

*Leave of Absence*

*Tuesday, October 18, 2005*

**SENATE**

*Tuesday, October 18, 2005*

The Senate met at 1.30 p.m.

**PRAYERS**

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

**LEAVE OF ABSENCE**

**Mr. Vice-President:** Hon. Senators, I have granted leave of absence to Sen. The Hon. John Jeremie who is out of the country.

**SENATOR'S APPOINTMENT**

**Mr. Vice-President:** Hon. Senators, I have received the following correspondence from Her Excellency Dr. Linda Savitri Baboolal, Acting President of the Republic of Trinidad and Tobago:

"THE CONSTITUTION OF THE REPUBLIC OF TRINIDAD AND TOBAGO

By Her Excellency Dr. Linda Savitri Baboolal  
Acting President and Commander-in-Chief  
of the Republic of Trinidad and Tobago.

/s/ Linda Baboolal  
Acting President.

TO: MRS. MAGNA WILLIAMS-SMITH

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

NOW, THEREFORE, I, LINDA SAVITRI BABOOLAL, Acting 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, MAGNA WILLIAMS-SMITH, to be temporarily a Member of the Senate, with effect from 18th October, 2005 and continuing during the absence from Trinidad and Tobago of the said Senator John Jeremie.

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 October, 2005."

**OATH OF ALLEGIANCE**

*Senator Magna Williams-Smith took and subscribed the Oath of Allegiance as required by law.*

**PAPER LAID**

Annual audited financial statements of the Export Import Bank of Trinidad and Tobago Limited for the year ended December 31, 2004. [*The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill)*]

**SPATE OF BOMBINGS  
(GOVERNMENT'S ACTION)**

**The Minister of National Security (Sen. The Hon. Martin Joseph):** Mr. Vice-President, I have been authorized to make the following statement. It is public knowledge that over the last four months this country has experienced four bombings, on July 11, August 10, September 10 and last Friday, October 14.

On that occasion, the explosion resulted in injuries to 14 persons. As with the previous bombings, the relevant operational and first-response agencies of the Ministry of National Security were on the scene within minutes of the explosions, removing the injured, securing a perimeter around the crime scene and initiating a comprehensive and detailed investigation into the respective incidents.

The investigations into all the bombings have been undertaken by a multi-agency investigation, with the Trinidad and Tobago Police Service as the lead agency. All agencies of the Ministry of National Security are working assiduously, in support of the investigators, to determine the identity of the perpetrator or perpetrators of these acts.

I have been asked by the Chairman of the National Security Council and Prime Minister to correct a misstatement in today's press coming out of a statement he made in Parliament yesterday, where he said that he knew who "Mr. Big" is and not that he knew who the bomber is.

In all the bombings, relevant samples were sent to the United States FBI for analysis. As at yesterday, October 17, 2005, we received preliminary results from the FBI and these analyses are being reviewed for further action. Mr. Vice-President, the most knowledgeable Trinidad and Tobago Police Service and other law enforcement agency personnel, are working on the bomb investigations. We met recently to take stock of: one, what useful intelligence

the agencies have on those bombings; two, to compile a statement of what has already been done; and three, to review the inventory of personnel and equipment that are being used in the investigations.

We have requested, through the US Ambassador, further assistance from the Federal Bureau of Investigation. Why the FBI? It is the pre-eminent agency in the world for investigating bombings. One of the reasons we received the results of the previous bombings only yesterday is because the FBI was involved in the London bombings.

We need two forms of assistance, one short-term and one long-term. The short-term assistance should be focused on assisting our law enforcement agencies in determining who is or are responsible for the bombings and implementing strategies to prevent future bombings from this source or these sources.

The second form of assistance to be requested from the FBI is to seek a thorough evaluation of the existing organization and practices used by the Trinidad and Tobago Police Service to deal with bombings and terrorist acts, followed by FBI technical advice and training. The Federal Bureau of Investigation can provide technical advice on how best to organize to deal with these threats in the future and can provide training or offer referrals to other agencies that can provide such training.

Mr. Vice-President, as stated before, the FBI already has evidence from the previous explosions at their laboratory and should be able to build on whatever intelligence base they already have. If expertise from alcohol, tobacco and firearms or other agencies is needed, the FBI can arrange it. The FBI's local representative has already expressed a desire to assist and is assisting us in this effort. So far, we have been very fortunate that losses caused by these bombings have not been greater. However, the psychological cost, in terms of public fear and anxiety, are undoubtedly quite high and unacceptable to this Government.

Even if the bombings are being done by just one or a few individuals, rather than as part of a crime syndicate, the last thing we want is for others to follow in copycat fashion. Because of the public sense that a bombing can happen anywhere to anyone, this is probably a greater threat to the legitimacy of law enforcement than any other threat. It is, therefore, absolutely necessary to apprehend those responsible and bring the individual or individuals to swift justice. These incidents underscore the magnitude of the challenge we face and the fact that we all have a role to play in creating a safe environment to ensure Trinidad and Tobago's continued growth and prosperity.

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While the law enforcement and security forces must lead the fight against crime and violence, success will require that every citizen play his role by providing law enforcement agencies with timely and accurate information about illegal activities. As the authorities increase their efforts at law enforcement, law-abiding citizens may experience some disruptions to their routines. We ask the public for its patience, understanding and support. Rest assured that these bombings are being rigorously investigated by our law enforcement agencies and with the help of our international partners, we are confident that these investigations would be successful.

I thank you. [*Desk thumping*]

**EXCISE DUTY (PETROLEUM PRODUCTS) ORDER**

**The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill):**  
Mr. Vice-President, I beg to move the following Motion standing in the name of the Minister of Finance:

*Whereas* it is provided by subsection (2) of section 13 of the Excise (General Provisions) Act, Chap. 78:50 that the Minister may by Order impose any new excise duty or increase any excise duty and from the date of publication of the Order in the *Gazette* and until the expiry thereof the duties specified in the Order shall be payable in lieu of the duties payable prior thereto:

*And whereas* it is provided by the said subsection that every Order issued under that subsection shall, after four days and within twenty-one days from the date of its first publication, be submitted to the Senate and the House of Representatives and the Senate and the House of Representatives may by Resolution confirm, amend or revoke such Order, and upon publication of the Resolution of the Senate and the House of Representatives in the *Gazette* the Resolution shall have effect and the Order shall then expire:

*And whereas* the Excise Duty (Petroleum Products) Order, 2005, was made under subsection (2) of section 13 of the Excise (General Provisions) Act, and first published in the *Gazette* on the 28th day of September 2005:

*And whereas* it is expedient to confirm the said Order:

*Be it resolved* that the Excise Duty (Petroleum Products) Order, 2005 be confirmed.

By Legal Notice 250 of 2005, an Order was issued for the variation of the excise duties on all grades of gasoline, kerosene and auto diesel. This Order, though

published in the *Gazette* on September 28, 2005 took effect from October 01, 2005. In accordance with section 13 of the Excise (General Provisions) Act, Chap. 78:50, where the Minister of Finance imposes or increases the new excise duty by way of an order, that order must be, after four days and within 21 days from the date of its first publication, be submitted to Parliament for approval.

**1.45 p.m.**

Where the order is submitted to Parliament within the specified time, Parliament may by resolution confirm, amend, or revoke the order and upon publication of the resolution of Parliament, the resolution shall have the effect and the ministerial order shall then expire.

On the other hand, Mr. Vice-President, where the published order is not presented to Parliament within the specified time, the order shall cease to have effect and any excise duties paid by a consumer after the expiration of the order shall be refunded to the consumer.

Mr. Vice-President, for several years sales of petroleum products to the domestic market sector have provided Government with secure revenues through the collection of excise duties, road improvement taxes and value added taxes. In 2004, the total revenue generated from these sources accounted for approximately TT \$905 million. For 2005, the total is projected to reach approximately TT \$924 million.

When the reference price of petroleum products is higher than wholesale prices, a subsidy is paid to the wholesale marketing companies from the Petroleum Products Subsidy Fund established under the Petroleum Production and Subsidy Act, Chap. 62:02. The resources of this fund comprise the production levy, which is collected from oil-producing companies in accordance with the Petroleum Production and Subsidy Act.

Prior to 1992, the entire subsidy was borne by oil-producing companies. In 1992, the Petroleum Production Levy and Subsidy Act was amended to restrict the amount of levy to be paid by any producing company to not more than 3 per cent of the company's gross income. This Act was further amended in 2003 by increasing the company's limit to 4 per cent of their gross income and exempting from the levy all together, companies which produced less than 3,500 barrels of crude per day. Any share of the subsidy in excess of the 4 per cent cap, is currently borne by the Government.

