million as a result of fuel price increases for poor people gone to reforestation. I have no problem with reforestation but the Minister of Finance must tell us what he is doing with the \$600 million in the Green Fund which he has under his control in the Ministry of Finance.

Madam President, there is a Green Fund which the Minister of Finance has under his direct control and it amounts to \$600 million to date and he is doing whatever he wants with that because they have repealed the legislation and disbanded the board so they can do whatever they want, and they talk about transparency. It goes on:

“an expanded Unemployment Relief Programme, an investment in social stability, including the expansion of the women’s component of the programme directed at female heads of households to \$200 million—an increase of \$64 billion, of which \$50 million will be used to expand the women’s component of the programme;”

The money went into the URP programme. They taxed us with the increased cost of living. They make poor people cry and die in this country and yet the money went to unemployment; not to Petrotrin. The next area money went to was drainage and other community projects in PNM constituencies: La Horquetta, Maloney, San Juan and Laventille, potential hotspots in the country, they say in the sum of what?—\$50 million.

An increase in the Community-based Environmental Protection and Enhancement Programme, the famous or infamous CEPEP to \$225 million. This is where our allocation went. Yet the Minister of Finance, the hon. Patrick Manning, tells the country that is why he had to increase the prices of gasoline and fuel in order to subsidize Petrotrin. Where in this budget document any money went to Petrotrin? None! So we were misled by the hon. Prime Minister, he hoodwinked the population on this matter. And then this hon. Minister who does not know better at this time comes to tell us about transparency and they are open, decent

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and they are engaging in prudent financial management. What prudent financial management? There is no evidence of that here. The Minister has to come good and give us explanations.

Madam President, do you know that the PSIP which was the Public Sector Investment Programme, the Government could not spend the \$1.7 billion. They have spent \$1 billion so \$700 million in excess because they do not have proper project managers and they just cannot get projects off the ground. Is that the \$700 million that is being taken to subsidize Petrotrin? Let us know. So you are sacrificing capital formation, infrastructural development and you then subsidize Petrotrin because the initial \$249 million went to CEPEP and URP and to reforestation. That is good financial management as far as the Minister in the Ministry of Finance is concerned. If we continue that way, the PNM is sure to financially bankrupt this country very shortly because it is reckless economic management on the part of that administration. That is what is taking place in this country and mamaguying the country and fooling the people that they are some wizard. Wizard where? Fooling people!

I would like to go on to the question of this land in Tobago. I have asked the Minister of Finance to provide this honourable Parliament with the amount, hectares or acres. Let us know.

**Sen. Enill:** The parcels of land—one parcel of approximately 24 hectares and another of 101.7028 hectares—two adjoined parcels, the first consisting of 9.720 hectares and the second of 4.8549 hectares to give a total of 140.2847 hectares.

**Sen. W. Mark:** Madam President, a quick calculation, 2.2 acres is one hectare. We are talking about close to 300 acres of land roughly or about 330 acres if you calculate it properly. When you calculate that, that is about \$300,000 an acre of land per hectare and when you break down that it is about \$200,000 per acre or \$300,000 per acre? I am asking these questions because I would like to know who did the evaluation. Was the Government Commissioner of Valuations involved in this matter? It is \$90 million we are talking about here. And I understand the Tobago House of Assembly is buying land all over Tobago and doing nothing with the land. They are about to close a deal with Anthony Sabga for the acquisition of Pigeon Point. I understand it is about 60 or 70 acres. They bought land somewhere, I think in Plymouth, recently so it is Low Lands, Plymouth in terms of the Courland Estate and they continue to buy up lands. For what? What is the economic benefit to the people of Tobago and the people of Trinidad and Tobago when you expend that kind of money? What are the efficiency gains in this whole transaction? Are we getting value for our money? Because we have the money we would blow it? They say they are going to build houses. Where are the

plans? We have no plan but we are acquiring properties. The THA buying land like it is going out of style in Tobago.

I am saying if it is a good deal and if they have a plan, let us see the plan. Justify it but you cannot just take \$90 million of taxpayers' dollars and give it to the THA to buy 330 acres of land in Tobago. They said they were going to develop housing. When? Where? We would like to know. We would like to get a report on this transaction. We want a report on this transaction. We want to know the valuers involved in this. We want to know if the Government Commissioner of Valuations was involved in this transaction. Public interest demands that.

We see Republic Bank. We got no explanation from the Minister of Finance. What benefits did Republic Bank derive from this transaction? We need to know because you are asking this Parliament to approve \$90 million which have already been given to the THA and which Republic Bank may have already gotten and we do not have an explanation. We need some answers from the Minister of Finance. What caused the foreclosure of this estate? We understand there was a foreclosure. What prompted that? Were the owners bankrupt and could you tell us who were the owners of the Courland Estate? Who would be the owner of the Courland Estate? Was this estate facing bankruptcy and Republic Bank was forced to take over this particular estate on the prompting of the THA? We need to know, we need some answers. Was the property placed on open, or was it a closed shop transaction? We are very concerned.

This is a Government that speaks about transparency and accountability and openness but we got no answers from the Minister of Finance. He rises, speaks for 10 minutes on a critical matter and he takes his seat. That is what he talks about, that is transparency, PNM style. We want to know whether the bid for the land that THA eventually snatched—that \$90 million—was it public? Was adequate notice given to other investors who would have liked to purchase the same property? We would like to know. We would like to know what fees were paid to the valuator in this transaction, the fees paid to the real estate agents in this transaction. We would like to know these things. We are not a rubber stamp Opposition. You have to bring us answers to these questions. We would like to know what the Government's policy is on the acquisition of property. We would like to know what the policy of the Government is on these matters. If these lands were so important for the THA, could the Government not compulsorily acquire the land? Why pay \$90 million if this land was so important? To do what? We understand to build houses. Is there a plan? We do not know. These are issues that the Minister of Finance needs to clear up. I am not happy with this. We are not happy. We want some answers from the Minister of Finance to satisfy us on this particular transaction.

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We understand that they are about to close up a deal at Pigeon Point, and we do not know if they would be paying \$90 million for Pigeon Point. We understand the issue in Tobago is access to the fisherfolk in terms of the seafront. They want access but the Government is acquiring, I understand, the entire Pigeon Point. We would like the Minister to tell us where this transaction has reached and how much money is involved because we understand it is a private treaty with public money. How much money is the Government prepared to pay for Pigeon Point? They paid \$90 million for Courland Estate. Are they paying \$100 million for Pigeon Point? I understand they want to pay \$17 million in the first instance. I want to know how much they are going to pay the owner for this transaction now. We want to know the economics of this thing. That is what we are concerned about. We want value for our money; not to buy land because you want to buy land. Are you into speculation? That is for private sector people; not for state people; not for state sector. When you acquire property it must be for a public purpose and you must justify, not just buy land. That is wildness. You are not planning properly. So I would like some clarification on this matter because something is improper about this transaction and before I start to speculate, let me get some answers because I do not want to cast any aspersion.

**Madam President:** Hon. Members, the speaking time of the hon. Senator has expired.

*Motion made,* That the hon. Member's speaking time be extended by 15 minutes. [*Sen. S. Baksh*]

*Question put and agreed to.*

**Sen. W. Mark:** Thank you very much, Madam President. As we are on the question of finance—I myself in another incarnation was instrumental in providing some funding to the UNDP office in this country. They came to the Government of Trinidad and Tobago and they requested some assistance in terms of rental support and we took a decision to pay 60 per cent of the rental fees of the UNDP in Trinidad and Tobago. That is not something that is insignificant. It happens in many other countries in the world. We supported that. I have some concerns and I hope that the hon. Minister of Finance who would know about this arrangement could give us some clarification. I would like to know on the issue of finance and funding, whether the United Nations Development Programme has lost its way. I want to know and the Minister of Finance must let us know what the real mandate is of this UNDP in Trinidad and Tobago. We understand that the UNDP is now a private commercial agency competing with the private sector in

Trinidad and Tobago. So apart from us providing the UNDP with 60 per cent of their rentals on a monthly basis, they are now competing with the private sector and competing with citizens of this country for contracts and projects and programmes.

Madam President, do you know since when UNDP is in the ambulance business? I thought they are supposed to be providing technical assistance and engage in programmes of poverty eradication and HIV/AIDS and good governance. I did not know that they have the power and they now have an agency that allows them to import ambulances. Do you know what this Government did? This Government gave to the UNDP the contract, without publicly going out for tender, to import 50 ambulances in this country and we do not know what the value of it is.

Madam President, is the UNDP going to maintain those vehicles when something goes wrong with them? Is the UNDP incorruptible? I understand that this UNDP in this country wants to supply coast guard boats, they want to supply security apparatus for the State, and they want to engage in port facilities. They are competing in the Ministry of Education. They want to be in the Ministry of Health. This is a private sector agency. I want to know what the relationship is between UNDP and CEPEP. I understand a lot of training is taking place in the East/West Corridor under the auspices of this agency. I want to know if the Government is aware of this. The time has come for us to investigate this particular agency in this country. They brought doctors here at a high fee, getting millions of dollars. They brought ambulances, more millions and I just saw in the newspapers last Saturday or Sunday where they are signing a technical assistance programme with the Ministry of Works and Transport for \$30 million in terms of the Licensing Authority. I do not know if they have gotten the contract. I cannot say. All I can tell you is that I saw in the newspapers where the Minister of Works and Transport is saying that he would sign a \$30 million contract to modernize the licensing department. I say hey, hey, great, no problem. But who is going to do that? The UNDP? We have to rein in this organization and the Minister of Finance and the Minister of Foreign Affairs must tell us what is the role of this agency in this country. Why are they taking away jobs from Trinidad and Tobago citizens in the private sector and ordinary citizens in this country? I want the Minister in the Ministry of Finance to let us know what is taking place with this agency. I am concerned about it and that is why I have raised it.

In dealing with this particular Bill before us, I have raised a number of issues. The Minister tried to cover up—I would not say cover up; I would say he tried to mamaguy us. But a discerning Opposition which is the alternative to this bankrupt PNM regime, he cannot come to try to hoodwink us. We have studied this matter

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and we want answers. No answers, no support. We want clarification on these issues. They are too serious and they are too grave. We want the Minister of Finance to answer every question that we have raised here today and to make sure that those answers are very convincing and the information, if possible, in writing so we would be aware of what is taking place in the oil industry, of what is taking place with the subsidy to Petrotrin and what is taking place with the purchase of 330 acres of lands by the THA, re: the Courland Estate. I have raised some question as it relates to the role of the UNDP in Trinidad and Tobago and whether this agency has now become a private sector agency and it is now competing with the private sector in Trinidad and Tobago.

**Sen. Prof. Deosaran:** Madam President, I thank the Member for giving way. I think he is raising a very pertinent issue and if I might, for the benefit of the Senate, since in his previous incarnation he was instrumental in the rental facility, could he tell the Senate if there is an additional grant given by the Trinidad and Tobago Government to UNDP and if he can remember how much is that?

**Sen. W. Mark:** Madam President, I know for a fact that we make an annual contribution as a nation to the UNDP. That is an annual amount. I do not have the figures before me but I know that amount is continuing on an annual basis. In addition to the annual contribution of Trinidad and Tobago to the UNDP, we are also subsidizing the UNDP to the tune of 60 per cent of their rentals on a monthly basis in Trinidad and Tobago. That is what I do know but I do not have all the facts and my dear colleague and friend in the Ministry of Finance would probably provide this honourable Senate with further details on this matter. I think his plate is full and he has a lot to answer in terms of these matters.

Madam President, I thank you.

**Sen. Mary King:** Madam President, two of the items before us today are first of all, the subsidy on the sale of gasoline to the public and the second item, the taxation which we have garnered because of very high oil prices, being now transferred into the energy stabilization fund. I would just like to discuss these very briefly and put on record a few words on these issues. One, being the issue of subsidies and the second being a rationalization of the use of the stabilization fund so that we are headed on a growth path and not have the fund totally sterilized. I heard this on various occasions, that the fund should be sterilized for two and three generations down the road. That would be very bad management given what is happening to our interest rates across the world.

The subsidy on the sale of gasoline is supposed to be funded by a special tax on the production companies according to the Petroleum Taxes Act. All of us, and in particular the private sector which is really our engine of growth, are benefiting from the subsidy on the production of all our goods and services. In other words, the prices of our exports are also being subsidized. The prices of local goods on the local market are also being subsidized because of these gasoline prices.

We heard last week and again this week in the newspapers and especially at a recent Joint Select Committee that the same can be said of electricity. Its price is if not the lowest, it is certainly among the lowest in the region and yet T&TEC cannot make ends meet. T&TEC is in trouble whilst the generating company PowerGen and in particular Trinity Power are certainly making ends meet. T&TEC needs a price increase and we are often told that it is not politically expedient to increase the price of electricity. The price of gas to T&TEC is also subsidized and we have heard today that even with this subsidy T&TEC has not been able to pay its gas bill to National Gas. We also know that other companies which are being subsidized are not able to pay their gas bills to their companies. So we are really going down the road on which I would like to just give a little word of caution.

There is the economic engine of our country which is also subsidized by the low energy prices. We have been told recently that we are going to attract an aluminium smelter, again which would benefit from subsidized natural gas via cheaper electricity.

Madam President, in this Chamber as well, we were told that WASA is not bankrupt because the Government is not bankrupt and that is the absolute truth. WASA is selling water way below the average cost of producing it and our Government is subsidizing this production. So overall, all our economic engines and engines are benefiting from this subsidized water and it is getting worse because we are also being told T&TEC, WASA and TSTT are overstaffed. But where are we going to relocate the redundant staff if they are retrenched? Hopefully those from TSTT would move in to the new cellular companies which would come to operate in Trinidad and Tobago but we know that the energy sector cannot absorb workers since the energy sector is very capital intensive and produces very few jobs. We have URP and CEPEP which are, again, subsidized jobs.

### **3.00 p.m.**

We have a very frightening scenario at the moment. The competitive advantage of our production sector, our economic engine, is actually

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subsidization. That is the executive advantage we have. We have moved our economy from being driven by the factors of sugar, cocoa and coffee to being driven by foreign direct investments that create our wealth, which is being used to subsidize the rest of the country's production processes.

We have jumped the true investment stage of economic development in the rest of the developed world. We have jumped the innovation stage straight into the final and decadent stage in which we compete on our wealth via subsidies. But we know, Madam President, and they know that this wealth is vulnerable as it is based on price volatile products; and they know and we know that that resource is depleting. We have heard that in spite of high prices our production has been declining. It is not for any vindictiveness of the operating companies; it is that we have a declining resource in oil.

The other caution that we have to bear in mind, as with all of the subsidization of our products and services, is that we today, because of the globalization and because of the agreements that we have signed, can be charged with dumping on the rest of the world.

Some people say we have 20 years of reserves left; some other people, and particularly our Government, say that our reserves are demand driven. That means, they say, that when we need them we look for them and we will find them. But British Petroleum does not share this vision. BP has actually written its own paper—*BP: Beyond Petroleum: What will we be doing?* That is something we have to look at as well.

Today the price of petroleum products is high and we are benefiting from the windfall. Today, we have put a substantial sum into the Energy Stabilization Fund and apparently the idea behind it is to create that buffer that would help us to continue to live at the standard to which we have become accustomed, when the prices of petroleum fall.

Madam President, I think that our only hope for economic development—or should I say the return to investment is really to get involved in investment in new strategic industries. To restructure the economy, we have to reinvent the economy and generate productive jobs for our people. We have to invest in the development of our human resources. That is a given and I doubt that simply putting 30 per cent of us through a certification process in tertiary education, teaching God knows what, is sufficient. It may get us re-elected, but I think it will surely not provide us with a well-educated, a well-trained and an innovative labour force that can reinvent this economy of ours.



Madam President, I know that nothing that has been said just now has not already been said in this Chamber. Nothing that I have said is new to any student of development economics. I am sure that the planners of this as well as the planners in past governments are also well aware of the issues of economic development. The question is then: Why are we still in the state we are in?

We see what is happening around us and we have the history of the Asian Tigers. We have had Singapore and, more recently, we have had Ireland grow their GDP up to US \$20,000 per capita. We see Trinidad and Tobago, with all our resources, sitting at US \$8,000 per capita. Madam President, I have to ask why. Why is this happening?