Mr. Vice-President, over the past three years the level of subsidies and the portion funded by the Government have increased substantially. In 2004, the total

subsidy reached TT \$912 million of which Government's direct contribution was TT \$562 million, and that from the oil-producing companies is TT \$350 million. Since the portion paid by the producing companies is expensed, Government indirectly bears 55 per cent of the subsidy paid by the oil companies. In other words, total direct and indirect contributions to the subsidy by the Government was \$755 million.

For 2005, the total subsidy is projected to be TT \$1.35 billion, with Government contributing TT \$780 million and the oil companies contributing TT \$570 million. At projected oil prices at US \$60 per barrel, the total subsidy is expected to exceed the \$1.564 billion, with Government funding \$902 million and the producing companies funding \$652 million.

The level of subsidy and Government's contribution have far exceeded the levels of revenues available from the Petroleum Products Subsidy Fund. This negative net benefit position has made it no longer feasible for Government to sustain the current high levels of subsidy payments. As such, it has become necessary to reduce the levels of subsidy payable by Government. In so doing, Government is mindful of its other strategic objectives to the country, including its desire to maintain petroleum product prices at current levels so as to promote economic growth in the various sectors and limit any inflationary impact.

Against this background, a more prudent approach to the management of its inflows and outflows would be undertaken with respect to the sale of petroleum products. This will involve a variation of the duties and taxes on petroleum products. It is anticipated that this approach will not only result in the reduction of the subsidy but will also improve the predictability of Government revenues as well as to assist the wholesale marketing companies with their cash flow positions. The following measures have, therefore, been put in place.

The road improvement tax has been incorporated into the petroleum excise tax regime thereby removing the need for a separate collection authority and earmarking the tax. Within this framework, the road improvement tax has been abolished with effect from October 01, 2005. The removal of the road improvement tax was made effective from October 01, 2005 by the Provisional Collection of Taxes Order, 2005 and contained in Legal Notice No. 249 of 2005.

Mr. Vice-President, excise duties have been varied with effect from October 01, 2005 to the following rates:

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Unleaded gasoline	10¢ per litre
Kerosene	05¢ per litre
Auto diesel	05¢ per litre

Together with these financial proposals there has been a downward adjustment in the pricing mechanism used to determine prices sold by Petrotrin in the wholesale markets. The TT 02¢ per litre, approximately TT \$15 million, which was built into the ex-refinery pricing mechanism has been removed. The retail margins for service station operators by TT 02¢ per litre have been increased in order to cater for the increasing cost of operations so that the retail margins are as follows:

UL 95 Ron Premium	The old margin was 15¢ per litre. It is now proposed at 17¢ per litre
UL 92 Ron Super	15¢ per litre old margin, new margin, 17¢ per litre.
UL 83 Ron Regular	\$12.50¢ per litre now \$14.50 per litre
Kerosene	Old margin 08¢ per litre, proposed new margin 10¢ per litre.
Auto Diesel	Old margin 10¢ per litre, new margin 12¢ per litre.

Mr. Vice-President, in keeping with the objectives to reduce subsidy levels and maintain pump prices to the consumer, the wholesale and retail prices have also been varied with effect from October 01, 2005. On the UL 95 Ron, the Premium, the price prior to the October 01, 2005, including VAT, was 272.750, it is proposed to be 280.450; on UL 95 Ron or Super, the price including VAT was 242.750, it is now 250.450; on Regular, UL 83 Ron, it was 236.625, it is now 243.325; Kerosene, it was 140.800, it is now 138.500; on Auto Diesel it was 133.500, it is now 136.200. Those were the wholesale prices, Mr. Vice-President.

In terms of the retail prices; the final prices at the pumps, there really has been no change to those prices so that on premium UL 95 Ron, prior to October 10, 2005, the price at the pump was \$3.00, that remains; Super \$2.70, that remains; Regular, \$2.60, that remains; Kerosene, \$1.50 that remains and Auto Diesel, \$1.50, that remains.

Given the higher proposed wholesale price and retail margins, the value added taxes collected by the Government is expected to increase from TT \$266 million to TT \$275 million. The combined effect of a reduction in the excise duties,

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removal of road improvement taxes and an increase in value added taxes is the net reduction of Government's contribution towards the subsidy by approximately TT \$579 million. This will result in a reduction of the overall subsidy by an equivalent amount to approximately TT \$1 billion at an oil price of US \$60 per barrel, and at the same time preserve pump prices to the consumers at existing prices.

What, in fact, this is doing is cleaning up the arrangements that we have and dealing with this particular matter in a way that allows us to manage, more effectively, the subsidy issue.

With this, Mr. Vice-President, I beg to move that the Excise Duty (Petroleum Products) Order, 2005 be confirmed by this House.

*Question proposed.*

**Sen. Wade Mark:** Mr. Vice-President, this particular Motion before this honourable House gives us a good opportunity to begin what the *Daily Express* called a national debate or a national discussion on fuel prices in the Republic of Trinidad and Tobago.

**2.00 p.m.**

The hon. Minister has indicated in his 2005/2006 budget presentation, and I quote:

“Approximately \$1.4 billion on subsidies to maintain the price of gasoline and other petroleum products, and in due course we would have to decide at what price it would be reasonable to sell this commodity on the domestic market.”

Of course, this statement sent shock waves through the nation. People became concerned as to whether we were going to have another increase in petroleum prices as we did in 2003. I was quite happy when my colleague, Sen. R. Montano sought clarification from Sen. Dr. L. Saith, Leader of Government Business and Minister of Public Administration and Information, as well as the statement given to us by the Minister in the Ministry of Finance, that his statement could not be taken out of context and he was just serving notice that the time would soon come when we would have to engage in national dialogue on the question of fuel subsidy in Trinidad and Tobago.

As you know, we have been producing petroleum products, or I should say crude oil, since the 1890s in this Republic. In fact, we are over 100 years in that particular category in terms of being able to have the experience as a society, as a



nation in the production of oil. So naturally the citizens of this country have grown to recognize and to understand at the same time that oil and now gas are their natural inheritance. It is part of the natural patrimony of our Republic and this is where the fuel subsidy could be seen as a fair and equitable distribution of the revenues earned by our country through the production of oil. It is the dividends that we enjoy as a nation as a result of our inheritance of this wasting and depleting asset, our resource known as crude oil and, of course, natural gas.

Mr. Vice-President, it is very important therefore that the Government move very carefully and sensitively and almost sensibly in seeking to impose any new adjustment in terms of petroleum prices in our Republic. I believe that a fatal error was almost committed in 2003 when the Government, without any proper evaluation, imposed this new tax on petroleum products resulting in a massive increase in the cost of goods and services in our country.

Here there was an Order seeking to get confirmation on the approach that the Government has taken in reducing its excise tax and excise duties are taxed on goods and other commodities that are produced within Trinidad and Tobago. I was quite happy to hear the Minister of Finance tell us the composition of the total tax that we are called upon to pay as citizens of this Republic. The subsidy that we talk about amounting to \$1.4 million has to be disaggregated because it is important for the citizenry to have an understanding of what are the components of this tax subsidy or this fuel subsidy that we are told that the Government is spending some \$1.4 billion on.

We have been told by the hon. Minister this afternoon that Government is expected to spend some \$1.564 billion in fuel subsidy at the end of 2006. Out of this sum \$652 million is supposed to come from the oil companies and the Minister tells us \$912 million is supposed to come from the Government of Trinidad and Tobago through a subsidy, and he has hinted to us for a second time, that we would have to look at this question very closely. Hinting in other words, that in the not-too-distant future we who produce oil and natural gas in Trinidad and Tobago and which, as you know, constitute our national patrimony would be called upon to pay higher fuel cost. The question we have to ask: Should the price of gas not be going down in Trinidad and Tobago? Why are people being threatened by a government with a possible hike in the price of oil when we produce fuel in this country? The Government ought to be thinking of reducing the price of fuel in this country and not threatening to increase the price of fuel.

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Mr. Vice-President, I am going to engage you this afternoon in a discussion because the price structure has to be exposed. I think the Minister has begun this exposé so that people could understand when the Government tells the country that it is subsidizing petroleum products to the tune of \$1.4 billion and it has to take action because that is a heavy burden on its books and, therefore, it must take steps to remove or to reduce the level. What is the reality? According to the Minister of Finance the sale of petroleum products in this country comprises of three components: the Government taxes the population via excise tax or duty as it is called; they imposed a 15 per cent Vat on the population and they recently abolished the road improvement tax. But all along before the abolition of the RIT, the Government was taxing this population at three different levels before one could obtain a litre of unleaded gas for \$3 or thereabout.

We have to ask ourselves: What is the true level of Government subsidy? They must not come and fool the population by telling us they are subsidizing to the tune of \$1.4 billion when the truth is they taxed that gas that we pay at the pump on three separate occasions. They taxed us via the road improvement tax.

Mr. Vice-President, my doctor has always advised me I have to move otherwise I would get stiff, and I do not want to suffer from rigor mortis so I have to drift; you would appreciate that. [*Movement by Senator*] May I continue?

There are three components: Road Improvement Tax. You pay, I pay. I will tell you how it went. In 1994 the People's National Movement introduced the road improvement tax. It was part of the hard times in this country and even though they were in power from 2001/2002, they never abolished the tax until this 2005/2006 budget. So there is excise duty that we are called upon to pay, and Vat. Mr. Vice-President, the truth is 50 per cent of my money that I pay at the gas pump—and let us assume a litre of gas costs you \$3 at the pump, the Government of Trinidad and Tobago takes \$1.50 to start, in tax. Road Improvement Fund, excise duty and Vat.

What is this so-called subsidy that they are, in fact, applying to help us purchase gasoline, kerosene, LPG and diesel at the pump? I am glad the Minister spoke about production levy and subsidy because nowhere in the Minister of Finance's budget statement were we told how much money oil companies are paying the Government in terms of subsidy. We heard it for the first time today.

Mr. Vice-President, may I inform you and this honourable Senate that between 1996—2004 the petroleum subsidy amounted to a whopping \$2.9 billion. The Government of Trinidad and Tobago collected close to \$3 billion from the oil

companies in production levy. That went towards the subsidy on fuel prices or petroleum products.

**2.15 p.m.**

So when you boil down this bhaji properly, what is the actual contribution of the Government to the subsidy on petroleum products? Do not fool people by giving us this “maco” figure to “mamaguy” us, telling us it is \$1.4 billion when you know it is not \$1.4 billion. Even if the Government is subsidizing gas to the tune of \$500 million, I am saying that the people of this country deserve that subsidy. Why are you threatening to increase fuel prices because you are subsidizing oil and fuel prices on petroleum products to the tune of \$500 million or, maximum, \$600 million?

In any event, are there not alternative sources? You just went into a revision of the oil and tax regime with these so-called multinational corporations. You came to this Parliament and boasted that you got the best deal out of the oil companies and you have not even begun to negotiate with the natural gas organizations that are producing natural gas in our country. Why do you not tax them? Why do you not tax the oil companies through your new tax regime? Why not look for alternative sources to tax? But you are threatening the poor people of this country to remove subsidies because they are too high and it is a burden on the Government.

The debate we should be having is how we should go about reducing fuel prices in this country so that the cost of living could go down.

**Sen. Dr. Saith:** On a point of order, Mr. Vice-President, I do not understand the relevance of the contribution to the matter before us. There is nothing in the Motion before us which talks about raising gas prices. There is nothing before us that talks about where the subsidy is coming from and I wish, Sir, that you would rule as to the relevance of the hon. Senator’s contribution at this time.

**Mr. Vice-President:** Sen. Mark, I really would like you to stay within the Motion.

**Sen. W. Mark:** I am.

**Mr. Vice-President:** Sen. Mark!

**Sen. W. Mark:** Mr. Vice-President, I am speaking from notes. I took notes—

**Mr. Vice-President:** Sen. Mark, I do not remember hearing the Minister say that he would raise fuel prices.

**Sen. W. Mark:** He did say so.

**Mr. Vice-President:** You are going on and talking about the threat to raise the prices and, honestly, I would prefer that you stay within the confines of the Motion before us.

**Sen. W. Mark:** Mr. Vice-President, I would ask you to get the presentation of the hon. Minister. In his presentation today, he made reference to the fact that the Government would have to think about this \$1.4 billion. He went on further to give us a figure, which I have here, where he said that in 2006 the total subsidy that the Government would be allocating towards petroleum would be \$1.564 billion, of which \$652 would come from production levy and \$902 million would come from the Government. He said that and I am responding to him. I have a right to respond to him.

Mr. Vice-President, you will give me the opportunity. This is a matter in which the Government is seeking to tamper with petroleum product prices. The Minister has said that he has given us sufficient information to justify why, at some time in the future, we may have to look at the subsidy. That is why he went into detail of giving us information on the amount of Government subsidy going towards the petroleum products. This is what I have here. I wrote it down.

I ask you, Mr. Vice President, if you feel that I am going off course, let us suspend; get the relevant document from the hon. Minister and you will see where I am being absolutely relevant on this matter.

**Mr. Vice-President:** Sen. Mark, I ask you to continue with your contribution and I would like you to relate it as close to the Motion as possible.

**Sen. W. Mark:** Mr. Vice-President, I thought that this Government is committed to transparency, openness and dialogue. We are having a national debate in this Senate. I am making my contribution in the context of the Motion before us. If they wish, I can go into detail on the budget.

In this budget statement—and I want to ask you to look at pages 26 and 27—this is what the Minister referred to. The Minister referred to all these things. *[Interruption]* He is interrupting me, Sir.

**Sen. Dr. Saith:** On a point of order, Mr. Vice-President, we are not debating the budget.

**Sen. W. Mark:** We are not debating the budget. I said so.

**Sen. Dr. Saith:** Therefore, I ask again: What is the relevance of your contribution? Talking about the future and what will happen in the future is

entirely irrelevant. It is as irrelevant as our discussing whether four persons would support your leader or six. That is in the future. This is the matter before us.

**Mr. Vice-President:** Sen. Mark, like I said, continue with your contribution and please stay within the confines of the Motion!

**Sen. W. Mark:** Mr. Vice-President, I am guided.

The Minister indicated in his presentation that the 5 per cent road improvement tax has now been incorporated into the petroleum excise tax. He said so and he said that as at October 01, the road improvement tax has been abolished. He went on to talk about the new prices—the petroleum product prices. What will be the new price for unleaded gasoline? It has gone from 99 cents to 10 cents per litre; kerosene from 7 cents to 5 cents per litre; auto diesel, from 19 cents to 5 cents.

He went on to indicate what the dealers would be enjoying. The entire Order has to be located within the context of page 26 of the Minister's presentation. I am saying that if Sen. Dr. Saith does not understand that, he has not done his homework. I have done my homework and I am making my contribution. *[Interruption]* Mr. Vice-President, I ask you for protection. I seek your protection against any further interruption.

We are arguing that, arising out of the Minister's intervention and what he said earlier, it has triggered an editorial in the *Daily Express* of Thursday, October 13, 2005. It said "Needed National Discussion on Fuel".

**Sen. D. Montano:** Mr. Vice-President, on a point of order, the Minister just spoke. What he said could not possibly be the subject of any article in any newspaper. It is not possible. He spoke half an hour ago. What is he talking about? Another thing is that that debate is finished. This is another issue. I am afraid that the Senator is embarrassing himself.

**Sen. W. Mark:** Allow me to embarrass myself, rather than you embarrass me. I do not want you to embarrass me. Let me embarrass myself.

**Mr. Vice-President:** Hon. Senators, I think we have to keep this in a lawful way. Sen. Mark, I honestly question the relevance of an article written on the 13<sup>th</sup>, when the Minister spoke today, the 18<sup>th</sup>.

**Sen. W. Mark:** When the Minister spoke on the 11<sup>th</sup>, he indicated that it is the Government's intention to engage the community of Trinidad and Tobago in some dialogue on future subsidies. He repeated that point today. If you would allow me,

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this is in the national interest. Every time I make reference, it is because I took copious notes of what the Minister said while he was speaking.

**Mr. Vice-President:** Sen. Mark, please continue your contribution and, as I said, stay within the confines of the Motion!

**Sen. W. Mark:** Mr. Vice-President, what is being said, essentially, is that the Government has to tread very carefully on any future movement in the context of increasing national petroleum prices in this country.

It is the first time we are being told by the hon. Minister the composition of the price structure for a litre of gasoline and the extent to which the Government subsidizes that particular product. We are being told for the first time that there are three components that make up the total tax regime in this country. I was not aware of it before. I am being told about it for the first time by the Minister in the Ministry of Finance. It is against this background that I am making my contribution. I am dealing with the three taxes to which the Minister referred. I am also referring to the total subsidy that oil companies make toward the price of fuel in this country. I am also arguing that, when the Government says that its total contribution is \$902 million at the end of 2006, half of that is in the form of taxes that we, as consumers, pay.

We pay Vat; we pay excise duty and we also used to pay something called road improvement tax. If the Government is saying that we are being called upon, as taxpayers, to subsidize, in 2006, \$902 million, I am asking the hon. Minister to come clean with us. Tell the country exactly what proportion you are actually contributing. It is not \$902 million; it is much less. I do not understand why they are so jittery over this matter. My good friend is supposed to be an accountant by profession. He is supposed to know what I am talking about.