If we examine these so-called miracles of development in Singapore, Taiwan and Ireland, we will see that they all had strategic plans. They all had strong leadership that was able to bring together the diverse sectors of the economy—and by diverse sectors, we are talking about the private sector, the labour sector and the politicians. They were able to come together into a compromise that got the strategic plan implemented.

In Trinidad and Tobago, the Executive, the Opposition, the private sector and labour appear to be in a continuous struggle with one other, which ensures that nothing gets done. The driving force appears to be to respond to public pressure; respond to demonstrations for basic services—roads, housing, flooding, health—and just look at the state of our health sector. We respond to demonstrations just to contain any damage that may cause us not to be re-elected. We are not very serious, in my view, about the development of Trinidad and Tobago.

Madam President, at best I see Vision 2020 will confirm for us what we have to do, but until by astute political management we can get those players together—the Government, the private sector and the Opposition—along a common path and a path of compromise toward economic development, all that we can hope for is that the oil and gas will not run out too soon and that prices will stay up. That is how it looks to me.

Maybe what we really need is to have, now, the crisis that will one day come to us, when the oil and gas is done. Will that bring us together to plan strategically and to compromise for the development of Trinidad and Tobago?

I thank you, Madam President.

**Sen. Dr. Tim Gopeesingh:** Thank you very much, Madam President. I rise to add my contribution and our side's contribution to the debate on this Bill cited as the Finance (Supplementary Appropriation) (No. 3) Bill.

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I will begin by extending congratulations to the hon. Minister in the Ministry of Finance for being wise enough to follow the economic policy of the United National Congress by initiating the Interim Revenue Stabilization Fund, which we started in 2000. They have decided to follow that economic policy in keeping with our initiation process in 2000. You are to be congratulated for seeing the wisdom in such an area.

The second issue that I want to raise is: when you put the \$2 billion in the Interim Revenue Stabilization Fund, what are you going to do with it? Sen. Mary King alluded to the fact that if you want to hold it without any developmental process within it, it will yield no dividend to the country. We on this side would like to recommend, first of all, a name change in the fund. You would know that the country of Norway, and Alberta and Botswana, a small state like Trinidad and Tobago with just 2,000,000 people—there is a Miss Universe in both Botswana and Trinidad and Tobago. Botswana, by use of their diamonds, have moved it, I think more so in Norway, to what is called a Heritage Fund. They have moved it from an Interim Stabilization Fund to a Heritage Fund and this is something that the Government should consider and use as a permanent stock and invest it in assets which will generate a rate of return continuously instead of having it sterile and not generating any further income. It must be converted into an appreciating asset, into permanent stock. It will also generate some degree of liquidity.

Madam President, we must not forget the past in determining the future. In our economic policy making in Trinidad and Tobago, we have to be careful. It is like *déjà vu*. Remember from 1973 to 1980, we experienced two oil shocks to the benefit of Trinidad and Tobago. By 1985 all the stocks and benefits that were accrued during this time were depleted. So whatever benefits in revenue we have accumulated during the two and a half years of your administration and during the last year of our administration, we must ensure they are not frittered away as has occurred during the short period of five years in the boom of 1975 to 1980. We frittered away our benefits and by 1985 the country was bankrupt and we had to go to the International Monetary Fund for structural adjustments.

So we on this side appeal to you to establish a permanent structure similar to what Norway has at the moment. You know that Norway is one of the larger producers of oil in the world. What perhaps they should consider is to set up a technical committee, determine who the managers of this fund would be and possibly introduce some degree of monitoring and evaluation of the progress of how this fund is going to be used within the Ministry of Finance.

They would remember that we gave 67 per cent of the surpluses to the fund and 33 per cent went to the Dollar for Dollar programme. I do not know how they are managing the GATE programme, which is similar to the Dollar for Dollar programme. In those two lines already we see the similarity in terms of our economic policy from 1995 to 2001, and they have kept going two of our economic policies to their credit and to the credit of the ideas that originated from our side of the platform during the period.

When we look at revenues and surpluses generated over the period of time, we have to look at revenues generated all around and it would be nice of the Ministry of Finance, in the budget debate to come, if they would give us a true picture of the revenue generation over their stewardship during the last two and a half to three years.

When we look at revenue generation in the oil and gas sectors, nothing significantly has changed over 32 years in terms of the tax structure between 1972 and 2004. That legislation sincerely needs some overhauling as expeditiously as possible. Imagine legislation almost 32 years ago, 1972, and we are still continuing with these multinational corporations under almost a similar tax structure without an overhaul. So the Minister in the Ministry of Finance, with his colleagues, has an opportunity to work expeditiously on it. My colleague, Sen. Wade Mark, alluded to the fact that: Are we really witnessing a haemorrhaging of our resources by these multinational corporations? It is something that we have to look at very carefully. I will give some information on some of these issues a little further down.

Over the last two and a half years we have generated surpluses which should be there for the future of our people. We are not really benefiting tremendously. When we benefit \$.5 billion from the entire surplus over the last two and a half years, basically we have not really benefited at all. The sum of \$.5 billion for a two and a half year period is not good enough. Something is radically wrong with our tax structure and that needs to be looked at very critically.

Government must disclose our sources of revenue and we hope that this will occur. I heard the Minister mention that he will speak about it in more detail during the budget debate, but we do not want to see any hiding of the revenues. Sen. Mark asked a number of searching questions on the issue of the revenues generated in the oil and gas sectors. When we look at revenues generated, we have to ask about the usual economic aspects which we all understand—that revenues generated are from taxes and royalties, profits of state enterprises, sale of capital assets, domestic borrowing from both the Central Bank, the domestic financial institutions, foreign borrowing and grants and aids.

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We are not in a position to receive grants and aids. We are not a developing country to say that we are below the poverty line to receive grants and aids. We are not making profits from state enterprises. Sen. Mary King spoke about WASA and T&TEC. We are not generating anything from capital assets, so our revenue is coming basically from taxes, royalties and domestic and foreign borrowing. We are not hearing very much about domestic and foreign borrowing and so we need the Government to articulate its policy on borrowing and saving.

I refer you, Madam President, to the IMF surveillance report of 2003. That report indicated that Government had been vague and non-committal on the generation of fiscal surpluses. We on this side are not saying that. The IMF in its 2003 report mentioned that. So one has to be very careful, Mr. Minister. They have to let the population know where their revenues are coming from, what their foreign and local borrowings are, and they must be very urgent in their response to these questions that are being asked nationally. They have not really been prompt or detailed on the reporting of revenues earned.

As far as the legislation for the Interim Revenue Stabilization Fund is concerned, you would remember that in the 2002 budget debate, the Government mentioned that it would take steps to institutionalize the Interim Revenue Stabilization Fund through the passage of appropriate legislation. So far in 2004, nothing has been done; therefore they need to work expeditiously on that matter. They say shortly, but when is the legislation going to come on this issue?

The Minister mentioned in his opening statement that British Petroleum's oil production averaged US \$31.066, but they had 30 per cent less production. We have to ask why this occurred. What is happening with British Petroleum when the resources are there? Why 30 per cent less production during this period of time? Then Petrotrin has eight million barrels over the year and they average the price from Petrotrin at US \$23 per barrel. The population knows that they have based their budget at \$25 per barrel, but in the newspapers on a daily basis, on CNN and everywhere in the world, we see that the price of oil ranges up to US \$49 per barrel. How do they calculate this average of US \$31 by BPTT and US \$23 per barrel by Petrotrin? They have to be forthcoming with more information to the population.

Madam President, you would have heard many times in the past that people were saying that for every \$1 increase in the price of oil, Trinidad and Tobago would be benefiting to the tune of TT \$100 million. If that is so, 25:49, that is \$24, we should be TT \$2.4 billion. I do not know if something is wrong, where the

calculation is and what has happened. This is where the explanation is needed. They can take their time and detail to the population how this has come about.

The Minister also mentioned expenses and investment allowances by these multinational corporations. You know, tax write-offs, so they want to invest— heavy investment and retained earnings on investment they keep in our country so that they would have a tax write-off. They are very manipulative about it, so if they make a big profit on one hand, they show a big loss on the other hand by manipulating or engineering the figures to show that they have had increased exploration. Something is radically wrong and we must grasp that.

They are haemorrhaging the resources of our population, the wealth of our country and our 20 per cent of poverty should not exist because there are enough surpluses coming and these multinational corporations are getting their fair share of what has to be obtained. We must get our fair share as well.

As I am on that point, I think they ought to be very careful of what is happening in the energy sector. For a long time they have been using this business of not needing a 30-day work permit to come. There are many multinational corporations in this country which utilize that facility to their benefit and to the detriment of the capacity of our human resource capabilities in this country.

There are a number of companies: Arcadian Trinidad, Caribbean Methanol, Farmland MissChem, Hydro Agri, Hydro Alumina, Phoenix Gas, Titan Methanol, Caribbean Ispat, Cliff Reduce Tyre and Management Company, Nucor Iron Carbide, Atlantic LNG, Shell Caribbean, et cetera. This is just the tip of the iceberg.

Madam President, do you realize that if we allow all these companies to have people come in without a work permit for 30 days and as soon as they are finished another group of persons come in for another 30 days and after three or four sets come they rotate them, our people with engineering skills—chemical and mechanic engineering skills, information technology skills—will not find jobs in these industries?

As I am on that point, let me make a point now—I was planning to make it later on. We talk about foreign direct investment to Trinidad and Tobago between 1991 and 1999. Sen. The Hon. Christine Sahadeo who did the MBA programme would have done this as part of her studies. I think she did it in 1995/1996. Recently I did a research paper on this and it showed we received almost US \$2.4 billion FDI between 1991 and 1999. That is a nine-year period, I believe. That is approximately TT \$16 billion. Do you know how many jobs we created in these

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companies during that time? We created 1,060 permanent jobs with a foreign direct investment of US \$2.4 billion. So, we are encouraging multinational corporations to come here, utilize our oil and gas resources and how many permanent jobs are we creating? We created 1,060 permanent jobs during this nine-year period, with a foreign direct investment of US \$2.4 billion, so it cost almost \$16 million per job in the energy sector. We need to analyze that.

Madam President and hon. Minister, this country has an opportunity to transform itself from the wealth we are accumulating into an economy that is self-sustaining and we need to see a transformation of the economy. The response on the other side will be that we must view the Vision 2020 paper that they are bringing.

As far as I see, within the Vision 2020 paper, there are no strategies to show how they are going to transform the economy. There are a number of economists speaking about transformation of the economy by the tourism sector and making Trinidad and Tobago the financial hub. This is farfetched at the moment. So their strategy is absent and they must show an expenditure policy in their 2020 vision and in their strategies. In the absence of any strategy and expenditure policy, Vision 2020 is a useless document to the nation. The patterns of expenditure are extremely critical when we look at economic policies in any nation state.

I am proffering to you that you will not pass the test of productive expenditure in expanding the economic base in Trinidad and Tobago. They have failed the test of a productive expenditure. What we are seeing on a daily basis is that your expenditure is aimed at satisfying clients of the state. It is inappropriate when you think about economic performance and development for your state. They cannot ignore the future of the country by only attempting short-gap measures and thinking that they have to satisfy the clients of the State to suit their own gains.

We are now putting money into old systems again. At one time the state enterprises were haemorrhaging this country. Billions of dollars were moving to subsidize the state enterprises. It is déjà vu. We are seeing it. WASA has \$3 billion. T&TEC is experiencing losses; \$700 million to NP to subsidize the petrol that we use on the roads. BWIA is being subsidized as well. Is it inefficiency? The Senator responsible for state enterprises needs to take cognizance of this issue. She is mandated to look at state enterprises. If we continue to see haemorrhaging of state enterprises and the state enterprises utilizing our wealth and capital stock to subsidize inefficiencies, gross wrong expenditure and mismanagement has to stop.

We see audited statements from 1998 coming into Parliament in 2004. I hope they will take cognizance of the fact that something is radically wrong with that. We cannot, at joint select committees, be looking at the Auditor General's statements from six years ago. If we are taking an active interest in these state enterprises on a regular basis, we will see their weaknesses, their inefficiencies and deficiencies and we must take steps to correct them.

Then we have to look at the distribution of these revenues generated and their surpluses in the context of equity. The wider economic framework must include the goals of equity and social security for all. What is happening is that Government is trying to protect the social security interest of one group of the population over another interest group. Something is wrong. There must be social equity. Your aim must be, Mr. Minister, to pass the fitness test for that credibility and that credibility is lacking.

The Government is using the revenues generated and the surpluses to satisfy contemporary needs, political needs and clients' needs, but we have to think about inter-generational issues in the transfer of the economy. We all know that by 2020—I am not talking about the 2020 vision—50 per cent of this world's population will be under 25 years of age. How are we providing for the youths? We have 14,000 students at the University of the West Indies, some with first degrees, some with second degrees going on to their Ph.D and when you look at them on the job market, you cry internally to know that students with two degrees cannot get a job and you wonder what is happening in Trinidad and Tobago. Are we taking care of our inter-generational issues?

Then we have to look at the elderly population. Life expectancy has increased—people are living longer. As we live longer, we need better pensions. I will touch on that point shortly. We must pursue an assessment and evaluation of our economic policies, Mr. Minister, and we sincerely hope that in your budget presentation you would look at some of these critical factors in your analysis and evaluation of how you are going to take the country forward.

What Government says now and what it does, leaves a big gap—a non-credible gap. What you are doing now is being done in a secret manner. It must be more open to the public. Where you are extremely weak as a government is your area of implementation. We see lack of implementation in the health sector. No offence to the Minister of Education, but there is lack of implementation in the education sector, and in the national security as well. They have fallen in a number of areas.

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Credibility in terms of economic policies—what they say and what they do leaves a non-credible gap. The secretive manner in which they discuss their economic policies and how they bring their economic policies together for the country are the areas of inability to implement whatsoever. Their key shortcomings are being not equitable pursuing different parts.

When we analyze the economic structure, it has not really changed over the period of time. If we were to analyze, as Sen. Mary King mentioned, the GDP and the GDP per capita—I understand that the hon. Prime Minister said recently that the GDP was increasing, but on what basis was the increase in GDP calculated? We have to analyze that. He was trying to make the point, I believe, that the debt-to-GDP ratio was falling. If the GDP is rising and your debt is remaining steady, your debt-to-GDP ratio will fall and that will show that your country's economic growth is good. However, something is wrong with the calculation of your GDP.

The real facts as far as debt is concerned is that last year the debt was \$38 billion and with increased Government spending this year, it increased to \$42 billion, therefore I would like to recommend that they have a debt monitoring unit in the Ministry of Finance. That must be established. We must as a nation force the Minister of Finance to give us an update of the total Government debt, whether national debt, foreign borrowing debt or contingent liabilities. So it is the obligation of the Government to state what the contingent liabilities are—they must be called upon to say what that obligation is in a number of corporations—Letters of Comfort, borrowing on the sly; a number of corporations are guilty of that. We have to know the true economic state in terms of our debt-to-government revenue ratio.

If we look at debt servicing and Government revenue, and your debt servicing to Government revenue is rising, which we believe is happening regardless of the debt-to-GDP ratio falling, then we are on the wrong road. If our debt-to-Government revenues are rising, we are on the wrong road, so careful appraisal of our debt situation has to be made. Do not let us go back to mid-1985 when the NAR government was in place and they had to go back for structural adjustment and for debt servicing. We are having the surpluses now. Please do not carry this country back into the 1980s.

Within the last 20 years, 80 per cent of Government revenues had been already pre-allocated. In other words, destined. Something is fundamentally wrong with that. The cost of running government has increased and there is little or no discretion in developmental issues and spending money for development



purposes. So if 80 per cent of that review is already pre-allocated, you have no discretionary spending ability.