There is an article to which I want to refer. It was written in the *Business Guardian* of—[*Interruption*] Why am I being interrupted by this gentleman? Mr. Vice-President, I seek your protection. He distracts me. [*Interruption*] I plead guilty. It will come shortly, do not worry.

Mr. Vice-President, I want to refer you and my colleagues in this Senate to an article in the *Business Guardian*, dated Thursday, July 22, 2004, entitled “Gasoline Pricing System Irrational”. The author is Hayden Tony, a partner in an accounting firm.

I would like to share this article with you and this honourable Senate. It would give some perspective on the present Motion before this Senate and clear the air

on this so-called \$1.4 billion of subsidy and the latest scenario that we have just been told is that, come 2006, it would be increased to \$1.6 billion.

**2.30 p.m.**

I quote:

“I am taking the liberty to offer a short commentary on the reported recent exchange between Prime Minister and Minister of Finance, Patrick Manning and Daphne Bartlett, President of the San Fernando Business Association.

This exchange related to the issue of transportation fuel prices and the possibility for decreasing them.”

She was arguing that there should be a decrease.

“However, over the years, this issue has been clouded with misinformation and I am entering the discussion reluctantly.”

That is the writer.

“It was reported that in response to whether gasoline prices could be lowered, the Prime Minister responded in the negative partly because of the high level of subsidy. This is a classic case of if you ask the wrong question, you get the wrong answer.

Taking the retail price of \$3 per litre for unleaded 95 Mogas in June of 2004. Excise duty has been reduced from 99 cents.”

When this article was written, excise duty was 99 cents, which accounted for 33.23 per cent of that price; 33 per cent of the excise tax per litre of unleaded gas.

“Total taxes which include excise duty, VAT and RIT was \$1.48, which accounted for 49.25 per cent.”

The point I am making to you and my hon. colleagues is that when we are talking about petroleum prices and increasing petroleum prices, we must come clean and tell the country that excise duty, RIT as well as— [*Interruption*]

**Sen. D. Montano:** On a point of order he is misleading. Let me read what the Minister said:

"In so doing, the Government is mindful of its other strategic objectives to the country, including its desire to maintain petroleum product prices at current levels."

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He said nothing about increasing. The Senator has based his entire debate this afternoon on some fallacy that the Minister intends to increase prices, which is going nowhere.

**Sen. W. Mark:** I never said that the Minister is going to increase prices. I never said that.

**Mr. Vice-President:** Sen. Mark, the article you are reading is making references that pretty much amount to speculation. It would be a good thing if, as I said, you keep within the confines of this, and we do not make speculations as to what somebody plans to do down the road and all of that.

**Sen. W. Mark:** I am not dealing with speculation, Sir.

**Mr. Vice-President:** In terms of the Motion, you either support it, or you do not support it. I think—

**Sen. W. Mark:** I have been in this Senate for 15 years and this is the first time I am being guided in this way.

**Mr. Vice-President:** Sen. Mark, the article you are reading, I am really not seeing the relevance of it.

**Sen. W. Mark:** This is unbelievable! I am making a contribution.

**Mr. Vice-President:** As I told you, I would like you to continue your contribution, stay within the confines and I would really like to know that you are allowed to finish your contribution.

**Sen. W. Mark:** Guide me on this matter. How is excise duty irrelevant to our debate, Sir? I have been in this Parliament for 15 years. I have made numerous contributions. I have never stifled nor has any attempt been made to muzzle my contribution, which is totally relevant, Mr. Vice-President.

**Mr. Vice-President:** Sen. Mark, I am in no way trying to muzzle you. As a matter of fact, I am trying to tell you that you could make your contribution in a way that relates to what we are discussing and get it over with. I am in no way trying to muzzle you. You could be relevant, irrelevant, misleading or otherwise, if you go in a direction that really does not relate to what we are doing I am going to have to tell you. I am not trying to muzzle you; that is not my intention.

**Sen. W. Mark:** Mr. Vice-President, if I am being told that the Government is subsidizing petroleum to the tune of \$1.4 billion for the 2004/2005 period and I am being told further, that for the period 2005/2006, it will increase to \$1.6 billion, how did the Minister arrive at this figure? I am showing that in arriving at



these figures, the Minister did not level with the population properly. I went on to tell you that in his presentation earlier, he told us the components of these measures. He told us that it was made up of RIT, VAT and excise tax. I am raising arguments around the submission that he has made, but I am being interrupted all the time.

**Sen. Enill:** Thank you for giving way, Senator. Mr. Vice-President, I did not want to interrupt Sen. Mark's contribution, but this is one piece of information that he has not provided. I did say that subsidy has to do with a projected oil price. The fact of the matter is that the Government pays the difference between what it buys oil for and what it costs to produce it. The composition is simply a function of that particular formula. Again, this number can go higher than that, depending on what we consider the projected price of oil to be. That is an important piece of the contribution that needs to be considered in any discussion that he has, because fundamental to the discussion is the price of oil that he has used.

**Sen. W. Mark:** This is an irrational regime. They are not prepared to listen. This is why this country is moving from chaos to confusion and confusion to chaos. If I am not being allowed to make what I call a very sensible contribution on a matter of national interest, then I can go on to other subjects. If you want me to leave gas and go to the bombers, I can do that.

**Sen. Enill:** Or excise duties.

**Sen. W. Mark:** Yes. I am trying to constrain myself. It is the first time I am trying to stick to my text and I am being interrupted all along. Why? You know I have patience and I will go for my full hour. Our position on this matter is that we believe that the Government must engage the national community, the Opposition and all the Members of Parliament in serious dialogue, debate and conversation on any future moves to increase the price of gasoline and petroleum products in this country. We do not see the need for any future increases in petroleum prices in this country. We believe that there are alternative sources of revenues that the Government can target, in order to ensure that the cost of living and the price of goods and services are kept at a minimum for the ordinary people of our country. I do not believe that the Government ought to be taking the tentative step that it appears to be wanting to take. They did it in 2003, when they upped the price of gasoline and petroleum products and we saw the end result. We are still experiencing the reverberations of it.

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On another note, let me raise a matter that is of grave concern to my person.

**Mr. Vice-President:** Hon. Senators, the speaking time of the hon. Senator has expired.

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

*Question put and agreed to.*

**Sen. W. Mark:** I want to know if the gas is being used to make the bomb. I want the Minister of National Security to tell us this afternoon if the gas—excise duty on gas—is being used as a component in the making of the bomb?

Mr. Vice-President, I want to ask something. We have Senators and parliamentarians in this country. Bear with me for two minutes. When people speak in this Parliament, I think they have unqualified privilege. I was watching a programme last night on television and I wonder if a statement made by Independent Senator, Dr. Rolph Balgobin, who is not here today, in this Senate during the budget debate—He said: “Go down there.” [*Interruption*] I am dealing with the rights of Senators in this country. It will happen to you. Mr. Vice-President, may I address you? When you speak as a Senator or a parliamentarian, can your life be threatened? I want to know whether the kidnapping of Dr. Rolph Balgobin's brother had anything to do with him making a statement in this Parliament saying: “Go down there.”

**Mr. Vice-President:** Sen. Mark, I really listened so that I could see where you were going, and I think this is totally irrelevant to the Motion. I feel if you want to discuss that matter you should raise it as a matter on the Motion for the Adjournment, not at this time, please. Okay?

**Sen. W. Mark:** I will move a Motion. I understand you. You do not have to labour.

**Mr. Vice-President:** I think you can use the remainder of your time to stay with the Motion.

**Sen. W. Mark:** I will move a Motion at the appropriate time, with your support and consent.

We have to embark upon a programme of energy conservation in this country. Small Barbados, as you know, has engaged in a programme of energy conservation. As you know, the use of solar water heaters has become increasingly popular in Barbados.

**2.45 p.m.**

So, Mr. Vice-President, the point I am making is that as the Government seeks to, or is contemplating increasing the price of petroleum products, one of the areas that we have to look at is energy conservation. I call on the Government to pay attention to this question of energy conservation; whether it deals with electricity in our homes or how we use our cars. There is need for us to pay attention to energy conservation in our country.

Therefore, I believe that if the Minister does not want to engage in a debate at this time on the price structure of gasoline in this country; and if he does not want to engage in gasoline pricing in this country, we will have to bring to your attention a special Motion to deal with this matter in a more detailed way. I thought that in this particular Motion on excise duty, the Minister and the Government—having just gone through the experience that we have all gone through—would have been a little more sensible, sensitive and rational in dealing with these matters, but you cannot really change people who are not prepared to change themselves. I have to allow events and circumstances to take a grip of this country.