In January 2002, our wage bill was \$4.8 billion. Since then we have had increase of salaries to teachers, policemen and other people on the line. It would be approximately \$6 billion in the wage bill this year. This happened in 1980 to 1981. Salaries were increased. Are we seeing a repeat performance of that 23 years later? Sure, there is nothing wrong with increasing salaries, but salaries must be increased in line with productivity and we are not seeing that, Madam President. Once you have given increased salaries to one group of people in the country, you must treat all fairly and the wages must be equal across the board. So Government is constrained in the future—and constrained in a number of areas. Our government pension bill has been rising. This is a contractual obligation; they cannot cut that cost. The number has been growing and that bill is growing rapidly. We know that life expectancy has increased. For men in Trinidad and Tobago, it is 72 years and for women it is 75 years of age. In developed countries, for men it is 79 and for women it is 82 years of age. Of course, we have a long way to go.

That increase in life expectancy is posing a number of problems for our country and, therefore, we have to take cognizance of the growing number of people needing some degree of pension, particularly the public servants, who may have a higher life expectancy which is higher than the national average. So the bill is growing. The old age pension and public assistance bill would probably reach close to \$3 billion, so wages and salaries and pensions would come close to \$9 billion. Last year, transfer to state corporations was \$2 billion. It is in the order of \$2.5 billion now. So transfer to state corporations has also increased.

We are looking for horizontal equity and economic policies to treat all circumstances equitably. Caroni (1975) Limited, they said, was a drain on the Treasury. Our solution to Caroni (1975) Limited would have a ten-year plan to give a soft landing to Caroni (1975) Limited, but you have given them a crash landing and you have deprived a significant part of the population—almost 100,000 are involved—as a result of that, then you say that you give VSEP. Some of the VSEP range from as low as \$10,000 to \$500,000. Even with \$500,000 of VSEP, in today's world that would be used up within two years. In effect, they have created poverty among almost 100,000 persons there.

So, we have WASA, which is a \$3 billion drain; T&TEC, which has a drain on it; there is a drain on BWIA; there is NP that is operating and not making a profit; you closed Caroni (1975) Limited; you fired 40,000 persons and then you talked

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about equity and training. But training for what? I think the Minister in the Ministry of Finance will have to explain that. They talk about training, but they are training people to do nothing. There are no jobs to be obtained.

Transfer to WASA is in excess of the transfer to Caroni (1975) Limited. Why are we not closing WASA? Why are we not reducing the subsistence to WASA?

There is, Mr. Minister, the Government's failure to adhere to horizontal equity. I am sure you will agree with me on that. Something is radically wrong. I am not telling you in raw language; I am telling you in a different language. I am sure that Senators opposite understand. If WASA is losing money because of inefficiency, something has to be done about it. It is wrong. I do not know whether I can comment. I saw on television last night where the CEO was put under scrutiny and he showed quite clearly that there was mass inefficiency and non-performance at WASA. Madam Minister, it is for you to make sure that these state enterprises run with some degree of efficiency and effectiveness and we do not continue to pour money into them, or we will have to do something about them.

Sen. Wade Mark mentioned the Public Sector Investment Programme (PSIP). We might have been in the same boat as well. We are unable to utilize the money allocated under the PSIP to any maximum extent. We need to improve that because if development is going to take place, it must take place there. That is where the money has to be spent to generate more revenues when those bases are expanded.

We have rigidity in the system from which we cannot break away. We will give them some solutions. I would like to refer the hon. Minister to our *Macro Economic Policy Framework*—I am sorry I do not have it here—up to 2004. It is still relevant. We can give that to them to look at. What they see as being beneficial to the nation they should take out of it.

When we look at the situation, Madam President, we have increased revenues but we also have increased expenditure and decreased savings as a result. What builds a nation economically is savings. So when revenues fall later on and expenditure continues to increase, we are back to 1987 and we go back to fiscal restructuring and adjustment policies. IMF and World Bank are being looked at in this globalization area very critically. Developing countries have shown that the IMF and the World Bank have failed them because of the structural adjustment policies that were inimical to the growth of these nation states. Our government

policy at the moment is still susceptible to shocks. There could be shocks in the reduction of the prices of oil and gas, methanol and urea, as we saw in the 1990s. There may even be shocks in volume as the Minister alluded to. There is a decrease in the production of oil by BPTT—a 30 per cent reduction. If this occurs, what will happen to Trinidad and Tobago when there are these decreases in prices of oil and gas and decreases in volume?

I think I should mention briefly the issue of income distribution. The bottom 20 per cent of our population earns no more than 5 per cent of the national economic fortune. So we need to look at the whole question of redistribution and growth and the redistribution will have to be based on a philosophy, and the philosophy they employ at the moment does not suit the national picture. It suits one half of the population, not the entire population.

**3.45 p.m.**

The Government has to look at its redistribution and philosophical approach if it is seriously interested in national and economic governance and the future development of our nation state. If its redistribution policy is good, we will reduce our poverty. It is inconsistent at the moment and causing national instability. In the ceremonial opening of the Parliament, the President said that he does not want us to talk about discrimination. I would avoid that. I would speak about inconsistency in national distribution.

Here is an example. We are using \$800 million to create entrepreneurs in CEPEP. There are 200 contractors getting \$1 million—\$2 million over a period of time. We created 200 entrepreneurs with \$800 million from CEPEP. At the end of it all, we have nothing to show.

With respect to the housing programme of the Government, there is inconsistency in the redistribution of housing. My brother, Sen. Sadiq Baksh would speak about that in more detail than I could ever dream to speak about. We need the whole question of developmental and economic transformation to look at national transformation. This is where we need to go. An economic change is needed in the budget for 2004. When we read the *IMF Report*, we would see that it focused on non-energy fiscal deficits. There are many deficits in the non-energy sector. This is where we are extremely weak and vulnerable and this should be propped.

Government is still not collecting taxes properly. Let us look at VAT, which was introduced in 1997/1998. The structure of VAT has lost its creditability now. There are exemptions upon exemptions; for the benefit of the poor people. That is

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understandable and worthwhile. But the base of the VAT is being reduced. VAT to GDP has been staying at 4 per cent over the last 17 years. The base of VAT to GDP is approximately 4 per cent. This year it is 3½ per cent. It means that we were collecting less money from the VAT because of inefficiency in the collection. If we are to make that system efficient, we might be able to reduce the VAT to the population from 15 per cent to 10 per cent, where the poor would benefit from it as well. The Government's efficiency in its financial administration of its VAT area needs to be strengthened and, therefore the population could benefit even though it may receive more money later on. VAT is flat. When I leave here today—the VAT is flat at the moment, therefore, the Government needs a VAT overhaul. The oil tax regime needs an overhaul; 1972—2006. We are losing on VAT. The Prime Minister said that the GDP has increased but we have not seen any figures to suggest that.

I would like to come to one other area to speak about pension reform. This is a book written in 2004 called *The Fiscal Experience in the Caribbean Emerging Issues and Problems*. This is a chapter written by Penelope Forde. I do not know if she is still there. She is a manager of the research department of the Central Bank of Trinidad and Tobago. The views expressed are only those of the author and not necessarily those of the Central Bank. She is writing in an academic setting. She said that the paper has focused on a number of broad themes in respect of current fiscal problems facing Trinidad and Tobago. The analysis suggests that the most critical challenges are in the area of pension reform and fiscal decentralization. I alluded to the fact that we have an increasing aging population. We need to pay much attention to pensioners. We would all fall into that. Some of us are close to that already. The major nine or 10 OECD countries are grappling with the whole issue of pension reform. They believe that it would take 20 years before they see the benefit of any type of pension reform. Madam President, I would like to advise the Ministers in the Ministry of Finance that they need to take a serious look at this whole issue of pension reform. We have almost \$8 billion—\$10 billion sitting in NIB. We are not seeing some productivity and liquidity generation to assist in ensuring that every pensioner's pension is increased. Those who have worked hard all their lives must be able to get better pensions as the commodity prices increase. It must be weighed, based on what is happening in the economy and not on a flat pension. Five years from now, when inflation has gone up by 20 per cent they would still be receiving the same pension.

I would like to close by advising the Minister to be more open on the whole question of revenue that they are deriving. The Government must be more open on the debt that we have in Trinidad and Tobago. It must be open about its

economic policies and so many other issues which I have touched on. I know its paper is focusing on two areas. We know that tourism brings the jobs. We are not seeing enough being done in the area to increase the generation of jobs within the tourism sector.

Madam President, agriculture has remained flat.

**Madam President:** Are you winding up?

**Sen. Dr. T. Gopeesingh:** Yes, I am winding up. Agriculture is 4 per cent of the GDP. Agriculture has not moved within the last 20 or 30 years. There is an opportunity for the creation of jobs. We know that the aggregate demand for the price of food is increasing. We have almost 700 million people who have come into the market in China. The aggregate demand for food has increased. The prices will increase. Therefore, we would be put into a vicious cycle. At the end, we must look at the services sector. This is where we need to look to see how much employment we can create.

With respect to our services sector, we must be higher; out sourcing markets, as India did when Nehru did it with the formulation of the information technology structure in the 1950s and 1960s. India now leads the world in software and pharmaceuticals. Approximately 5,000 pharmaceutical companies are in India. They lead the world in MBA graduates who are making programmes for the rest of the world.

**Madam President:** Senator, your time has expired and I do not think—

**Sen. Dr. T. Gopeesingh:** One minute.

**Madam President:** Are you sure?

**Sen. Dr. T. Gopeesingh:** Yes. In closing, we would like to applaud the Government for taking the initiative to follow our regime in putting the money into the Revenue Stabilization Fund. They need to do a lot more than that at the moment. He has heard the message that I have given along the way. Thank you very much, Madam President.

**Sen. Brother Noble S. A. Khan:** Madam President, I think this is the first Supplementary Appropriation Bill before us almost on the close of the year. Indeed, it gives an opportunity to share some thoughts. The structure of the Bill follows a system that has been with us since pre-Independence. Perhaps, that might give us an indication of the basic rigidity in which we find ourselves, as far as financial propriety is concerned, especially when we think in terms that the budget is the chief vehicle through which a country is run and benefits are derived for its people.

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For some time now, I have been grappling with the idea of what type of political, economic model we have and had over a period of time. If we were to look within the budget structure to see what type it is, again, I am pretty perplexed. The concept of free enterprise will emerge; it is not. The concept of Fabian socialism may emerge; it is not, and whatever we may think of. I think the rigidity to which we are still subjected has me thinking that we are still colonial and, importantly, still—if we are to go forward—behind time.

What has come out of this Bill is the question of foreign investments and the fruits of that investment from which we share and have found expression here. Much has been said before. In my own little way, I would like to see it—perhaps it may have been already made—within the structure of what we get from those major inputs such as oil and gas. If we were to say that the price is US \$31 or US \$47 how would we share that among producers, beneficiaries and, importantly, Government, through the tax system and also the haemorrhages that may exist because of payback, deductions and what takes place when it comes to the sharing of this barrel of oil? I strongly suspect that a model, analogue or digital, would show that because of the extent to which the forces from outside are able to manipulate us, even if the price rises—we have heard that the tax regime has been static over 30 years—you would expect a vertical movement upwards. By the machinations of the companies and the internal structures that we may have, that increase would definitely be affected by what they are able to pull back. If we were to look at this, we would find that the manipulators may come up with an idea that we would keep it at a certain percentage where some may say that is the zone of acceptance with which we would be able to keep them before they make any thrust forward. That could have elements of destabilization. I think if this model were to be created—I do not think it is not beyond the computer system—we could possibly have a look in this area.

There is the question of the \$90 million towards land in Tobago. They spoke about the question of housing. It is an old estate. I think, possibly at one end, when Tobago was a net exporter of food to our country. The reverse now exists. How much of that land could be used for agriculture? One of our Ministers made a sterling plea that we should use more cassava. I think there are many good points in using cassava. I think it is a complex carbohydrate and we should use more of that. Cassava is one area which, I think, binds us culturally. I mentioned that to our Minister. One of the things that hold us as a people prior to Columbus' coming is cassava (cassavré), as our indigenous people called it. This is an important aspect. It is an indirect plea again, for the use of land for productive agriculture.

We have heard the question of rice. In our own family history my mother said her mother, when she went to her father's home, could not have used flour. They were from an area that used a lot of rice. When she went to her father-in-law's home, she learned to use flour. They used provisions and rice, as the case may be. There is the question of coming back to indigenous products. I know of maize. There are many foods which we have here that are good for us. They are not only good for us from a physical point, but also from an economic point. Although, I think when the Minister mentioned the question of cassava he came in for plenty knocks. I did not see it against the background of Marie Antoinette. I would like to pass these expressions as far as Tobago and the acquisition of land is concerned.

I do recall there is a basic philosophy at the beginning of the last Century. The whole concept of land formed a very important element of economic thinking at the time. I do not know if we are going back to that. There is also a very close connection with people and land. When we started to move away from the land, we definitely started to form a *felo de se* of ourselves as a people. It is important to keep that connection with land; more so, not only for house building but for the utilization of other areas, particularly food production.

The other aspect I would like to turn to is the question of—we have heard it said—60 per cent of the surplus which—as far as the Revenue Stabilization Fund was concerned—was hived off into that fund. A question that would arise is what happened to the 40 per cent. I think that our Minister for whom we have high respect—I have a high respect for him and the majority of Senators have a high respect for him, if not all—the question of openness and transparency is very important. I know, to some extent he has mentioned it in the past, even the system we have is one that is so rigid and has held the country and the Ministry of Finance within a bind. How will we break out of that? You are in the driver's seat. That is part of your challenge. I listened to our colleague, the last speaker. He presented quite a number of suggestions which you should consider.

The question of the inflows as they affect the element of subsidies—

**Sen. Enill:** Thank you. Before you move on, the question you asked: "What happens to the 40 per cent?" The fund was set up originally on a particular concept. The fund said that for excess revenue 60 per cent would go in a particular fund and the differential would go towards other programmes. What we have done this year is that we have taken 100 per cent of it and put it into the Revenue Stabilization Fund. We have looked at last year's revenues and said: for last year, let us calculate what the 60 per cent should have been and transferred it

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into the Revenue Stabilization Fund. For this year, we have transferred that and we have put 100 per cent; not the 60 per cent that we basically have been talking about, but 100 per cent of the excess, as we understand that number now. There is no issue of difference.

**Sen. Bro. N. S. A. Khan:** One could understand that. You have met your target and you have gone over it. You have moved the whole across.

The next question that will arise from that—some allusion was made by the last speaker—is the use of the Revenue Stabilization Fund. My memory goes back to when the long term funds were created and the concept and planning process at that time. Again, I think in terms of Vision 2020 as something that we could look forward to. I am wondering if at this time we have capsized Vision 2020 before it has started. What took place at that time in the 1970s and 1980s was that these surpluses went about just how we did it with this supplementary fund and set up a mechanism to move it out. Moneys were placed in approximately 40 of these funds. They went there and from there the spending took place.

The mechanism for spending was one that much could be thought of in terms of what propriety of spending should have taken place. Nevertheless, when the flow dried up, all that was done was that it was shifted and it went into the system. As you have heard, in a matter of three or four years, the whole thing was vitiated. I think these are important aspects that we should learn from. We use the term “stabilization fund”. The point has been made—and I mentioned it before and I am making a special appeal again—that I support the last speaker who mentioned those examples of moneys put aside and the question of equity, particularly intergenerational equity. As a people, we have a commitment—the resources of the land that exist now, the land we are over—and the forthcoming generations have a claim on it. We must recognize that. The last movement did not recognize that. To some extent some capital may have gone. The idea of capital investment is that future generations would benefit from it. If we allow this opportunity to slip us by not putting in place proper systems, I think we will be going down the road to which I have alluded before, which is not what I think we should follow.

One of the techniques I have suggested is when the money goes into these funds; whatever fund, there must be some form of checks and balances indicting for what purposes you can draw out the funds. Obviously, the question of funding should be invested—we would have to see if it is properly invested.



I would not like to make reference to Tobago again but one recalls the experience that took place with respect to some sort of funding that was attempted. That definitely is not the way to go. There has to be some form of control in the investments that you would be making. We know what has taken place on the international scene with respect to the big multinational companies, particularly people who had put their funds into that. Sufficient notice of how we should go about that is well served.