Mr. Vice-President, we have looked at this particular Motion, and having regard to what the Government has attempted to do—reduce with immediate effect excise duties on petroleum products—where, for instance, unleaded gasoline has moved from 99 cents to 10 cents; kerosene from 7 cents to 5 cents; and a number of other areas—we have also noticed in this excise duty the removal at the refinery level of a margin of 2 cents which was used in arriving at the posted price of petroleum products.

This excise duty has also contributed to an increase in the retailers' margin by 2 cents. Mr. Vice-President, you will see that the 95 Ron unleaded gasoline went from 15 cents to 17 cents per litre. That is what the retailer would enjoy; 92 Ron unleaded gasoline from 15 cents to 17 cents per litre; 83 Ron unleaded gasoline from 12.5 cents to 14.5 cents per litre. He has indicated that this excise duty would also contribute to kerosene moving from 8 cents to 10 cents per litre; and auto diesel from 10 cents to 12 cents per litre.

He goes on further to say that as a result of the change that we are dealing with in the excise duty and the ex-refinery margin, the wholesale price would be adjusted to reflect 95 Ron unleaded gasoline from \$2.37 to \$2.43 per litre; 92 Ron unleaded gasoline from \$2.11 to \$2.17 per litre; 83 Ron unleaded gasoline from \$2.05 to \$2.11 per litre. He went on to say that the excise duty would result in

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kerosene moving from \$1.22 to \$1.20 per litre and the auto diesel from \$1.16 to \$1.18 per litre.

Mr. Vice-President, he went on further to indicate that these measures will improve the cash flow of wholesalers who bear the burden of subsidy payments. In the first instance, I get the impression that he was referring to the National Petroleum Marketing Company.

He has also indicated that these measures would significantly reduce the level of subsidy payments by the Government. He did not tell us by how much. I hope that the Minister would provide us with some answers. Is it by \$40 million or \$50 million? We do not know. It will also enhance the viability of the operations of these retailers.

We know that retailers have not enjoyed any increase in the margin since 1993. So this 2 cents increase that they have received, I do not know how far it is going to take them but, certainly, I would imagine that it is a welcome development for these retailers, having regard to the fact that they have not received any increases since 1993, from my research.

We want to just advise the Government that in the future, before they could contemplate any moves to deal with any increases in petroleum prices that they deal—

**Sen. Enill:** Mr. Vice-President, the way the Senator has just read that one can get the impression that there has been an increase in the price of the product. There has not been and there is not any increase in the price. All that the Government is seeking to do is to find a formula in which the net effect—

**Sen. W. Mark:** I know that.

**Sen. Enill:** Well, say that. Mr. Vice-President, I have a concern with the way Sen. Mark is reading my speech. He is giving the wrong impression. There has been no increase in the price of the product. [*Desk thumping*]

**Sen. W. Mark:** Mr. Vice-President, where did I say there was an increase? I never said that there was an increase in the product. I simply mentioned how the measure would impact on different sectors, wholesalers and retailers. I never said in my statement that the price of petroleum product has increased. I think the Minister has misread me. I do not know why he is so sensitive under the collar.

In closing, I wish to warn this Government that any future attempt to increase the price or the prices of petroleum products will meet with the full resistance of

the people. The people will not tolerate any increases in the prices of gasoline. We are submitting that we have enough alternative sources of taxation and not to burden, in the future, the motoring public because there are captive markets; we say no! We have already seen the impact of that. We are saying to the Government to desist and resist from going in that direction in the future. They have not done it in this round, I have to admit, but they have intentions of doing it. We want to caution them not to go down that bumpy road and move toward reducing fuel prices in this country, and to make life more reasonable and comfortable for the ordinary people, rather than bring more heartache, headache and difficulty for the country and the people of this land.

Mr. Vice-President, I thank you very much. [*Desk thumping*]

**Sen. Basharat Ali:** Mr. Vice-President, thank you. I am very pleased to be able to make a contribution to this debate on the Motion to confirm the Excise Duty (Petroleum Products) Order, 2005.

After all the toing and froing, I am wondering whether most of my contribution would be irrelevant because I am going to talk about crude oil prices and petroleum product prices. I am serious because if this is so, I have very little to say. Let me first say that I intend to give “qualified support” to the Motion. [*Desk thumping*] I stress “qualified support” and I hope to explain, in the course of my contribution, what I mean by “qualified support”. [*Desk thumping*]

Mr. Vice-President, October 17 which was yesterday, is a red letter anniversary in the history of world petroleum. An event on October 17, 1973 changed the whole course of the petroleum industry, and we have lived with it from 1973 to now. I speak of the event called: “The Arab Oil Embargo” which was decided on that day by the Arab members of OAPEC with Saudi Arabia, Iran, Iraq, Abu Dhabi, Kuwait and Qatar. Quite a few of them are not friends today, but they were back then, and together with another OAPEC member Libya, they agreed to place an embargo on shipments of oil to the West with the United States and the Netherlands as specified targets. This was an action which was taken in retaliation for a Western support of Israel in the so-called Yom Kippur War.

Only the day before on October 16, OAPEC which is the Organization of Arab Petroleum Exporting Countries, its members unilaterally raised crude oil posted prices for Arabian light crude oil from about US \$3 to US \$3.65 per barrel and announced production cuts. There were two simultaneous actions on October 16. So, thus, we started the so-called 1973 oil crisis.

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I am going to give a little history into oil pricing because I think it is relevant for all of us to get to know and understand what this field is all about. [Interruption] By 1974, the price of Arabian light crude oil had risen to \$12 a barrel. So at that time there was a quadrupling of the oil prices.

By 1979, Arabian light crude had reached an official selling price of US \$34 per barrel.

During the period 1980 to early 2000s, we saw great volatility of prices with lows of \$11 per barrel in 1985 and \$9 per barrel in 1999.

As of mid 2005, Arabian light crude posted price was \$46 a barrel. So during that period, Arab crude oil prices have increased some 15 times. That is between 1973 and 2005.

The Arab oil embargo only lasted six months; that was until March 17, 1974, but the balance of power on the setting of oil prices had shifted from the major international oil companies to the producer countries; a very significant event.

What about us, Trinidad and Tobago? In 1969, perhaps the first arm's length crude price was set between—the company for which I work and also my colleague here, Sen. Walton James—Shell Trinidad Limited and Trinidad Tesoro which was 50.1 per cent owned by the Government of Trinidad and Tobago. The price was set for Trinmar crude which the company had acquired from bp Trinidad assets at the time. An agreed price then was US \$1.56 a barrel for crude oil. That was in 1969. In fact, I said it may have been an “arm's length” transmission but, I think, there was a bit of “arm twisting”.

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

I am sure my friend at the end there would remember that on a certain Friday afternoon a letter arrived from the Ministry of Petroleum and Mines and it was an order from the then Minister, Mr. John O'Halloran, revoking an oil import licence for Nigerian crude, which was being processed in Point Fortin at the time. Early Monday morning that revocation was rescinded and we again, had a licence.

That was the background behind this \$1.56 a barrel price, because Shell was saying we could buy the same crude for \$1.25 a barrel. That is part of the history of oil in Trinidad and Tobago. The weapon used was the Government import licence.

In 1974, there was an enactment of the Petroleum Taxes Act, where the concept of the tax reference price was introduced to calculate income tax, and the

increase of the tax rate was also introduced; tax went from 45 per cent to 50 per cent. This was a mechanism which was done unilaterally and it was done really on the back of the Organization of Petroleum Companies (OPEC), because if we did not have OPEC on that, we would have been in trouble.

The announcement about tax reference price was made in the budget speech of 1974, and when the tax reference price of Soldado crude was given as US \$13.73 a barrel—remember we negotiated at \$1.56 per barrel for Soldado crude—here it is that a tax reference price was set at US \$13.73 and for Amoco crude, US \$14.93. That was in the January 1974 budget speech for the year of income of 1974.

So those increases, as I said, were put into motion on the back of increases in official selling prices of group crude oil from OPEC countries. Trinidad and Tobago was able to ensure, by this mechanism, that any windfall profits or any windfall revenues, which came from higher oil prices accrued to the Government of Trinidad and Tobago. That system was discontinued in 1980, and later in 1992, by amendment of the Petroleum Taxes Act. In both those cases the system of petroleum revenue tax and supplementary petroleum tax came into existence.

From 1969 to 2005, crude oil prices have gone from \$1.56 a barrel—a figure I have said a couple of times before—to \$45 a barrel in May 2005; a conservative number. That is about 30 times the price of 1969. We have to take into account, of course, the quality of the oil has changed, and the East Coast Galeota crude is benchmarked on West Texas Intermediate (WTI).