One of the suggestions mentioned is a mechanism of bringing it back out. When it comes back here, would there be the need for a percentage of the Senate to vote on it? Would it be that there would have to be a referendum to access money out of these funds to bring it back into the system? It may appear to be binding. It may appear to bring about rigidity. Of course, we know that all decision-makers—especially against the background of flexibility—would always like to have a free movement. To me, that is the challenge of accountability. But you cannot have it both ways if we are to think in terms of that.

To summarize that, where we have a “surplus” we must make sure that we invest in a way that others would benefit. The example I have mentioned is the last flow we had which we did not manage correctly, hence, within a short period of time, those funds were vitiated or did not go very far. Perhaps, that is one of the reasons. When you sow the whirlwind, what will you reap? We are meeting that now, particularly from our young people. These are things which—if we do not do right—particularly things which touch those who are innocent—come back to haunt you in different ways. I am speaking particularly about our young people. If we do not provide for them and do the things in which they can have a claim or right, they would rebel. Perhaps those who made the mistakes before are no longer here with us, by the fusion of time. We who are here should definitely pay particular attention to these elements. If we have some funding coming in, we should definitely make sure that there is provision for those who are with us at a young age and those who are to come. This is the most important aspect that we are about.

With respect to the question of the accounting system, I think we have touched on that. To some extent, there is need for some form of measurement and accountability, but more so the question of management towards the specific goals we may have identified.

I mentioned earlier that this is not clear in our thinkers’ minds. When you look at what is before us and when you see the operations that are emerging, that is

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evidence with respect to the question of what we are about, and there is much which we can address ourselves.

The political will—I am not speaking about who is in and who is out—must meet these challenges. For example, within our budget, if you were to look at a simple model and see the ratios within the recurrent expenditure and the different structures we have, you may find that it is not skewed for production. A high amount goes into wages and salaries. It is not that people do not need high wages, especially when a great percentage is below. When you look at the wages that are being paid in respect of the goods and services, that ratio is highly negative to any form of building. Perhaps, we could possibly look at that.

There is the question of borrowing. I know we must borrow. Let me deviate a little on the question of our state enterprises. In my own simple mind, when the point was made with respect to NP and Petrotrin, there was the question of some of our state enterprises. I know they have been used as vehicles so that “poorer” people at the lower end could benefit. One wonders, even if you were to look into the utility companies, who really benefits? The big producers are the ones who use most of the electricity and water. Are they not the ones who benefit and draw from us? This should definitely not be so. This is an important aspect. The indebtedness that they claim to have very often capitalizes and appears as debts in the companies because of moneys that came from the Treasury already. They appear in the books because of the cash flow system that we operate. One would think if you were to wipe off that—should we give them money to wipe off that in order to build a capital base with which they could really do something and build further? Should we keep this at the central level so that there is an element of power? We do not trust ourselves. Have we not reached that point of really understanding what decentralization is about? These are some of the questions that emerged because of what we have before us. This could be applied to any of the estate enterprises.

I recall if you really want to wipe out any industry put it in the hands of the Government. I am not speaking of an advanced, free enterprise economy; this is from a practical example of what we are seeing. If we were to check back, who is making the steel mill pay now and at whose expense? These are important questions. National Fisheries has brought persons from Korea to make it pay. These are some of the things that occupy my mind. Do we not have the skills? What do we have? Is it that the whole system we have in place implies, to put it locally, “Keep he dey, keep he dey, doh leh he get away”? These are the sorts of

systems that we put in place. If we do not address this, we will find ourselves going. Already, as I have said before, the system we have in place is Ordinance 20 of 1959, which was the basis of the whole structure. It has not changed much.

If we are to think in terms of moving forward, we would be in a lot of trouble with what we have. We have been getting more young people into studying and expanding these horizons, as far as knowledge is concerned. Again, I would like to pay public tribute to the Minister of Education in the thrust that she is making in this area. We know education is a long term investment. What some of us may know—with respect to what is taking place in the Ministry of Education—is that it would yield results in time to come. Notwithstanding that, those who are in the chair today are the ones who have to address these questions.

I think I have reached the end of what I would like to contribute towards this debate. In summary, we have to look at the financial systems we are operating and the much touted way of transparency. We know they are just figments of the imagination. There is the question of how we share these inflows that come to us against the example we used. The barrel is an important yardstick. There is the question of the inefficiencies that are all over the place. How will we address them? Most importantly, the inflows that we are having now should cater for our young ones and those who are to come. If we do that, the next time around it may not be as rough as it is now. Thank you, Madam President.

**Sen. Carolyn Seepersad-Bachan:** Madam President, let me first of all say a hearty welcome back to all of us after our recess. Like my colleague, Sen. Mark, I would like to congratulate Sen. The Hon. Dr. Lenny Saith in his position as acting Prime Minister. I do not want to be too long this afternoon. I rise to make a brief contribution on this particular Bill. When I listened to the Minister of Finance this afternoon I spent a lot of time on the calculator, trying to work some of these figures. Minister, you referred many times to what we call the alarmists in the country. We do need to be alarmed when we consider what is happening.

I want to take a quick look at the Revenue Stabilization Fund. I summarized the figures which the Minister presented this afternoon. In 2001, \$600 million was placed in this fund. In 2002, there was no contribution to the fund. In 2003, \$497.4 million was deposited in the fund. The total, as at the end of that period, for fiscal 2003, was \$1,097,000,000. The fund stood at approximately \$1.5 billion. I expect that was because of interest earning proceeds that went to the fund. In 2003, what the Minister is saying is, if we take what was deposited last year and what is being deposited this year, with respect to the surplus of revenue, due to oil production for 2003, that amount is \$973 million. If we break it up, it is

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\$497 million, which was already placed in the fund, as at September last year and a further \$476 million being placed this year; based on recalculations and probably more accurate data coming to the Ministry of Finance. Minister, I must add that I find—unless it is because of the timing of this piece of legislation coming before the Parliament, almost one year later, to be now determining accurate figures for your production and surpluses is rather—we need to have some concern about that. We cannot be taking 12 months to determine what our actual production figures and what our actual—[*Interruption*]

**Sen. Enill:** Again, what has come to us now is not the “determination of”. What we are dealing with now is the “transfer of”, based on the information. The information would have been available at the close of the financial year. It is the transfer of that differential that we are taking into account.

**Sen. C. Seepersad-Bachan:** Okay. All right.

**Sen. Enill:** Not the fact that we have the information. The information was available before.

**Sen. C. Seepersad-Bachan:** That is the point I want to make very clear. At least the Government was very aware that it had \$973 million which represents your surplus, which is 60 per cent of the total surplus. Once that is made clear—I would hate to think that at this time you are now finding out that situation. Point taken. The \$973 million represented 60 per cent. If we look at 100 per cent of the surplus, that would be \$1.622 billion. Okay? In fact, for fiscal 2003, the surplus—based on a budgeted oil price of US \$25 for 2003, because of the surplus—we realized \$1.622 billion.

Let us look at what has happened for 2004. I know we are still in the process of revising and collecting data. The total contradiction to date, for 2004 is—let me go back. Your original estimate was approximately \$4.963 billion. Your latest revised estimate is \$5.406 billion—I am just taking the figures as the Minister presented them—which is presenting a surplus of \$443 million. Sixty per cent of that is \$266 million. For the time being, let us ignore all the other contributions that you are making, which are coming from other revenues, whether it is oil impost or withholding taxes. In fact, what you have realized is a surplus of \$443 million for 2004. We expect this figure would increase. That \$266 million is special petroleum tax, profit tax and PSC. I am not sure within that PSC if gas is also included. [*Interruption*] Okay. So gas is also included, which makes the situation slightly worse. Just for the record, the Minister indicated that we are adding another \$343 million due to royalties, et cetera.

My first question is, if we looked at what happened last year and we looked at a price of US \$25 per barrel, which was the budgeted figure and when you looked at your average price, you said it was US \$28, US \$3 excess; the surplus was \$1.622 billion. I want to use this figure of US \$31.06. I know the Minister would tell me that is not the average throughout, but because I am looking at what happened through the year and I am gauging it based on the international pricing, we could not be far away. Everybody else has been using figures way above US \$31. Let me use US \$31.06. If we use US \$31.06, then your excess over the US \$25 would be US \$6.06. That is almost twice the amount of last year. Instead, you realized \$443 million only in revenue, although you realized twice the amount in surplus, compared to last year's \$1.6 billion.

Again, I tried to do some quick figures but I was not finished. I did this when you mentioned BPTT and the drop in production. I was coming up with a figure of probably close to US \$27. If I redo the calculation it might be slightly higher. Let us assume it is US \$27. If it is US \$27.51, we should be realizing \$1.6 billion in surplus. The reason I am making this point—I know the Minister is saying that there are factors. I am assuming that the production level remains the same and you have not had any capital allowances more than last year. I am trying to do a year-to-year comparison—*[Interruption]* Wait, I would come back to it. Let us assume that all the factors—

**Sen. Enill:** OPEC has changed—

**Madam President:** Mr. Minister, you would reply at the end.

**Sen. C. Seepersad-Bachan:** Let us assume all the factors remain constant, we should have recognized even \$900 million in surplus. Let us look at what could cause the shortfall from either \$1.6 billion or \$900 million to the \$473 million. That is my concern. I tried to analyze it in that sense by taking one factor at a time. When we look at the factors—if I say it is production only, you are talking about a drop in production of 27 per cent. This cannot be! No, Mr. Minister, it cannot be! You cannot have such a wide drop in production. If you say it is capital allowances, that cannot happen. How many exploration activities are you involved in which give you so much capital allowance? If this is the case, what are we doing about it? What is the Government doing about it? If we were able to allow capital allowances to be equivalent to almost a drop in production by more than 70 per cent, then something is wrong. There must be alarm bells. By now somebody must have gotten up and said: "Listen, let us change this." If it is not the capital allowances and it is the production that caused the problem, what are we doing about the production? Why is production on the decline?

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Senator, the reason I am saying this is because for years now we have heard the fiscal regime is coming. When the UNC left office in 2001, there was draft legislation ready to come to this Parliament. Nothing has happened. It was because of recognition of this very same fact that the existing tax regime favours the offshore production, compared to the land production. One type of production requires a huge capital outlay with very low operating costs that proceed afterwards. In the other case, there are high operating costs and less capital outlay. The regime caters more to one type of producer. As a result of that, we continue to see our land production decline every day down to the point that it is non-existent. When it is non-existent with the local entrepreneur—the point that my senatorial colleague just made—the service sector cannot boom and the local entrepreneur cannot participate once land production falls to that level.

I heard the Minister. I know he said we are bringing the new legislation. He would have more to say about it in the budget debate. When I came to this Parliament in 2002, I heard it in the budget speech. It was going to be done during that year and it did not happen. In last year's budget speech we heard the same thing—yes it is coming for that budget. That budget came and went and nothing happened. It should have been implemented on January 01, 2004. It never happened. We are back to the same point. If the Minister says today that we are going to bring this legislation come the next budget speech, what confidence do we have? People out there have continued to wait with money and investment for this piece of legislation. [*Desk thumping*] The Government cannot continue to procrastinate. You are seeing the results right here and now. Something has to be done. This is the only source of revenue for this country; the sole source that would be used to continue the development of this country. This is my concern. This is why I had to make this point. I agree and understand and I know how it works. I know how the producing companies can take advantage as any other businessman, in terms of making claims on their capital allowances, but as a government you have to be proactive and win the game too. It cannot be won by one side all the time. That is my point.

Madam President, the other issue I want to raise, with respect to the Revenue Stabilization Fund is—one other thing I want—[*Interruption*]

**Madam President:** I wonder—maybe before you continue, we should take the tea break and when we come back you continue, or would you just be one minute?

**Sen. C. Seepersad-Bachan:** No.

**Madam President:** We will now take the tea break until 5.10 p.m.

**4.30 p.m.:** *Sitting suspended.*

**5.10 p.m.:** *Sitting resumed.*

**Sen. C. Seepersad-Bachan:** Madam President, the Minister indicated that there was an additional sum of \$343 million, and all the other revenues from the oil producing companies are included in this sum. He also said that it included stock like the excise duty, the oil impost withholding taxes and so forth. I thought there was specific legislation dealing with the oil impose withholding taxes. I am not sure if we could just take the revenues from the oil impost withholding tax and put it towards the Revenue Stabilization Fund.

**Sen. Enill:** Again, you would recall that I said we took an amount equivalent to that sum. That is how the number was arrived at. But as you have correctly pointed out, it is legislation that governs how the unemployment levy taxes and oil impost withholding taxes and other taxes could be used under the law. I just use the differential for calculation purposes. That particular revenue has to go into specific funds under the legislation.

**Sen. C. Seepersad-Bachan:** If this sum is going specifically into the Oil Impost Fund, in accordance with the legislation, then you are drawing this equivalent amount from some other source. This is my concern. What mechanisms are being put in place to use this equivalent amount to determine it and so forth? Probably, you could just enlighten us on this matter. You see, in years to come it would be the Oil Impost Fund; it would be the Unemployment Levy Fund and so forth, because of what is happening there.

One of the matters that I was discussing over the tea break is that we dealt with one fiscal year, and now we are dealing with three-quarters of the year, because the end of the year for the production companies would not be until December. So, we are dealing with three-quarters of the year. I adjusted the figures to 75 per cent of the sum. I am seeing that we should have been realizing a revenue surplus of \$1.4 billion. If I use the sum of \$31.06 or \$27, that figure would be close to \$729 million. The range is still there when compared to \$443 million which resulted in the \$266 million that is going into the Revenue Stabilization Fund as the surplus.

Madam President, this other issue was raised by a prior speaker. I looked at some of my notes from last year when the Minister of Finance presented the Bill to put the first deposit into this fund—the amount of the \$400-odd million. This

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sum was placed in the fund last year September. The Minister mentioned that the Cabinet Note read that 60 per cent of the surplus goes to the Revenue Stabilization Fund and 20 per cent goes to the Dollar for Dollar programme. That is what I find amazing.

We have heard many comments with respect to the use of this fund. It is not just a matter of putting money into the fund and sterilizing it, et cetera, but what is the value of these funds. This is how the UNC's administration looked at it in terms of using this surplus to further the country, and that is by taking that 20 per cent and putting it into the Dollar for Dollar programme.

From what I have seen in the last Public Accounts Report, which came from the Auditor General's Department—if you look in that report you would see that when those funds were audited—I cannot remember the exact figures—there was a decrease in that Dollar for Dollar Fund of about 20 or 30 per cent. It may not be accurate because I do not have the figures in front of me, but the Minister could check the figures. Approximately 20 per cent or 30 per cent of that sum was withdrawn from the fund. When the UNC left office, I think that fund had about \$1 billion in it. I have seen no further deposits made into that fund by this current administration. There are only withdrawals from that fund. One would imagine that the Government is using the Dollar for Dollar Fund to fund many of the so-called scholarships that we are hearing about today—whether it is at the St. Georges Medical University, or the medical facility in Grenada, or whatever scholarships—based on means tests or the Government Assistance for Tuition Expenses Programme (GATE). We are not really sure. I know the Minister would not have that information today. I hope that by the time the budget comes around, we would have a more detailed understanding of what is taking place with that Dollar for Dollar Fund.

Madam President, my colleague, Sen. Dr. Goopeesingh raised the issue with respect to legislation to govern the Revenue Stabilization Fund. Again, before the UNC left office, they established the fund as an interim fund. There were some proposals governing withdrawals and deposits to this fund, in terms of conditions and so forth.

Last year, when we went through this similar type of debate, one of the things that I did during that debate was to present the various models like the Norway model, the Alberta model and the Alaskan model that were available and being used, and the legislation that accompanied those models. These models were based on different criteria.



Last year, I know the Government indicated that it was unsure whether or not, as a policy, it wanted to continue to support the Revenue Stabilization Fund. In my view, I think, one of the reasons that the Government is supporting the fund is that the International Monetary Fund (IMF) commended it highly, so they would continue to support the fund, and it helps with credit rating. All the countries that have instituted a Revenue Stabilization Fund have had a positive impact on their credit rating. The fund is seen as a conservative approach; it is seen as saving for the rainy day; it is seen as prudence in fiscal management and so forth.