What has happened on product prices, I think this is where we come and maybe I am not being irrelevant again. What about product prices and more specifically motor gasoline prices? In 1973, premium gasoline fetched 81 cents per imperial gallon which is 18 cents a litre. Today, premium is TT \$3 a litre. One benefit is, the same octane number, but it is unleaded. So, there has been a 17 times increase in the price of the gasoline to the consumer. It is really matching in a way the crude oil pricing following in crude oil pricing.

What about subsidy? In 1973, the subsidy was zero. There was no subsidy; the sale of petroleum products was in the hands of Texaco, Shell and National Petroleum (NP) to a less extent. So that any losses those two companies, particularly, Shell and Texaco had to carry, through the system of taxation whereby they had consolidated accounts for production refining and marketing—it is only when we changed to a tax regime change in 1974 that we came to another situation, and by mid 1974, Shell Trinidad had parted with its marketing

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arm and by early 1975, Texaco Trinidad had also parted with its marketing arm. So, it was no longer a question of them having to bear subsidy of any kind. But by that time of course, the Petroleum Levy and Subsidy Act had been introduced, and I have been advised by my colleague, former Minister of Energy, that in fact, it never came into being in the year in which it was passed, 1974, but it came into being a year later in 1975.

So, we have had in existence the Petroleum Levy and Subsidy Act. Since that time until now, very minor variations or amendments. My friend, the hon. Minister, did mention 1992 adjustment whereby, instead of the production companies paying all the subsidies in form of levy, they put the 3 per cent cap on gross revenue from oil, and only last year—I think it was the 2003 budget—that was increased to 4 per cent; the levy which contributes in fact to any subsidy.

I have looked at the numbers here and looking at the overall fuel consumption, I looked at a figure of about 15,000 barrels a day, which works out to a large number in litres—870,525,000 litres for the year. If I had used—and which I did—the figure given by the hon. Minister of \$1.4 million subsidy, that would have worked out at \$1.60 per litre. But that of course, included the element of excise tax, which has applied until now and this is what we have under discussion here today.

I have worked out in fact, that with the 2006 fiscal year, reduction of excise tax that should have resulted in a drop in the subsidy of \$841 million, which is roughly \$1 a litre of petroleum product. Let me say, instead of \$45 oil, we have \$65 oil; I think I heard the Minister speak of \$60 oil. In fact the subsidy will be much higher than what I worked out there. I give for example, the quotation from the ex-refinery price, which is an international price from Petrotrin on October 11 for 95 octane unleaded, US \$1.98 per American gallon.

I was told that earlier in the year 2005, that figure would have been about \$1.40. When the hon. Minister said that the subsidy will be of the order of \$1.565 billion, I agree with him; I think it may be that. When I spoke in the budget, I said then, that maybe the \$692 million which was the provision for additional subsidy from the Ministry of Energy and Energy Industries to the marketing company, I said it may have been a generous amount, but if we keep at \$65 oil, it is quite possible that we would use up all of that.

So, Mr. Vice-President, if it were my call—and I say “were” advisedly, I have no aspirations of being a Minister of Finance, Prime Minister or Minister of Energy—I would have eliminated completely the excise tax and the road



improvement tax (RIT), thus, I would have foregone a further \$70 million in excise. But that is really an amount which goes on either side, you get it as subsidy, but you collect it as excise. I say that is my preference. I know there is an alternative view on that subject and it comes from a man I respect very much, in terms of his opinion, and he told me, leave the notional excise duty, so that when the time comes, it would be easier to implement any increases in excise duty. I have taken his opinion, but I still maintain—

Where we are looking at now in terms of pricing of crude oil—I am no expert in crude oil pricing but it seems that within my foreseeable future anyway, I do not have many more years to live—there would not be any major drop in crude oil prices, so there would continue to be a substantial subsidy, and I do not foresee any increase in excise tax. To me, excise tax is like a nuisance tax right now, and if we have to increase prices then we have to go to the retail price and increase that, because that is a consumption tax. The product we are talking about, plus value added tax—which is a consumption tax—is dependant on how much you use. If you do not use any gasoline, you do not have anything to pay.

So, this would have been my recommendation: do away with it. But I am putting a caveat to that and that caveat is that, we must start, as soon as possible, to prepare our way for a possible return to market-based prices, and we must start a public education programme through—and I am saying to the hon. Minister of Legal Affairs—the Community Affairs Division, for example. In such a public education programme, what are we going to stress? I am saying we are going to stress conservation. Oil is a non-renewable asset, so it is going to go down. It is going to stay in the ground in the long run if we do not use it, but conservation is one of the critical elements I have looked at, as an area where we must do something.

When we have subsidies, there is waste; I do not think anybody can disagree with me. Once there is subsidy, there is waste. The only way to do that is to try to eliminate subsidies in the long run. Let us, first of all, get people to understand that conservation means eliminating the use of a motor car; for example, car pooling. How many people car pool in Trinidad? Vehicle maintenance, particularly the diesel vehicles; how many times do we see them blowing out black smoke? That is an engine which is not well maintained. So, good maintenance means two things in that case: a benefit to the environment because smoke and such emissions are dangerous for our health, and a saving in the amount of product you have consumed. I say travel at non-peak periods, if you can, which means then that your consumption of gasoline drops; therefore, you save at the pump.

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So these are the factors that I can readily identify, and I am sure that there are many more which we can look at as the time goes along. If anybody wants to talk to me about this, I am willing to—

**Sen. Enill:** Mr. Vice-President, clarification through you, thank you, Senator. Did I understand it—you said that we need to get to the situation where we are in market-based prices? Because if you said that, then I will also ask the question: on the basis of this, what would be the consumer price at this point in time?

**Sen. B. Ali:** What I did say is that we should be preparing ourselves for the day when we have market-based prices; that is, we would not be in a position to have these big subsidies. I think I am on the same wavelength as the Minister when it comes to that, and I think we should all be on that wavelength. This windfall that we have here now and this wastage—there is a lot of wastage; everybody has to have a car; and it does not matter whether it is running well or not. Sometimes it is running when nobody is in it, because the price of gasoline remains at a low level compared to a lot of other goods.

That is one of my recommendations; conservation of our natural assets and with that goes the benefit to the environment. Even with unleaded fuel, we still have a lot of emissions; when we get stuck in traffic, it is pollution, and we need to have a cleaner environment than we have at the moment.

### **3.15 p.m.**

The other area which I think can be easily tackled and should be tackled is what is the effect of fuel prices on consumer product and services? So, going from the direct user like the driver of a car, we hear all the time, of people who provide services, and as soon as you talk about gasoline, they say, everything is going to go up; that is not necessarily so, but we have to start by educating people.

I did a little calculation; it is very, very rough for an average car. I used a figure of 10 kilometres per litre of fuel and the fuel of choice these days is super at \$2.70 per litre, that gives you TT 27 cents per kilometre. So, 10 per cent increase is only 2.7 cents per kilometre. If we look at a round trip to San Juan which is eight kilometers, the cost then is 22 cents, and if you look at an average of three persons in a taxi per trip, it is 7 cents. We have increased the gasoline price by 27 cents or 10 per cent, but really, the cost in terms of gasoline is 7 cents. I think this needs to be driven home to the consumer, to the people who as soon as you say, the gasoline price is going to go up by 27cents they are looking for a quarter, at least; and there is no consumer resistance. So we have to educate people.

This is why I am appealing to the Minister responsible for Consumer Affairs Division; let us do something about it. It is the same for transportation cost and products, whether it is a bread van or a sweet drink van, we can work out all of those figures and see what the effect of an increase of 10 cents, 15 cents and 20 cents per litre is. And as I am saying, once we have removed all the taxes then with a clean slate—and we have to keep down subsidy, and that is the way you have to go. Raise the retail price; everybody would feel it, but they have a way of minimizing the effects of it by that.

There are other benefits associated with reduction of the levy. Levy is part of the subsidy, because as the hon. Minister quite rightly pointed out, every time they pay a levy we take out—basically we forego 55 per cent of that because they have it as a tax-deductible item and they are all making profits. So it is the Government and the people who lose 55 per cent of whatever the levy is.

I have one concern though when looking at levy, and that is, right now it is really only two companies which are paying levy, real money, levy money, and that is Petrotrin, the State-owned company which has 58,000 barrels a day in total production and bpTT whose production is dropping, 32,000 barrels per day. You ask what is BHP Billiton? BHP Billiton is at 50,000 barrel per day, today, but BHP Billiton has a production-sharing contract. So all that happens with BHP Billiton is that any levy which you calculate based on the production—and as I say, it is the production of anybody who has over 3,500 barrels per day. Any levy then that BHP Billiton or anybody else, an oil producer with a production-sharing contract pays would simply have that deducted from Government's share; it is Government's share which is affected. They get less, but they still will get, I presume a certificate saying that they have paid so much levy out of the Government's share and they will still get a tax certificate saying they have paid so much taxation. Let us understand the production levy concept, production-sharing contract concept, in the context of production levy.

And I want to repeat also the same question about natural gas which I mentioned in my contribution last Thursday, is now four times the amount of oil in terms of oil equivalent. We are waiting for the tax regime. Sen. Mark talked as if there was a tax regime on natural gas, we have not seen that, but why do they not carry part of the burden of any subsidy which is going to the people of Trinidad and Tobago? Once again, there are production-sharing contracts except for bpTT who is a licensee. I have heard talk of changed circumstances, for example, and this may be a changed circumstance that we are no longer a major oil producing country, we are a major gas producing country.

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So, Mr. Vice-President, that was the rationale that I used to say that I am agreeing to the excise duty with a little qualification. I hope that what I have said today—and I am glad it was not deemed to be irrelevant by certain Members on the Government Bench—opens up discussion. And I am open to discussion with the Minister of Legal Affairs who heads the Consumer Affairs Division, to start going on this programme of fuel conservation to the people of this country.

Mr. Vice-President, I thank you very much. [*Desk thumping*]

**Sen. Carolyn Seepersad-Bachan:** Thank you, Mr. Vice-President, for the opportunity to contribute to the Government Motion.

Let me start by just recapping what the Minister of Finance stated with respect to this Motion. He quoted some figures in terms of the excise duty, the road improvement tax, et cetera. In fact, one of the issues that was raised—and I think Sen. Basharat Ali raised it as well—is when we look at the level of subsidy, it started off at \$912 million and today it is up to about \$1.4 billion with a projected figure of \$1.56 billion. Interesting inside there, Mr. Vice-President, is that whereas the Government's share, may be in the case of this year about \$1.35 billion total, the \$780 million of the Government's share, the 570 for the oil companies, 55 per cent of that is being borne by the Government.

For sometime now, I have been in this Senate advocating strongly for the removal of this excise duty, for many reasons, and I am glad to see at last the Government has taken the recommendation that we needed to get rid of this excise duty. [*Desk thumping*]

**Sen. Enill:** You cannot say I did not listen to you.

**Sen. C. Seepersad-Bachan:** Mr. Vice-President, so, they do listen sometimes. Let me just remind this House why I said we must remove the excise duty. The excise duty recognizes that when you have a product that you are importing—let us take in this particular case the gasoline or diesel and so on—there is an import duty on that product. For a locally manufactured good, the gasoline and diesel produced here in Trinidad it attracts an excise duty, so that you have that differential which will protect the local good.

Now, Mr. Vice-President, what is happening now with the whole opening up of the market, even in terms of PetroCaribe and even before PetroCaribe, because we are talking about the region, there is really no import duty, or there is going to be very little import duty, or, it is not the way to go. Therefore if we are talking about this open market then we cannot be talking about an excise duty on a

locally produced good when there is going to be no import duty on the product that will be imported. Therefore that was one of the arguments that I maintained for the removal of the excise duty. I feel it was misused; the term itself was misused.

Mr. Vice-President, in terms of the excise duty, let me just do a little—I did a spreadsheet on the pricing structure, I did it before and after, and I included the 10 cents now for the excise duty. I want to make it very clear, because we are mixing up a lot of issues here with respect to the wholesale price, the retail price and the ex-refinery price. We have to be very careful about that and I want to make this point, because what you do is you add on; on the ex-refinery price we are adding on the excise tax. We are also including in there a filling and handling, which I want to remember to ask the Minister, but let me ask him now. There is a filling and handling charge that has always been .44 cents, somewhere in the press it was reported that the rack handling fee which would have been that filling and handling fee has been removed, it was quoted as 2 cents, if I recall. So, I am just asking the question, if that rack handling fee has been removed, because if it was, then what will happen to the maintenance of the gantry operations in Petrotrin? I just wanted to ask that question, but I will come back to it later on.

We have a wholesale margin, NPMC was the only wholesaler until Unipet was given a licence and they had a margin of 9.5 cents at one point in time. Recently, in 2003 in that budget statement you increased that wholesale margin to 12 cents in the case of Ron 92 actually, it was reduced from 18 cents to 15 cents for Ron 95; that is the one with the MTB in it. Once you get that reference price then you add on the wholesale price itself that you want to give to the retailer. Now in each of these cases here you are attracting Vat, when you reduce the excise tax now from 99 cents to 10 cents, the Vat on that portion of it has been reduced, we accept that, and I have worked a figure here where I think—but I was using 600 million litres consumption annually, and I used that, because I am looking only at gasoline. I was just trying to compare the figures for gasoline. I note Sen. Ali said 800 and something million, but that would include all the diesel and so on, because you were using barrels of oil. I left out all the diesel, the kerosene and so on; I was trying to deal only with the gasoline.

When you move on from there now you put on the retail margin, which the retail margin goes to the dealers. The last time around what you did was you increased that by 25 cents for some of the products, and today what you are doing is you are increasing the retail margin by two cents, Mr. Vice-President. So definitely the Vat on that retail margin would increase; on one point you save Vat.

The Government has reduced the Vat at the wholesale price, but you have increased your Vat at the retail price because of the introduction of the two cents on the retail market—I just worked the figures. Therefore, when we talk about the Government's take and so on, the spreadsheet—I worked with the 600 million when I was looking at the Government's take and I am sure you can put in the accurate figures and get a more accurate figure to it.

The Government's take before, and I am talking about after you did your price increases in 2003, was 600 million; you would have ended up in a situation where you could have ended up in a surplus. The last time when I spoke in 2003 I asked the issue about the surplus, because of the increases that you had maintained. Today, however, your Government's take on the total would be about close to, I am coming up with a close to about 30 million, 32 million and so on. But I see there you have also indicated you are getting 70 million on the issue of your excise duty. The Minister mentioned 24 million, so we could be varying in terms of whether he has used diesel and kerosene and I was working just with the gasoline prices.

Mr. Vice-President, why I am making this point, and why I went into the detail about that, I wanted to get back to this whole issue about margins.

**3.30 p.m.**

We have gone back to this old paradigm of talking about wholesale and retail margins; that was something we tried to remove over time. In 2003, I mentioned this, because you did give the National Petroleum Marketing Company (NPMC), the wholesaler, an increase of 2.5 cents margin as well. You had given a retail margin to the dealers of .25 cents and one cent for diesel and kerosene. Today, you have increased it by two cents.

During the 1995 to 2000 period, NPMC applied several times for an increase in the wholesale margin. We had applied for a 5 cent increase and that was on the basis of what it would have cost us; the capital expenditure required to upgrade the service station network. We were denied that, because it was told to us several times that was the view of the UNC government, at that point in time; that this was a country blessed with hydrocarbon resources and it was one way of the benefit redounding to the citizens of Trinidad and Tobago.

I recognize that the Government is attempting the same thing; although you had a price increase recently. We said it here; we warned the Government about that price increase in 2003, the ripple effect it would have on the economy, in terms of inflation, because this is, basically, a transport-based economy.

Moving on from there, we were told, at that point in time, that you would be looking at an open sector and at the divestment of the retail marketing sector—competition. There was an imminent threat, at that time, of competition. So NPMC went back to the drawing board and came up with plans to determine how it was going to derive new revenue streams. It was not that it came up with its own plans; NP copied a lot of the international models available, whether it was from Conoco or bpTT—BP in those days—and Amoco. Do you know why? Because it was recognized that fuel would always be your loss leader. That is why I am making this point.

While you may think that the fuel prices right now are high, it is high because of the oil price, but in most cases throughout, in a deregulated market, for example the US market, the price of fuel is not really the market price; it is substantially lower. Sometimes fuel stations decide that they would buy fuel and sell it at a loss, because what they have invested in is additional revenue streams and the fuel is the attraction to the service station.

When I speak about additional revenue streams, I am really speaking on the issue of the convenience stores, the quik shoppes or whatever they are, because that is where the world has gone in service station business. The world has gone towards a new set of revenue streams that can complement the revenue stream from fuel. In fact, over the years, while I was there, I remember that in one year, the contribution of fuel to profitability or to the cash flow was about 40 per cent; while for the convenience stores, the revenue stream was closer to 60 per cent. By the time I left there—and I am talking about the benchmark on the international scene—it had reached as much as 90 per cent. The revenue stream from the convenience stores was 90 per cent, compared to what it was before. In the case of fuel, it just contributed 10 per cent to profitability and cash flow. That is the point I am trying to make.

The Senator said that the quik shoppes are making losses; let me deal with that right now, as she asked the question. When the quik shoppes were opened, it was not to say that we did not have problems; there were several problems; we recognized that, because NPMC, in terms of its core activity, could not manage retailing on that level; so you had to look for expertise in that area. Nowhere in the world are you going to find the service station itself trying to manage retail in a convenience store. This is what I cannot understand with NPMC.