One of the other matters that I would like to bring to the attention of the Senate is that I noted that the Prime Minister indicated that he would be setting up a new facility to aid our Caricom neighbours. The Government would be allocating \$375 million toward this facility for the next year. The contributions to this fund would be pegged at \$30 per barrel using the weighted Brent crude. That is amazing. I do not know if the Minister could indicate to us what sort of calculation was used to determine our average price—whether a weighted average or a geometric mean was used. We are going to be using a weighted average price for Brent to determine the contributions to this particular fund of \$375 million. At no point in time, in a per month time frame, it appears that we would have more than \$25 million in this particular facility.

In fact, what is happening is that whereas Brent may be at \$30 per barrel—and since we are averaging very low, because we heard a figure of \$23.08 for Petrotrin crude—I again want to question the Minister as to why this figure is so low. This figure is below what was budgeted. I know that because of the heaviness of that crude, it tends to be \$2 or \$1 lower than the international pricing. But the \$23.08 is extremely low. I would hate to think that is the price Petrotrin is selling their crude at. Is there a hedging facility that we are not aware of? Did the company invest in some hedging facility and that is why they are stuck at these prices? This may be the reason why Petrotrin prices are so low. With eight million barrels, it contributes not more than BPTT's share, but it contributes to some percentage. We need to find out whether or not this has happened.

Madam President, coming back to that point, we are talking about very high oil prices like Brent and so forth. We hear of an average price of \$23.08 for our local crude, and the Government is talking about putting money into a facility to assist Caribbean countries, when the weighted average price for Brent crude is \$30. Obviously, we are putting money into this fund when we are probably at \$23.08. This is something I cannot understand. The Government is talking about

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putting money into this fund, and we are not really in an excess or surplus position. We may be putting money into this fund before we put money into the Revenue Stabilization Fund. I want to know if the Government Members are aware of this matter, because based on the calculation that would be the net result.

I want to make the point that we on this side are not against the Government for supporting Caricom neighbours in their time of need. One of the issues that I would really like us to understand is that when we are dealing with Caricom countries in a situation like this, one has to also appreciate that a certain amount of our business community—this is the one that has me very concerned—and the manufacturers in Trinidad and Tobago have products in Grenada. It is my understanding that if you go to a store in Grenada, you would see a range of products from Trinidad and Tobago there. So, what has happened?

I want to know if the manufacturers and members of the business community of Trinidad and Tobago have taken the responsibility to help rebuild these countries' economies, since they are the major beneficiaries. So, do not tell me about the Government. This is not only the Government's job. I think the Government's role—and the governments of the region need to play a coordinating and facilitating role. I cannot see that the Government is going to continue with just aid and putting more and more money in that facility. The money has to come from somewhere else; it has to come from those who would benefit the most.

I was amazed when disaster struck Grenada. In light of all the devastation and so forth, as a Government, if you put yourself in Grenada's position and try to understand what they are going through at this time—they would be devastated and they would need assistance in planning. What I did not understand is why it took so long for a planning team to get together. If there is one way that the Caricom governments could have gotten together and assisted Grenada is by putting a team together to go to Grenada and coordinate the efforts and start rebuilding Grenada. People just going there to visit and they are saying, "Oh gosh look at how much damage." I am not talking about the soldiers. The soldiers are there for security reasons. Who went to Grenada as a team to coordinate the activities and to put some form of action into place? That definitely did not happen.

**Sen. Dr. Saith:** We would send Roy Augustus.

**Sen. C. Seepersad-Bachan:** I have to say thanks to Sen. Roy Augustus because he is the only person who went.

**Sen. Dr. Gopeesingh:** I went yesterday.

**Sen. C. Seepersad-Bachan:** I must say a special thank you to people like Dr. Tim Gopeesingh who headed a team. You see, the thing about it is that even when these teams go, there should have been an umbrella team coordinating the efforts. How are you going to ensure that the relief items that are coming in are getting out to the communities? I am making this point because people feel that helping Caricom countries is just handing out money. I know there are members of the business community who coordinated efforts to go and collect hampers with relief items and food supplies and so forth to send to Grenada. That is not helping. We are talking about rebuilding an economy and there is where the business community comes in. I am hoping to see the Government facilitate that effort, but as much as possible, solicit the support of the business community to do that.

Madam President, much has been said about the subsidy arrangement between National Petroleum Marketing Company (NPMC) and Petrotrin and about the shortfall of \$712 million. I just want to take a quick look at those figures. There is something that we must bear in mind, and that is the cause that led to the deposit in the Revenue Stabilization Fund and which led to this huge subsidy shortfall—high oil prices. If you get a surplus, obviously, you are going to end up in a subsidy shortfall, because when oil prices are high, refined products are high. As a result, the price would actually exceed the controlled price at the pump.

What has been happening is that there is a \$712 million shortfall. That started in 2001, and that is a subsidy shortfall. The Minister may correct me here. Am I correct? When you looked at what has happened over the years, for example, in 2001 the subsidy required to support the ex-refinery price—the ex-refinery price at Petrotrin is based on the international market price, which is derived from all the international postings put together, and then a formula would be used to determine what is the international market price for Petrotrin. This is done once a month by the Ministry of Energy and Energy Industries. When this is done, based on that figure, the money that is actually owed to Petrotrin for domestic fuel sold in the country would be calculated.

In 2001, whereas that subsidy was \$215 million, when you actually apply to the Ministry of Finance or the Ministry of Energy and Energy Industries for that subsidy, based on what was collected from the production companies, the sum was \$111 million. So, in fact, there was a shortfall of \$104 million for the year 2001 alone.

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In 2002 if you had applied for a subsidy of \$316 million, you would have received about \$182 million which was based again on how much the production companies were able to produce, after the tax of 3 per cent, which was raised to 4 per cent. That 3 per cent turned out to be only \$182 million. There was a subsidy shortfall of \$134.1 million.

Again, in 2003, the company claimed \$453.1 million in subsidy. Based on the international pricing, they received only \$228 million. Again, this is money which was collected from the production companies, leading to a shortfall of \$24.2 million.

In 2004 to date, production companies may have claimed \$495 million. What was received from the production companies? Again, the Government has indicated that there has been a fall in production, so that figure was \$83.7 million. There was a shortfall in subsidy for the year 2004 alone of \$383.3 million, leading to the \$712 million. I am not sure if this last figure was included in that figure.

What is coming out here is that when you check what has happened to the ex-refinery price, you are paying Petrotrin close to \$70 million a month, based on the consumption on the local market.

In April, the subsidy required to support this amount was \$60 million and the money collected from the production companies was \$20 million, thus leaving a shortfall of \$40 million.

In March there was a similar figure. If I take that April figure of the \$40 million shortfall in subsidy—you may clear that debt today for that sum of \$712 million, but going forward for another 12 months, you are going to be incurring another \$480 million over the next 12 months in subsidy shortfall. Remember, for the fiscal year 2004, you would be depositing just \$266 million in the Revenue Stabilization Fund.

Last year, when you raised the price of gas, diesel and all the other products, you indicated that was so because of various reasons. Sen. Mark was correct, because when one goes through the budget documents and what was announced, you said that because of the high subsidy, you had to raise the pump price. In order to contribute to this subsidy, you raised the cap on the production companies. It went from 3 per cent of their gross profit to 4 per cent, so you got an extra 1 per cent. But what has happened? I agree that prices have gone up; oil prices are high; but the subsidy is running away. The subsidy shortfall situation is getting worse and worse, because of the decline in production, so you are not collecting enough money on the gross profit line from the production companies.

Let us understand what has happened. Super gasoline was increased from \$2.45 to \$2.70; you increased unleaded gasoline from \$2.70—well, super gasoline is now called premium—to \$3.00. Diesel went from \$1.20 to \$1.50 and so on. You said that was so because we were going to unleaded gasoline. What happened was that the cost was cheaper since you did not have to import lead to put into the fuel. The refinery does not have to incur that cost. We were also given a lower octane rating fuel. We are now down to Ron 92, compared to where we were before at Ron 95. So, here it is, you are asking the citizens of this country to pay more for a lower octane rating fuel. At that point, you said that you needed to contribute towards the escalating level of subsidy.

You see, during the years of the UNC, we never increased prices other than when we wanted to remove the licensing fee—to stop the nuisance of going to the Licensing Office to get a licence every year for a vehicle. They imposed a 10 per cent on the price to stop that. It was really taking from one hand and giving back on the other.

In this particular case, this Government continues to use fuel as part of its policy. Last year, Sen. Sahadeo made the point that we did not see a price increase for the domestic fuel for at least 10 years. I want to remind the Government Members on that side that during the 1991 to 1995 period, we had increases in fuel. There were three price increases during that period. On January 17, 1992—I was looking at the pricing orders—premium gasoline went to \$1.96; regular gasoline went to \$1.88; and diesel went to 98 cents.

In July of 1993, premium gasoline increased to \$2.25; regular gasoline increased to \$2.15; and diesel went to \$1.20.

On May 09, 1995, the Government imposed the Road Improvement Tax of 10 cents. So, in three consecutive years, this Government increased the price of fuel. The thinking then was because of the subsidy. During 1991 to 1995 there was an accumulation of \$200 million in shortfall subsidy.

In 1995 to 1999 there was a similar amount. So, therefore, raising the price of fuel is not going to help the situation.

**Sen. Dr. Saith:** What is the solution?

**Sen. C. Seepersad-Bachan:** I am coming to the solution. It provides a disincentive to the production companies. If these companies are upset about having to pay this 3 per cent, which has been increased to 4 per cent, they are going to find ways to reduce the amount that they have to pay out of the gross

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profit line. Whereas if you had left them with the 3 per cent, you would have collected that money down at net profit at 50 per cent supplementary petroleum tax (SPT). It is just like taking from one hand and giving back with the other.

The whole issue of this subsidy legislation must be reviewed. I am saying this because increasing the price of fuel—it is not only because of the hardship it puts on the Treasury, but the other disadvantage is the cash flow position it puts the companies into. If we are dealing with an open market—I hope the Government would continue with the position to open up the market—which marketing company is going to bear this negative cash flow? If this is going back as far as 2001, when you take four years to settle these bills, and someone has to hold on to run without this cash, you are going to push these companies out of business. They would just not operate. So, it could not be that you were planning for the operation of an open market. NPMC and Petrotrin could say, okay, we would operate without the cash flow and go to the Ministry ever so often and beg, like they are doing now, and ask to settle the bill, but any other company is not going to do it. That is something that the Government must be cognizant of.

In addition, the third disadvantage is when the price of fuel is increased, given the nature of Trinidad and Tobago's economy, which is based heavily on transportation; we would always have a runaway effect. That is why Mr. Basdeo Panday, in his administration, always indicated—because many times the Ministry of Energy and Energy Industries said that they needed a price increase in margin, and he said there would be no price increase. He said for people in a country blessed with hydrocarbon resources, this was one way for citizens of this country to benefit. [*Desk thumping*] On every occasion he told them that there would be no increases. Do you know why? He said the minute you move it by one cent, it would have a boomerang effect on the economy, in terms of escalating prices.

Every day someone asks the question—including Sen. Montano—why prices are going up, they do not understand that ripple effect. They have started doing that last year and it would go around in a circle. You just have to check the prices one day with a gardener and you would see what I am talking about. When the price of fuel was raised, the cost of transportation for his workers raised; the fuel for his lawnmower raised; and also the cost to operate his van. When you look at that increase the cost of that service went up by double the amount. So, just an increase of 1 per cent has a multiplier effect. We called it the boomerang effect. That is why we never imposed that cost on the consumer. [*Desk thumping*]

Madam President, Sen. Dr. Saith asked about solutions. Last year, I did this spreadsheet and I pulled it back up. Based on this spreadsheet, I was saying that we were still going to have a shortfall. Again, let me just clarify for the Senate—because I heard it by many speakers—that this subsidy is not for NPMC; the subsidy is for the consumer. When the ex-refinery price goes above the price that you pay at the pump, you would end up in a subsidy position.

When you break down that \$2.70, you would see that there are several components in there, and some of these components are fixed. For example, the dealers' margin is a fixed margin and that is 9½ cents. NPMC was 9½ cents and I think last year they went up to 14½ cents. I do not know if they are still at 14½ cents, because since the court ruling—I think the court ruled that everyone had to revert, so there is more money for the Government. NPMC had to revert to their old margin position. That is what I read in the newspapers. I do not know how true that is. There are also some VAT components in there. The dealer has to pay VAT on his margin, so all of that is included in the breakdown of the \$2.70. The one that I want to point out here is that the wholesale margin is fixed; a retail market, that is fixed; and filling and handling which goes to Petrotrin is 44.44 cents. When it comes to dealing with the ex-refinery price itself, and the components before that, there is an excise tax of 99 cents.

**Madam President:** The speaking time of the Senator has expired.

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

*Question put and agreed to.*

**Sen. C. Seepersad-Bachan:** Thank you, Madam President. I did not realize that I was going on for so long. Many years ago when we looked at the opening up of the market and the modernization of the retail sector, we talked about the gradual removal of that tax from 99 cents to zero. This is the point I am trying to make. The Government comes here and says, “Oh gosh, there is a \$712 million in subsidy shortfall.” But the Government has collected 99 cents on every litre on excise duty. If the Government wants that subsidy shortfall to reduce, one of the ways of getting rid of that is by getting rid of the excise duty, but the Government is collecting it on one hand. Why do you need it? That is not recommended in international practices. You would want the price of fuel to reflect the international market price. In that way, you would find that the 3 to 4 per cent cap that you have set for production companies may be adequate to cover their subsidy position. I make this point as a suggestion, because the hon. Senator asked about suggestions. That is one suggestion.

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The second issue is that we have been talking a lot about whether or not state enterprises are operating efficiently. NPMC is operating on a 9½ cents margin. That 9½ cents is really at a loss, because it really does not cover the cost of operating their service stations. What led to the profitability of NPMC is the other business activities. There is the lubricant business; aviation refuelling business and so forth, and that subsidizes the service station business because at 9½ cents per litre to operate tankers, transportation systems and storage facility, the infrastructure that goes with it—the service station must have attendants available to maintain pumps and so forth. This is why, when we started with the modernization programme, it was to identify additional revenue streams that could support this loss-leader called fuel. All over the world, the fuel itself sells at a loss position. There is no margin for it, and as a result of that, the ancillary activities are used to support the loss-leader which is the fuel.

I say this because when I listened to all the other issues with respect to the use and the role of NPMC, and NPMC would have outlived its usefulness, if you continue to view the role of NPMC only to transport fuel from Petrotrin refinery, to the service stations. If that continues, then there is really no role for NPMC. They would add no value in the value added chain. They would bring no value. Let me make that point very clear. NPMC has to continue adding value in the chain and the only way to do that—like everybody else in the business—is to bring in new revenue streams, or what we called the complementary revenue streams. That is why NPMC went into the convenience store business.

All over the world, the revenue streams were ranging—at one time it was about 60 per cent for convenience stores and the other 40 per cent for fuel. This has gone to almost 80 per cent from the convenience store and 20 per cent for fuel. So, therefore, your contribution to the profits would come from those ancillary and complementary activities.

The mere idea that you have taken a decision—I do not know who has taken this decision, whether it is the management of NPMC, the board of NPMC or the Government and decided that they are not modernizing service stations anymore; they are not opening the market; they are not going into convenience stores and they are going to give it back to the dealers, then I would agree with anyone who says to shut down NPMC, because they are adding no value. That could be easily done by a company called Petrotrin, the refiner. That is the point I wanted to make here with respect to this particular situation. NPMC also has to continue to become more efficient; they have to continue with the transformation exercises



they have started. What has happened to all the systems for performance evaluation? I understand NPMC has shut out all the balance score card systems. They shut them down; they got rid of them. Why? Those were the things that would start restructuring NPMC in order to make them more efficient.

I also noted somewhere in the press where the Minister of Energy and Energy Industries said that he has to investigate NPMC, because suddenly their establishment went from—I know at our time we got the establishment down to 400 and now it has gone up to 600. If you go back with a top-heavy management; wasting resources and paying high salaries for no performance; you are going to end up in that situation. This is probably why the accounts of NPMC are looking like this today. It is in a very poor situation.

I also want to make a point with respect to Petrotrin, because I heard the same thing about the efficiencies and the value of Petrotrin. Let me first state that this PetroCaribe—I have been hearing a lot of Government ministers, including the Minister of Energy and Energy Industries and the Prime Minister talking about PetroCaribe. We have been seeing a lot of discussions taking place with respect to PetroCaribe in the region, Petrotrin's premium market for refined products, and they fetch their highest prices in the Caricom market.

We all know that there is a cartel that exists in the market with three or four multinationals, and Petrotrin sells to these multinationals. The reason Petrotrin supported these multinationals premium market was because of the Common External Tariff (CET), which protected Petrotrin and allowed all other fuel products to come into the region. Petrotrin was exempted from that, and that is why they enjoyed the premium prices. Many times Petrotrin was warned that this would come to an end. The CET is being dismantled—more and more there are moves to reduce that CET, and the protected market is going to disappear. For years we have known that PDVSA wants to get into this premium market, because of the prices that exist in this particular market. Some of the highest prices for refined products exist in the Caribbean region. Again, they have tried all different methods to get in. Of course, the governments would normally lobby—and I am talking here as far back as 1990—and they would protect Petrotrin.

My point is that if Petrotrin continues to be inefficient, we cannot support a company that continues to be inefficient. They have to find a way to become efficient, and to become an efficient refiner. However, I also want to add the point that if PDVSA enters the Caricom region through PetroCaribe, I hope the Government of Trinidad and Tobago, through the Minister of Foreign Affairs and the Prime Minister, would warn the other Caricom governments that what would

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take place is just a matter of predatory pricing. They would drop all the prices. We know this is what they are going to do.

We would see them handing out hampers left, right and centre; it would be goodies down the line, which would be music to the governments of the Caricom region. They love what they are hearing like low energy prices; low prices for fuel and they are enjoying that. As soon as that happens and PDVSA starts supplying the entire Caricom region, the Petrotrin refinery would have no other choice but to shut down. When they do shut down and disappear, the prices would go back up. I hope the Caricom governments understand that.

I am not saying this because I am trying to protect Petrotrin or advocate the operation of an inefficient refinery. Over the last decade, the increase has almost doubled the capacity that we now have for refined products. So, there are many low-cost refineries existing all over the world like in Asia and other places. Petrotrin knows that they have a problem and they have to develop new ways of looking at reducing costs, and increasing profitability at the refinery level.

I noticed that Petrotrin is making announcements—and everyone use this subsidy issue to cloud the main issue—that they want to go downstream. I saw in the *Business Guardian*, where Mr. Wayne Bertrand said that Petrotrin wants to go downstream and operate service stations. For years we have heard that song from Petrotrin. Again, let me remind Members on that side that if Petrotrin operates service stations and gets into downstream—they must understand this is not a business of just going to transport fuel to fuel stations. I do not know if their core business activity is to get involved in convenience stores and to operate a refuelling facility at the airport. Furthermore, I think they have enough problems to worry about, in terms of the refinery.

I want to remind Petrotrin that in the Heller Commission Report, in the price wars of the 1960s, the refiner was the monopoly who supplied all the operators downstream. If that is allowed to happen, the same situation would reoccur. Therefore, if we are dealing with an open market—a competitive market with many players—then Petrotrin must understand they cannot be a monopoly on supply. Players downstream—whether they are UNIPET—should be able to go to PDVSA and buy fuel. They cannot continue to be in a monopoly position and supply themselves and their competitors. This is the very reason Petrotrin never went downstream. They cannot operate a service station anywhere in the region. If they do, then they would be supplying themselves and their competitors. That is why they were never allowed, through an agreement, to operate a service station.

On the other hand, companies like NPMC could continue to upgrade their service stations and raise themselves to international standard, which was the intent and the plan—that they become equivalent to any multinational or any global player—so that they could end up in a reciprocal arrangement, where they would be able to open service stations throughout the Caribbean region. So, in the same way we want to open the market here and allow Texaco and Shell and everybody to come into the market, we must be allowed to go out and participate in the other Caribbean islands. As it is right now, there is a cartel which protects the Caribbean region.

Madam President, I thank you for allowing me to make these points. I wanted to make these points because we get confused when we hear about subsidy and what it represents. There is a reason why we have the subsidy arrangement. Probably, now is the time for the Government—since we are in a different position—to start looking at reshaping that legislation to govern the subsidy.

Furthermore, whenever oil prices are low, we collect a surplus at the pumps. That surplus goes to the Government and it is deposited into the Consolidated Fund. It has been argued over and over that the surplus should go towards offsetting the subsidy position. In the same way the Government budgets for the surplus, they should be able to put it towards the subsidy fund, so that when oil prices are high, the Government could use that money to offset the subsidy position. That is the point I really wanted to make in terms of this situation.

I hope the Minister would be able to respond. As I said, I have adjusted the figures. I know that these figures are a little higher than what he is saying. At the end of the day, I think there is need for alarm with respect to what is happening in the energy sector. Something is taking place with our production, and we need to understand that. Under the fiscal regime, there are some abuses taking place, and we need to understand that otherwise we are interfering with the lifeline of our economy.

Madam President, thank you. [*Desk thumping*]

**5.55 p.m.**

**Sen. Basharat Ali:** Madam President, I do not intend to speak for too long, because my contribution will be limited to the subsidy transfer to National Petroleum Marketing Company Limited (NP), in order to satisfy their debt to Petrotrin, and then a very brief comment on the Revenue Stabilization Fund.

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In January of this year, if I remember correctly, we went through the Supplementation (Variation of Appropriation) Bill for fiscal 2003. In that proposal which was passed, there was listed a partial settlement of debt to Petrotrin of \$200 million, apart from \$23 million which was in pure subsidy. Of this partial settlement it was said then that the debt was estimated at that time, at the end of fiscal 2003, at \$686 million, excluding interest. So if we deduct that \$200 million, the balance should have been for \$486 million.

Doing a little further arithmetic, for the 10 months which this period is covering, the \$712 million, which is now proposed to be paid to Petrotrin, means that there is still a deficit or balance of \$226 million outstanding, which has been additional subsidy. I do not know whether interest comes in there. This seems to be the fact of life and I suspect that the subsidy for the year 2003/2004 may be quite a bit more than we anticipate. I hope the hon. Minister is anticipating it. That is primarily because of the reduction in the price of auto diesel fuel; remember that price went to \$1.50 to equalize it to dual purpose kerosene. The ex-refinery price for auto diesel, which is really the international price for the product, is quite close to that for gasoline.

I do have some numbers here that were given to me: 95 octane, which is unleaded is US 132½ cents per American gallon; 92, is 130 cents per American gallon and the diesel fuel is 123; that is seven cents per American gallon, which is not an awful lot. I think that works out to about TT 18 cents per litre. When we have gone down to \$1.50 and we still have that high ex-refinery price, I expect that there is going to be a substantial increase in subsidy, because of the volume of auto diesel which is being sold. I have not had the time to really do very detailed calculations, but I am simply doing order of magnitude numbers.

As far as I can see, looking at overall subsidies for numbers for the month of August, we are looking at something like 30-odd cents per litre for 95 octane, that is premium. Then for the 92 octane we are looking at about 54 cents per litre, but for gas oil I was working out something like 80 cents per litre, which is a very big difference. These are not firm numbers; they are order of magnitude figures, because all I had was last night to noon today to do these figures. I had not digested fully the method of calculation from the petroleum subsidy levy and Subsidy Act. I would ask the Minister to look at that and see where we are going on it. I reckon we are going to have quite a bit more of an appropriation to make because of the subsidy.

I have to ask the hon. Minister a simple question: The petroleum production levy in the budget was supposed to be increased to 4 per cent of gross income for oil. I have not sighted an amendment to the Act to that effect. If you wish to answer that now, I would like to know when it was done, because I do not see any evidence that it was, in fact, done, that we now can collect 4 per cent of the gross income from petroleum.

**Sen. Enill:** I will find out.

**Sen. B. Ali:** I checked through the legislation and the library and I cannot find it. It means that with only a few days left in the fiscal year, we might not be able to implement that extra per cent. I still have the problem, for a long time now, as to how much this petroleum production levy really is, in terms of the overall amount collected. Last year during the budget debate, when I was a temporary Senator, I worked out a figure of about TT \$150 million as the total amount of petroleum production levy at 4 per cent of the gross income from crude oil. So a 1 per cent increase is really quite small, in that respect; it is \$35 million or something like that, a small sum. This is one of the areas I looked at and I said that I needed to find out whether we really are in a position or whether we had amended the law to be able to deduct or charge 4 per cent to the petroleum companies that come under that regime, producing companies.

I would like to look briefly at subsidy versus tax to the consumer. I wonder how many of us here are aware how much we pay in taxes when we buy a litre of gasoline at the pump. For premium gasoline, for which we pay \$3, we pay 38 cents in VAT, 10 cents for Road Improvement Tax and \$1 for excise duty; so that is \$1.48 out of \$3; 49 per cent of what we pay at the pump has nothing to do with subsidy, it is tax going back to the Government, in one form or the other. Similarly for lower octane, the super is 44 cents in VAT and Road Improvement Tax and \$1, once again, in excise duty. So we are paying \$1.26 out of \$2.70, thus 53 per cent out of the total pump price for that fuel. Auto diesel is the only one which is, in fact, beneficial to the consumer, because the excise duty is only 20 cents. The price is \$1.50, therefore VAT is lower; the VAT is only 19 cents. The Road Improvement Tax is lower; it is five cents. So 44 cents or 29 per cent of the price of diesel, the pump price, \$1.50, is what the consumer gets hit with, in terms of taxes.

When Sen. Mark spoke about the Prime Minister's comment in speaking to the San Fernando Business Association, I knew it was Mrs. Bartlett he was speaking about. There was a long article written about it in the *Business Guardian* by a senior economist who worked with me in the Energy Planning Division,

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Hayden Toney, who said that she asked the wrong question. The Prime Minister, quite rightly, said that the subsidy would increase, but he did not say that if he really wanted to give a break to all the consumers all he had to do was to reduce the excise duty by 30 cents, and then he would not have to increase the price at all. I am not saying that that is what you should do, but those are the facts of life and people have to know that. This is why I bring it to your attention today.

The other point I would like to make is in terms of the pricing of crude oil. I notice Sen. Seepersad-Bachan was questioning seriously Petrotrin's crude oil price of \$23 per barrel. I think it is a fair price, quite frankly, for the mix of Trinmar and land crude. If you target this 23 or compare it against the 31 of the WTI, which is the equivalent of our east coast crude, between \$5 and \$10 depending on how the other crude is, those are the premium crudes, so that \$23 as the composite of land and marine is fine; I do not have a problem with that. *[Interruption]*

**Sen. Seepersad-Bachan:** Thank you for giving way. The 23 may be a good estimate of that composition being the Trinmar crude coming from offshore and the land, but with the high oil prices will it be 23? It cannot be; it has to be higher than that.

**Sen. B. Ali:** That is not a premium crude. The premium crude oils, for example, enter the United States market as a low sulphur crude; those crudes have high sulphur and high gravity, so automatically they are lower in value. *[Crosstalk]* They are not even export crude.

**Madam President:** You are arguing between yourselves.

**Sen. B. Ali:** Sorry, Madam President. If you look at the Venezuela crude situation you will see the same kind of differential between some of the Venezuelan crudes and higher gravity or the lighter Venezuelan crude. Certainly when you start looking at low sulphur crude oil, that is the one that is short in the market. The Saudi Arabian is a general crude that is high sulphur; take Nigerian, Algerian or Libyan crude, for that matter. That is why everybody wants to be friendly with Libya, because it has a very nice, light, low sulphur crude. I have to agree that is the figure.

In fact, when I work on numbers I usually will do a mix. I think in the last budget I said, "Okay, 60 per cent east coast and 40 per cent other," to arrive at a price which was below \$25, which was the budgeted price. I notice they are now saying that the Petrotrin overall crude oil is levelling with the other production,

which is Trinmar, primarily, plus small land, and we would have to look at those numbers when the time comes around. That is as much as I would like to say on the question of the amount of the transfer of \$712 million from NP to Petrotrin.

Let me applaud the Government for the transfer to the Revenue Stabilization Fund of \$1.263 billion, which brings the fund to \$2.776 billion, rounded. This is windfall revenue and that is how it should be treated. I have in my notes here that the next step should be to bring legislation that will require parliamentary approval for expenditure from this fund. I believe that is something I would like to see, rather than have access to it when you want. I think in today's newspaper there was a little comment where Lloyd Best has even said that they should set the rules so that you fix how much you are going to put in and decide how much you are going to spend; that was a very small comment attributed to him today.

I support that, because I remember what happened to the windfall gains in the 1970s to early 1980s. Funds were set up, sure enough; we had the Petroleum Development Fund, the Agriculture Development Fund, the Infrastructure Development Fund, the Education Fund, et cetera, but the drawdown on these funds were not subject to Parliament; it was subject to the government's decision, so that by the end of the second half of the 1980s, there was virtually nothing left in the kitty. Let us avoid that situation. What we have there we must spend judiciously to the benefit of all our people.

Madam President, I do not wish to say anymore. I support the Bill as presented and I wish to forewarn the Minister that I will be preparing myself for debate on the budget when I hope to update myself on the petroleum taxation laws. Thank you.

**Sen. Dr. Eastlyn McKenzie:** Madam President, as you know I indicated that I did not want to speak today, but I want to clear up some points for my very good friend, Sen. Mark, who did not have all the details about the \$90 million to the Tobago House of Assembly (THA). Knowing that he is a person who really likes to know what the points are, I thought I should give him some clarification on some of the things he did not know because, obviously, this is quite a short Bill and I do not think the Minister was prepared for all the details that people needed in an appropriation bill.

I want to tell Sen. Mark and the Senate that the purchase of the Courland Estate came from the voice of the people. You have to call it a part of the Courland Estate, because it is a very big estate and parts of it have been occupied, while parts of it have not been. For the people of Tobago, their attachment to the

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land sometimes you cannot explain it; that is why they were very upset when the Aliens (Landholding) Act was dispensed with and young people who inherited lands from their parents began to sell out those lands; they bought a car, broke it up in a week and had nothing. The old people felt that they worked so hard to own land, because that is really a part of culture of the Tobagonian: you own land and you do not sell land.

Madam President, just to be a bit personal: my father died and left an estate, 100 acres. His Will said that the estate was for—and he named his children. You cannot part it up and say, “This is mine; this is my brother’s and this is my sister’s.” It goes down to the children and grandchildren to the last one; it can never be sold. If the last one dies, if a hurricane comes and kills everybody and you have no children, grandchildren or great grand children, give it to the church. In other words, he is saying, “You do not sell this land.” That is the kind of attachment that the Tobagonian has to land.

So when the experience of the Lowlands Estate came up, where the people of Tobago and their parents worked on the estate and then there came the hotel, it was no longer theirs as an estate. They felt it very much and they began to put some pressure on the THA to say, “We are losing what is ours.” When the Sou Sou lands project came to Tobago, which was part of the Lowlands Estate—that was the Grange part of the Lowlands Estate—the people felt happy. Here they were changing their status from workers on the estate to owners of the estate, through the Sou Sou land project. So the voice of the people dictated the pace for the THA, to a large extent.

The second point I want to make is that the Government gave to the THA a part of what was enshrined in the Tobago House of Assembly Act and was never instituted, that was to give the THA the privilege to borrow, within certain constraints. That was not instituted, but in the last budget that facility was given to the THA and it was willing to take it up. They seized that business opportunity and saw it as an important step in utilizing the privilege in accessing that loan facility, because it was innovative and so on. Then the THA made a bid, among others, to the mortgagee of the land and won. They saw it of significant importance to the Tobago people.

The reason they approached the Government too, was that they could use this money from the Government to pay off the loan and keep the interest at nil, if you understand. More important than that, is the social, psychological cost that is key to the people of Tobago. That part of the estate was like a slave plantation; it was



said that there are artifacts in that area. The people feel that here you have what used to be our whipping horse; we are now going to become the bosses; in other words, the people of Tobago would own what the foreign plantation owner owned and had them as their slaves on—their grandchildren and great grandchildren—so it is a sort of heritage.

Another important point was that it was understood that approaches were made to purchase the estate and the types of development that were envisaged were not the types that would have brought any development to the people of Tobago. In other words, we were hearing that there were plans to change the road in front of Turtle Beach so we would not have been able to pass there, as they had with the problem of the Coco Reef Hotel. I am sure Sen. Dumas would bear me out. We had a big thing with the Coco Reef Hotel blocking off the road and you did not have a flow through anymore. That was why at one time when we had a storm or something that knocked off their sea post, the people of Tobago rejoiced and they said, “God make it happen, because allyuh want to deny us our heritage.” So more than an economic cost, I want us to look at the social, psychological benefit to the people of Tobago. I do not think any monetary value could be put on the purchase of the Courland Estate for the people of Tobago.

In fact, Madam President, I do not feel that Sen. Enill knows, to be honest with you, all these little social and domestic things that we who live in Tobago and are part of the people on the ground would be able to say. I am sure people like Sen. Dumas and Sen. Titus would know. [*Interruption*]

**Madam President:** Can I interrupt you for the Procedural Motion?

#### PROCEDURAL MOTION

**The Attorney General (Sen. The Hon. John Jeremie):** Madam President, in accordance with Standing Order 9, I beg to move that this Senate continue to sit until it concludes its business.

*Question put and agreed to.*

#### FINANCE (SUPPLEMENTARY APPROPRIATION) (NO. 3) BILL

**Sen. Dr. E. McKenzie:** Madam President, I am actually finished. I do not say more than I need to.

I am sure any of those two Senators could have explained and said what I did, but some of us are cooler when we explain these sensitive issues and so I thought that I should briefly clear up any doubts in Sen. Mark’s mind or the minds of people who may have heard, because many people really did not know. In fact, I

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could tell Sen. Mark that one of our former Senators called me over the weekend to ask about it. Before I actually even got my Senate papers. I did not know what he was talking about until I got my Senate papers. He asked what it was about and said that he found it was cheap. In fact, he found that for the market value it was a reasonable bid the THA made.

We were trying to calculate the cost per square foot. I think it was something like \$7; Sen. King is telling me that it was \$5, which was very good. I could tell you on the other side of that piece of land they are selling the land at \$25 or something like that per square foot. I am sure Sen. Dumas would tell me that it is more.

**Sen. Dumas:** I was leaving Mark alone with that one. [*Laughter*]

**Sen. Dr. E. McKenzie:** To be honest, I think I know Sen. Mark enough to know that he would not object to the people of Tobago benefiting in a way like this, if he knows the whole thing behind it. That is why I thought I should educate and inform him of the sort of value.

**Sen. Mark:** I am not tackling Pier I yet. [*Laughter*]

**Sen. Dr. E. McKenzie:** Madam President, the press could explain it in a way that could make the people of Tobago very, very upset and angry and I do not think Sen. Mark deserves that because of the fact that he is ignorant as to the details. I think now that I have given him the details and people understand, they would know that he is not against the Assembly purchasing the land for the people of Tobago, because they are going to use it for all different kinds of things, as far as I know.

Sen. Mark, I hope I have given you a little bit, because this is not the time to explain the whole thing, but when we sit in private I will tell you more. I am sure that you will understand and I know you will actually say that you hope that Sen. Enill would have paid off for the land already. [*Laughter*] Madam President, thank you for allowing me to explain, in part, to my good friend and to tell him that I could supply him with more information to make him feel more comfortable that the people of Tobago are very happy that this has been done. I am sure he will support the move.

Thank you.

**Sen. Sadiq Baksh:** I join the debate on this Bill and I too, in fact, want to thank Sen. Dr. McKenzie for sharing that very important information with us. But

it would have been more appropriate coming from the Minister of Finance. I understand that he would not understand the details as to the acquisition or all the reasons for the acquisition of the Courland Estate in Tobago, but it would be important in making a case for the appropriation of this particular \$90 million for the purchase of the Courland Estate.

I want to state categorically that the UNC is not opposed to the acquisition of the estate, but would have loved to get more information and, more specifically, we would like to know the Government's policy on land acquisition in Trinidad and Tobago. Is it because of psychological or social considerations or whether we are going to take the social, psychological benefits of being sympathetic to a cause? We want to know whether the Government has a clear, direct policy on land in Trinidad and Tobago for the benefit of the people, because a case cannot be made for making the State the largest landowner either in Trinidad or Tobago. I am of the opinion that the State is already the largest landowner in Trinidad and, similarly, in Tobago.

The State is the worst landlord you could find anywhere in the world. You just have to look at the National Housing Authority (NHA). The State owns NHA; three different people sold the houses and the NHA has a big problem in getting it back. That is landlord! That is land policy! That is the same thing that could end up with Courland Estate, because you have one, two and three different pieces of land being sold. So you could well find one day that all the lands at Courland Estate are sold already; the State saying that it owns it, it acquired the land, but when the time comes three different people show documents for those same lands, right here. That is the problem we have with the acquisition of land by the State.

In fact, listening to Sen. Dr. McKenzie I became even more sympathetic to the cause, because if it possesses the kinds of artifacts then the National Trust should come into play. That should be preserved as a national trust and be made a heritage site for the future generations. We are far from a heritage fund, but we now have a heritage site, so that is what I was expecting. We have no objections in the acquisition of Courland Estate as a heritage site or use it under the National Trust and put it there for future generations.

We are the ancestors of the future; we have all these lands in trust for generations to come. The way we handle it, the policies we develop and the way we secure it for the future is more important than just saying that we have acquired it. We may pay \$90 million for it; the cost is irrelevant, the protection for the future is as important.

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The whole subject of land acquisition, compulsory or otherwise is a subject that affected the people of Tobago for a long time. Sen. Dr. McKenzie would tell us of the number of lands acquired over the last five decades and people not reimbursed. In this particular case, we are acquiring the land but because it was, in fact, held by a bank we had to go this particular route. We are seeing a policy being developed here based on sympathy and not economic prosperity for future generations. I warn the Minister of Finance and the Government that they should take seriously into consideration a clearly stated land policy for Trinidad and Tobago. That would account for \$90 million of the appropriation we are discussing here today.

Then we move on to the Ministry of Finance, in terms of the topping up of the Stabilization Fund. Like my other colleagues, we are extremely pleased that the Government is pursuing this particular fund, in terms of putting away some funds for the future. We are very concerned that the Government did not bring anything to the Parliament, at this appropriate time, in this supplementation Bill, to have the regulations in place so as to protect these funds for the future. Just by topping up for the year 2002 would clearly say that if we did not have a windfall this year, where would we have gotten the funds to top up for the year that we did not put into that fund. That should be a compulsory situation. We should be looking at not only 60 per cent. The Government should consider, after it looks at its commitment, that this fund should be enlarged and encouraged in a greater way. It should be compulsory to put it at the time of collection, and not at the end of the fiscal year or another fiscal year, depending on the current economic circumstances.

I move on to the third area, that of the \$712,641,123, in terms of a subsidy for products sold at the pump. The Minister of Finance made out a case for this subsidy and the paying of it, at this particular time, to allow Petrotrin to pursue its strategic objectives. We have no problem with that, but he needed to tell us what those strategic objectives are. Are those strategic objectives to increase the efficiency, in terms of the operations of Petrotrin? Are they part of the strategic plan to upgrade the refinery and to increase throughput or to allow greater products to be refined at the refinery so that we could add more value in the production chain? Is it to reduce the cost of production or is it to allow Petrotrin to diversify into developing a centre for dialysis machines? Is that the strategic objective?

Madam President, I have a big problem: I cannot understand Vision 2020 of the Government and its operatives, the ministers and the state enterprises; they are

not working in sync. The Ministry of Health invited tenders for the provision of dialysis machines in north and south—good projects—to serve 100 patients at a time, yet you have Petrotrin establishing a dialysis centre. Is that part of the new strategic objectives and is it part of the diversification of Petrotrin? That is the question. [*Desk thumping*] We want to know. We want to know if that is the new business they are going to be getting into.

In addition to that, Petrotrin appears to be moving into areas of greater inefficiency. I want to know if that is part of its strategic objective. Petrotrin had a shut down recently and it had 150 per cent cost overrun on the original contract price. Is that part of the new movement? Is it that the \$712 million would add to the inefficiencies or increase the efficiencies and reduce the cost of products? Obviously they are moving away from their core competence and moving into new areas; it must be part of their new strategic plan to diversify the company's operations.

While all this is taking place, we have a situation in which it is only from the day that the Government took over Texaco that it went into different incarnations—the Government paid \$1 for the transfer of all the assets of the then Texaco Oil Refinery, which was then the third largest refinery in the world. Since then that company has never—until the year 2000—transferred any funds to the Government, to the Treasury. Under the UNC, Petrotrin, for the first time in its history, transferred \$300 million to the Treasury, to the Consolidated Fund. Since then you get from the Government only letters of comfort, in terms of borrowings from Petrotrin. So it is simply a case of the right pocket moving into the left pocket when things are bad or when you owe the other side, but when Petrotrin needs funds they come to the Government and they go and use it how they want.

Madam President, that does not account to prudent management. It cannot be in the day when you have the highest oil price in the world—and I understand the difference, that when you have a high oil price you tend to lose money at the refinery, but it is simply a situation in which we are questioning the whole transfer of these subsidies, because of Petrotrin achieving its strategic objectives. We on this side are questioning what those strategic objectives are, how they fit into Vision 2020 and if the Vision 2020 is to have 100 dialysis machines by the Ministry of Health in the north and south and to set up a next one at Petrotrin. I do not have a problem with that. The Government needs to say if that is part of its plan and that Petrotrin and the State sector are moving in sync with that operation.

As we move on, I am certain that the administration, although they would say that it is moving with efficiency and they could account for “where the money

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gone”, the public outside is also looking on. They are asking that same question. We could come inside here and the Government could say anything it wants to, but the people outside are feeling the heat, because they are facing prices and the bad roads. They are seeing the deterioration taking place on the roads. Every time they hit a pothole, they ask, “Where the money gone?” They are not waiting for anything else. They are not waiting for subsidies and transfers; they are facing the harsh realities.

Like my colleague I, too, am willing to eat cassava. I am taking the advice of the minister; I do not have a problem with that. The problem is that cassava is more expensive than rice; that is a serious problem. [*Desk thumping*] [*Laughter*] The minister made a very good call for us to eat local foods: eddoes, dasheen, tania, but the price of eddoes last week in the market was \$5 a pound—I went around. The price of cassava was \$3 a pound; \$4 a pound in Tobago. You simply have a situation that if the Government does not have a proper land policy, we will not be able to plant more root crops and reduce the cost of food to the citizenry.

I put the Government on notice that it needs to account. The Minister of Finance needs to tell us all the reasons for the different allocations and the appropriations. I see this as a dry run for the budget. I have before me all the promises made in the last budget. I will not tell you those that were unfulfilled at this time, but I am sure it will be in reserve and we will then discuss the strategic objectives, not only of Petrotrin, but the entire Government of Trinidad and Tobago.

Thank you.

**The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill):** Madam President, first of all let me thank all those who have contributed to the debate. I could do one of two things: I could deal with some issues philosophically and then I could get specific.

It seems to me that there are times when what is said, is said in such a way that it gives a particular impression. When I said today that this Government has been open and transparent in the management of the country’s financial resources, I said that against the background that the Government on an annual basis comes to the Parliament and provides information on its stewardship during the year and provides specific details about every sector in the economy and analyses information to support actions. It is, therefore, not correct to give the impression

that because you did not get the information, when you think that you should have gotten it, that the Government has not been transparent. Quite frankly, those of us who manage organizations understand that there is a process of reporting: the information has to be collated and before we make it public, it must go through its internal scrutiny to determine whether the information is credible or not.

Madam President, when the Government provides information to the Parliament about issues relating to gross domestic product, inflation rates and a lot of the things that people talk about: unemployment, development, exploration, drilling activities, natural gas production and utilization, cement production, performances of the manufacturing sector, private sector credit, basic prime rates, fund side in the mutual fund industry, central government, fiscal operation, “where de money gone”, revenue, recurrent capital, public debt, debt service and a host of information on an ongoing basis, this is our way of keeping faith with our responsibility of providing information.

The next time we meet for the budget debate, all the questions that have been asked about performance, debt, economic rate, inflation and all those issues, the information will be available in the review of the economy. This is currently being put in place. That would give you exactly what I have said: a detailed account of how financial allocations have been utilized, and you will see from that, that, in fact, we have been making some progress. But I would leave that there.

The economy of Trinidad and Tobago relies heavily on revenues from petroleum production. Prior to 1974 there was no special pricing mechanism applicable to the petroleum industry in Trinidad and Tobago. Act 22 of 1974 introduced the Petroleum Taxes Act to capture the economic rent due to the people of Trinidad and Tobago. Since then the Act has had four major changes: Act 5 of 1981 introduced the supplemental petroleum tax on gross crude income with special allowances for exploration, development and production activities. Act 26 of 1985 introduced a royalty allowance and made changes to the production allowance. Act 27 of 1988 introduced the concept of base and additional oil and differential tax rates and made additional changes to the production allowance. Act 15 of 1992 introduced the weighted average annual price for crude and the schedule of scale rates applicable to the SPT. New allowances for heavy oil and geological and geophysical expenses were also introduced and the provision in respect of the base and additional oil was removed. The revisions all sought to protect the government’s revenue position, as well as to promote a desirable and sustainable level of exploration activities in the industry.

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This is the regime under which we extract rents from companies that are currently operating within our jurisdiction. To say that those companies are doing something different, all I can say is that based on the information that is available to me, the law is being followed in respect of the legislation that we have put in place. What we have been doing over the last year is to sit and negotiate whether or not if you do this you will get the benefit that you are looking for. At the end of all this, what we are really attempting to do is to grow the economy and one has to do that in the context of looking at what you specifically want to achieve and whether or not your tax regime or the measures you have put in place will, in fact, deal with it. If there is one possible criticism that I would accept, it is that the timing of the information might be something that we have to work on. That we would certainly be looking at.

Let us deal with Sen. Mark who talked about taxation and revenue issues. I thought I had dealt with them, but since he required me to deal with them, let me repeat what I said. Basically, I said that insofar as petroleum production was concerned, we had a situation in which the assumptions we had and the actual in relation to those assumptions, did something different. We basically said that insofar as BPTT oil production was concerned, it worked out to be 30 per cent less than budgeted and, therefore, that meant there was a reduction in revenue.

We also said that it was partially offset by the increase of petroleum production, but that Petrotrin's production, basically, fetched a lower price. The reason for that is because for licences post-1/1/1998 there is a specific regime and we have land, US, Trinmar, Galeota, SECC, Moruga West, central block, Point Ligoure, Parrylands, Southwest peninsula; if you take an aggregate of all that and you look at the weighted average, you are talking somewhere between 23.87, 28.90. This business is rather complex and, in fact, when you look at the numbers that come from the particular exercises that we do, then you realize exactly what that situation is.

A lot of the other issues raised are difficult to deal with without tabling some of the information that will be available to you as soon as the budget exercise begins. At this point in time, I would say that at the end of this particular appropriation, we still expect that on the basis of revenues, expenditure and these transactions to end up with a small surplus of some \$497 million. Insofar as details go, as they relate to the actual plan, revenue received, expenditure and all of that, we will have those available, I believe, within the next 30 days. In a sense, we would have a full debate on those issues where the information is available for scrutiny. [*Interruption*]



**Sen. Mark:** The Minister did indicate to us that oil production had fallen. I had asked if he could provide the Parliament with some appreciation of the quantum that was anticipated, what was realized and if he could share with us some of the factors responsible for the shortfall. I also asked if the Minister could give us an appreciation of the value that had to be expended, as it relates to dry holes and whether he could tell us something about that.

**Sen. The Hon. C. Enill:** Madam President, those are matters that the Board of Inland Revenue is currently adjudicating on. I do not have available to me specific information, because I really have not asked for it, about the various allowances and specifics as they relate to what the company has claimed. What I do know is that in accordance with the law they can claim absolutely nothing that the Ministry of Energy and Energy Industries' technocrats have really not authorized. Therefore, be it dry holes, exploration expenses or whatever, those are certified by the Ministry of Energy and Energy Industries, which is the ministry with the technical capability to so do.

Those are then translated into numbers and the Board of Inland Revenue's oil audit would look at that statement and determine whether they have paid the appropriate revenue on the basis of that. If you want that I can look for it, but I do not have it with me. What I have with me is what the results were of that exercise. What I have basically explained this afternoon is the result of that particular exercise. I do not have that specific level of detail because, quite frankly, what I simply seek to do is to ensure that the policies we have established and the law as it exists, have been followed and those individuals charged with the responsibility have, in fact, carried out that responsibility.

**Sen. Mark:** I also asked how much it fell by and what was the reason.

**Sen. The Hon. C. Enill:** On the basis of the information that is available to me, oil production fell by about one third. That had to do with three things: one, I believe was water. When drilling was taking place they found water and, therefore, they stopped to do some recalculations. The other one I think had to do with the Atlantic LNG strike and the third had to do with—I am not sure what the third reason is, but there is a third reason which escapes me at this point in time. The result of it, however, was a shortfall in oil production of some 10 million barrels which is, basically, what has been made available to us.

There is another piece in terms of expenditure. There was some accelerated expenditure on the basis of some technological costs. We are reviewing it to determine whether or not it is allowable and if it is not allowable it will not be

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allowed. There is currently discussion taking place where the Government is saying that we want to ensure that we get the best return from this wasting asset. Therefore, we have a number of teams looking at the legislation and the allowances to make sure that we get what it was intended to be gotten when the legislation was put in place. That exercise is going to be completed by budget time and we will have some proposals that we will put on the table to deal with that.

We are looking at two things; one, is to ensure that capital expenditure, in any one year, is capped at a particular level. The other is to look at the question of whether or not allowances are going to be allowed when you commercialize the activity, as opposed to when you get into the investment. There are some things we are working on and we are at the stage where we think the discussion taking place now between ourselves and the producers will allow us to tighten up on the legislation, in the first instance, and also to get more from them, which goes into the Consolidated Fund. That is an exercise we expect to have completed, in a large degree, by the time we get to the budget statement. [*Interruption*]

**Sen. Seepersad-Bachan:** I do not mean to take up too much time. Let me just say thank you for giving way. The Atlantic LNG strike dealt with Train 4, which was not consuming any gas at the time. That would not affect the production to Trains 1, 2 and 3; it should not have stopped any production, moreso, it should not have caused the decline in oil production. The second point is that when you lose 30 per cent of your production over a year, it would not just happen, even with the water situation. I am just asking the Minister through you, Madam President, to check into the possibility that there may be, because of the high oil prices, some sort of revenue smoothening taking place; I suspect that is what is taking place. I cannot see any of the other reasons. It is just a suggestion.

**Sen. The Hon. C. Enill:** Suggestion accepted in the spirit in which it was given. We are, in fact, doing that.

Sen. King raised some issues that I believe we have taken on board. I guess the issue would be the timing of those decisions. As you would recall, the Vision 2020 initiative was one in which the larger community got involved in an exercise to determine where Government should be going, as it relates to some future type of investment. The group looked at comparator countries and established benchmarks, and they are in the process of providing a road map, if you will, that would guide those deliberations. Again, it is a question of timing. It has taken a long time, because there were a lot of people involved. I think we are getting to

the stage, and the Minister of Planning and Development tells me that by November of this year we are going to have a document to which we can be held accountable for the delivery of the various pieces. I think that we had said for a very long time that the direction in which we are seeking to go is one where by 2020 the citizens of this country would be seeing a better way of life.

**6.55 p.m.**

Sen. Baksh is correct about some of the things he has said, but we have recognized that it really does not matter which government is in office, the delivery system must change and parliamentarians would be well advised in understanding the element of human resource in the discussions with the agencies that come to them and for which they have some oversight responsibility.

You cannot have deliverability if you are not in a position to promote people or help them to develop careers where you are responsible for that. All of us in the private sector know the reason it works is because tools are available and, quite frankly, in government there is really no reason why it should not work and unless we find a way to deal with that, we will continue to have delivery based on the individual and how he believes he should operate as opposed to the system.

I think one of the challenges that we must face is how to get the system to respond so that those individuals who have not met the targets, those who have basically not done what they were supposed to do, like those accountants who did not pay the taxes and so on could be dealt with in the system in a way in which you do not pay them to go on six years' leave. I think that is one of the serious challenges that this Parliament would have to address because unless we do that, we put at risk other institutions where some governments have chosen to try to deal with it in a particular way and in some instances that compromises the integrity of the whole system and creates some difficulty. I am saying this against the background that at some point in time this issue has to be dealt with, it has to be challenged, and it has to be beaten.

I want to thank Sen. Dr. Gopeesingh for his very wide-ranging discourse on a number of matters that are important to all of us and I would like him to basically return during the budget debate based on the information that would be provided so he can further develop some of the things he has talked about.

You would remember when I spoke, I said that we were looking at the Stabilization Fund. This fund is about stabilizing revenues; the Heritage Fund is about strategic investments and one of the things that we have started discussion on in the Ministry of Finance is why only stabilization and not strategic investments, how much stabilization and how much investments.

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The question of risk and reward, the question of whether you sterilize and hold it in an instrument that is easily available to you in the event of oil shocks or commodity shocks, or whether you go into the longer term strategic investment and that means getting involved in ownership issues, that is a discussion we are trying to firm up so that by the time we get to the place to debate the Revenue Stabilization Fund we would have a very clear position.

One of the other difficulties we have is in trying to deal with allocations on a year-to-year basis. Government ministries basically require more than our revenues can support in any one year, so we are always ending up in a situation where we have to prioritize and, in some instances, look at not providing all the resources that are required. In those circumstances, therefore, does it make sense to reduce your development programme now and save for some future date? Or does it make sense to put a little more into the now so you can deal with bread and butter issues? That has been the discussion we have been having and that is why in some instances it seems as though it is taking a little while.

I also want to deal with the point to which Sen. Seepersad-Bachan refers all the time. She says, when we left office we did this. Well, with respect, it took you six years to get from the point where you got into office to the point where you made a decision. We are in office for a very short time now, it therefore follows that we must also do the exercise to come to the same conclusion and we are doing the exercise, and we will come to the conclusion, and when we come to the conclusion, we go ahead and implement it. It cannot be that simply because you did something, and you felt it was right that as soon as we come in we must just take it and run with it. That is not how it works. I want to make the point because I keep hearing her impatience with us in doing the work that we need to do in order to get it right. I want to suggest to her that we are doing the work and we will get there so do not worry, we will do it.

Pension reform is on the agenda, I estimate we have a \$12 billion problem. I do not know why we did not deal with it before but on the basis of the exercises I have seen, every government had attempted to do something. This Government is going to be doing something about it because the question of the Revenue Stabilization Fund, the Heritage Fund and those kinds of things are instruments you can use to try to deal with that.

Sen. Bro. Khan, we have heard in the past that a lot of the resources we had in the last boom were basically lost. I raised this with the Prime Minister some time ago and he said to me that the purpose of government is to make sure that citizens

enjoy a particular quality of life and, therefore, if during a time of plenty you put it aside and when plenty is no longer available, you use the resources to support your citizens to the extent that you can, what is wrong with that?

It would seem to me that if we did not have those resources the pain we would have had to go through would be a lot more than we have in fact suffered. Whether we accept it or not, those resources were used to keep many of us to the standard of living to which we had become accustomed. We expect in the future to learn from that and do some things differently, and when we come to the table with that discussion, I am sure that all concerned will be able to talk on it.

Sen. Seepersad-Bachan talked about the Caribbean Disaster Fund and the facility. The facility is simply a mechanism to provide Caricom countries that buy products from us with a discount when the price reaches a particular level. It is our belief that if we do not support those territories that represent our largest markets we can end up with a problem in Trinidad and Tobago, particularly in the sectors where jobs are created. It seems to us that out of our own self-interest we should attempt to reduce the petroleum cost of products to those territories so that the goods and services that our manufacturers produce and put in that market would have foreign exchange to recycle as opposed to simply putting it into petroleum products.

That is the basic thinking behind the fund, and the way it has been set up is that we were not giving any country a direct subsidy, but we are proposing to put it into a fund, let the Caribbean Development Bank (CDB) or some agency like that manage it. We would set up rules whereby countries can access it for poverty alleviation issues. That is really the thinking behind it, so it is nothing else but trying to give to those countries that buy products from us a benefit in terms of higher prices. That is all that it is.

**Sen. R. Montano:** Through you, Madam President, would the Minister agree that if that is the plan then one of the things that should be in place is to ensure that the moneys that we lend or give to these smaller islands are in fact used by them to buy goods and services from us? As a Trinidadian I would take grave exception, and I am asking if the Minister would agree with giving people money and then having them go and employ somebody else or buy goods and services from somebody else.

**Sen. Seepersad-Bachan:** If I may as well, Madam President, there is something I did not understand. The Minister is saying that it is related to the supply of petroleum products so they would not have to pay, but the other issue is

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that although Petrotrin sells to the Caricom region, it is not done directly, they sell to the marketers and we have known for years that the marketers take a very huge margin. Now that this facility is in place it is very possible that they would increase those margins even more because they are getting assistance.

**Sen. Dr. Gopeesingh:** Madam President and Minister, sorry about the three of us coming at you but I want to urge some caution, or get some clarification on the management of this fund by the Caribbean Development Bank because in the globalization process there has been a question of bad management by a number of these multilateral agencies: IMF, World Bank and so on that are given money. They use a lot of consulting and backstopping practices and the money allocated to them does not reach the people, it reaches the foreign people who do all the backstopping. So the management of the CDB funding should be very critical.

**Sen. The Hon. C. Enill:** Thank you. Insofar as the issue of putting money back into the system is concerned, if you take a country like Grenada for example, it currently has no GDP and before, if I remember the number correctly, they had a \$300 million economy. It is going to take—if the numbers we have can be considered—some E.C. \$12 billion just to get that place into something, because, quite frankly, it is a mess and, therefore, part of the thinking is that Trinidad and Tobago cannot support that kind of effort, but through this mechanism, Trinidad and Tobago is hoping that Caricom Heads will basically put that allocation that we are making into the Grenada recovery issue. That would assist in some areas.

The fund is based on prices that are being paid to Petrotrin for products and you are correct, what is going to happen is that the cost is going to go directly back to the consumer so that they are going to have the same high prices and that is why we decided not to discount them. We are going to take the value of the discount up to \$25,000 a month and put it into this fund which is going to be administered by the CDB, for poverty alleviation projects in the country. That is the thinking. It would be governed by the trust arrangements that we would set up, but we would not be the ones doing it and the heads will determine which countries funding would go to.

In terms of PetroCaribe, the original concept over the last month has changed and it is no longer what it was originally intended to be because the technocrats have frowned on it. What in fact it is turning out to be is something in which Caricom as an entity, would be coming together and dealing with it at a multilateral level with bilaterals taking place with countries if they so desire, but the original concept that has been promoted has not been the one that is currently

on the table. We do not have all the information as yet, but by November we would have had a solution that would deal with the issue of which we are well aware.

**Sen. R. Montano:** The issue is that our money does not go to PetroCaribe

**Sen. The Hon. C. Enill:** There is no chance of that happening at this point in time and we do not intend for it to happen because we are going to have a say.

Sen. Ali, I really must tell you that since the last time we spoke I have had some sleepless nights trying to figure out what questions you would be coming with for the budget, and now that I know them, I think we really need to look at the question of subsidy versus tax. You know governments have major difficulties with giving up taxes because once you change it, it is rather difficult to reintroduce and one of the reasons we did not want to change or look at the excise duty issue is really because we want to make sure that revenue loss as a consequence of any reduction is not more than we will get through another mechanism.

We have looked at it, studied it, and agonized over it, but I am not sure we have a solution as yet that allows the transaction to be revenue neutral and we really do not want to create another avenue for slippage. While I hear and understand you, it is proving difficult within the administration to look at it any differently.

Sen. Baksh, in terms of Petrotrin, it is really looking at the question of its gasoline optimization project which it is committed to, and maintenance shut down on the main crude distiller are some of the real issues you are talking about and there were some other concerns in terms of looking at the debt-financing as well as the credit-rating concerns. These are things which we believe we had a responsibility to ensure that the company did not find itself having to deal with these issues where National Petroleum's indebtedness to them was not being dealt with in a particular manner and to the extent that Petrotrin is in fact as of today's date our largest producer of oil. Then we felt that we owed it to the state enterprise to support its efforts and we are asking for your support in this particular matter.

Madam President, I must tell you that I have enjoyed listening to the deliberations because as per usual, they have allowed us on this side to understand the concerns that those on the other side have and I continue to say that although we do not agree with you in some instances, we really believe that the interaction allows us on this side to do things that are in the interest of all of us.

**Sen. Mark:** I did raise an issue on the role of the United Nations Development Programme (UNDP) and I do not know if you did any research on the matter for my clarification.

**Sen. The Hon. C. Enill:** Senator, I must tell you that I was unable to do any research on it in the time you had given me, but I would undertake to deal with this issue for you if you would just specifically identify what you need to know. I do not have the information available at this point in time but I would certainly get it if you identify it for me.

**Sen. Mark:** Before the Minister takes his seat, Madam President, I did raise some matters on Tobago and my friend tried to clarify some issues, but I was wondering if the Minister could put this particular matter into perspective for us because whilst I trust the judgment of my colleague, I want it to come from him on this particular matter.

**Sen. The Hon. C. Enill:** Madam President, the Tobago issue came to us through a decision of the Executive Council of the Tobago House of Assembly. Sen. Dr. McKenzie was quite correct when she said during the last budget debate we indicated that there was going to be a facility available to Tobago for them to borrow based on certain specific terms and conditions we had set. In these circumstances when the Courland Bay initiative came up, my information is that all the required rules and conditions that govern the Tobago House of Assembly Act and its decision-making processes were in fact satisfied and what we were seeking to do in that circumstance was to provide the allocation for it. The level of scrutiny that would normally go with a central government activity is constrained by the Tobago House of Assembly and its operations and we were satisfied that everything was carried out before we went forward with this particular recommendation. In those circumstances, therefore, I did not deal with those intimate details about which you have spoken, however, they are available to me if I so desire.

**Sen. Mark:** Madam President, through you, I just want to find out from the hon. Minister whether he has any information on where we are at as it relates to the Pigeon Point arrangement and the Tobago House of Assembly (THA), and whether we are going to be called upon in the Parliament to bail out the THA as it relates to funding regarding the acquisition of Pigeon Point.

**Sen. The Hon. C. Enill:** That is a matter that is currently with the Attorney General and at this point in time, I do not have an update but I am sure the Attorney General would give you one if he has it.



Madam President, I am so happy, and I beg to move.

*Question put and agreed to.*

*Bill accordingly read a second time.*

**Sen. The Hon. J. Jeremie:** Madam President, in accordance with Standing Order 63, I beg to move that the Bill not be committed to a committee of the whole Senate.

*Question put and agreed to, That the Bill be read a third time.*

*Bill accordingly read the third time and passed.*

#### ADJOURNMENT

**The Attorney General (Sen. The Hon. John Jeremie):** Madam President, I beg to move that the Senate do now adjourn to September 28, 2004 at 1.30 p.m.; at which time the Government proposes to do the Venture Capital (Amdt.) Bill.

**Sen. Mark:** Madam President, as you know today was Private Members' Day and—

**Madam President:** Is it? It is the fourth Tuesday of each month which is next week.

**Sen. Mark:** Well whatever, but I want to hear from the Acting Leader of Government Business what arrangements he would be putting in place if we are to accommodate the Venture Capital (Amdt.) Bill. We need to know if we do that next week Tuesday, then the following Tuesday would be Private Members' Day.

**Sen. The Hon. J. Jeremie:** That was the proposal which my friend opposite and the Independent Bench had agreed to.

**Sen. Mark:** So next Tuesday we would proceed with Government's Business and the following Tuesday would be Private Members' Day?

**Madam President:** That is my understanding.

**Sen. Mark:** Thank you very much for your clarification.

*Question put and agreed to.*

*Senate adjourned accordingly.*

*Adjourned at 7.22 p.m.*