When we started off, we designed nice, modern service stations with room for improvements after that, recognizing that we could not handle the retail, because that was not our core function at NPMC. Recognizing that we could not do

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business, at that volume level, to attract the discounts, we went out and subcontracted what we called the "C-store suppliers" who would take care of all those billing arrangements, et cetera. But NPMC, over the last four years, disbanded that whole idea; they removed the idea of the C-store supplier. They themselves have now gone back into trying to manage a retail store, which they cannot do. That is not their core activity and they are not purchasing in enough volume or enough bulk to give them the discount to make them profitable.

When we started, we were running at a loss for the C-stores, while we managed them, but as soon as we got in the C-store suppliers, it was amazing to see their profitability; they went right up. I do not like calling figures publicly about convenience stores and so on; I can speak in percentages, but in some of the stations, profitability went up by 300 per cent. I hope this answers what the Minister said, because the whole issue here is: What is NP's greatest asset? Its greatest asset is their location and they are not leveraging that properly. When you tell me that you have not done any upgrade over the last four years—you have the Tragarete Road station sitting there; you have the Freeport station; two ideal locations and you have done nothing with them. As an asset, you have not utilized it to generate revenue streams. This is why the profitability of NPMC is so low today.

Looking at the accounts, every year you see a decline. During our time, recognizing that we had to restructure the organization to make it profitable, we were able to raise profitability up to about \$60 million. Under this regime, it has gone down to about \$10 million for last year and \$15 million for this year. One of the problems is that your wage cost is going up, because you are negotiating new agreements every time and the revenue streams are not increasing to compensate or to match the increased expenditure line. I hope this answers what the Minister was saying.

For some time now, we have been asking what has happened to the service stations upgrade. Nothing has happened over the last four years. When we left office, there were complete designs. We had built nine and based on those nine stations, we got some feedback, in terms of operations, and that was fed to the design team who made further improvements and another 15 designs were generated for some of those very sites available for building, and nothing has happened.

When we hear about the market price of fuel, today, this should have been a deregulated market. We had proposed that they go through a phase of restructuring of NP; a four-year period for divestment, meaning opening up of the



market. *[Interruption]* It is because Sen. Sahadeo asked the question. I want to finish answering the question and I will get back to the Motion. I will finish answering her question. She asked the question.

We had given a period for divestment, so that we would have had some guaranteed returns that would have allowed, even the new market entrants, such as Unipet, to develop new stations, which they did, with a guaranteed rate of return for a guaranteed margin. Subsequent to that, where you should have been today is a deregulated market, meaning that prices should have been deregulated, not controlled. As a result of that, you would have allowed the market forces to play.

For the service station, if there was full competition, you may very well have found that the price of fuel would have been lower, because the owners, the retailers, the dealers would have been trying to attract people into the service stations and you would have had revenue streams coming in from the convenience stores to make up for the losses from fuel. That is the point I wanted to make.

It is amazing; you have changed everything; you have reversed everything. You have removed the new model contracts. *[Interruption]* I keep hearing Sen. Sahadeo saying that they are not making any money. Why are they not making any money? The company has refused to move forward; it has done nothing and you have so many more managers hired, from the time we left there to now. You have a retail service station manager; you have a service station network designer and a manager; you have a manager for retail service and a manager for the service station network. You have endless managers. Do you know what has happened, Mr. Vice-President? Nothing; these managers have not been able to make an input into increasing the revenue streams of NPMC, so they have stayed the same and the expenditure line has gone up, reducing the profitability.

I wanted to ask Sen. Sahadeo a question when she was speaking during the budget debate. I saw something in the Review of the Economy document. Why is NP now one of the companies that has joined the list of companies in deficit? I cannot understand how NP can be in a deficit. What is being quoted here is a deficit position of \$475 million. I would really appreciate it if anyone could shed some light as to how NPMC ended up in a deficit position, when it should really not have been at all. *[Crosstalk]*

I will tell you why I am making this point about the profitability of NPMC and the retailers. When there were new model contracts available—which they have reversed—that allowed many of those dealers to profit, even from the additional

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revenue streams, based on incentives. So these new model contracts were implemented. Do you know what has happened? We have gone back to a two-cent margin for the dealer. I want to ask that side, today you have given a two-cent margin increase; two years ago you gave a .25 and a one-cent increase; what is going to happen next year?

Those very same dealers are going to come back knocking on your door and telling you, "It is not economical for us to operate at 15 cents margin." Then what are you going to do; give them another increase in margin? Mr. Vice-President, based on what is happening in these accounts, next year NP is going to come to you saying, "I need another three cents increase in margin," because the next time around that it has to negotiate—it has to sign another collective bargaining agreement—the cost is going to go up. They are going to come right back here to the Government and say, "Listen, we need another increase in margin."

That is why we took the decision that we cannot depend on margins. Margins are a thing of the past; we have to look for a new concept to deal with the whole business of retail marketing for domestic fuel. You know what is interesting? National Petroleum got an increase in 2003; it is getting a two-cent increase and they have not built a service station as yet. During that time when we were denied any increase in wholesale margin, we used internally generated funds to build service stations; and they were built.

The first thing you have to do is take some serious decisions about the sector. The Government needs to look at the retail marketing sector and determine what its profitability is; whether it is an open or closed sector to NPMC and what the profitability is. You have to get the show on the road, in terms of moving towards a deregulated market.

**Sen. Dr. Saith:** What part of the Motion are you talking about now?  
[*Crosstalk*]

**Sen. C. Seepersad-Bachan:** Sen. Ali spoke on oil pricing. I am speaking on the concept of margins. [*Crosstalk*]

[*Mr. Vice-President pounds gavel*]

Sen. Enill raised the question of margins in his contribution and that is what I am addressing. Sen. Sahadeo mentioned that the C-stores are not making money, so I answered here. Okay, Mr. Vice-President?

**Sen. Mark:** Danny cannot talk.

**Sen. C. Seepersad-Bachan:** One of the problems we have is that we do not get into the whole issue of performance-based systems. [*Crosstalk*] I understand that Government has given up the excise duty, but in giving the increased margins, I want to know if we are going to see a better performance on the part of NP and the dealers. Throughout this country, citizens are fed up with the level of service given to the motoring public.

**3.45 p.m.**

Mr. Vice-President, you know during our time that was when things had to stop in the new service stations. You get new service stations, new underground storage tanks, the environment is cleaned up, the dealer—well in those days we called them—

**Sen. D. Montano:** Mr. Vice-President, maybe she can show us where National Petroleum (NP) is in this Motion so we can make the nexus?

**Mr. Vice-President:** Sen. Seepersad-Bachan, please continue with your contribution, and as I advised Sen. Mark, stay within the confines of the Motion, please.

**Sen. Mark:** Do not bother with Sen. Danny Montano.

**Sen. C. Seepersad-Bachan:** Mr. Vice-President, I have been speaking on the concept of margins because they are increasing and I want to know if we are going to see an improved level of customer service with these increasing margins. Is NP going to increase its service? Is the dealer going to increase his level of service? I want to know what the purpose of these margins is.

I do not see any upgrades going on at service stations, and I do not see the dealer taking any time out to improve his level of service. So when it is increasing margins, the Government must remember it is taxpayers' money and the motoring public wants to see results. We want to see performance when it comes to the taxpayers' money and that is what we on this side stand for and demand. We demand performance for pay. [*Desk thumping*]

Mr. Vice-President, when the PNM Government came into office in January 2002, it appointed Franklin Khan as chairman and I remember I called him and said to him: I would like to share with you all the information and plans about National Petroleum Marketing Company (NPMC), and feel free from now, if ever you need to get clarification, you can call on me. I did that because I felt as a former chairman, that was the professional thing to do and so I went and shared all the project plans, all the plans for the service station upgrade, all the

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architectural plans and I saw nothing. Do you know what is amazing? One year after, Mr. Franklin Khan had nothing to show for his work at NPMC as a chairman and he talks about all that we did. Only time tells.

All the nonsense they spoke about NP, today, they cannot say a word because they on that side have done nothing. Sen. Sahadeo talked about losing money. Why? It is because your management system has broken down and you are increasing margins. What are the managers doing at NP? That is why it has broken down. It is a shame to go into some of the service stations that we built to see the condition they are in. In our time, they had to do a real inspection test every three months and the dealer had to account for oil on the floor, and why the dispenser was not polished and shining. Look at the condition of the service stations today, they are allowing them to fall apart and then talking a set of nonsense.

**Sen. D. Montano:** Where are we? What are we talking about, NP, or a Motion on excise taxes? For the last half an hour, the Senator has said nothing on the Motion.

**Mr. Vice-President:** Sen. Seepersad-Bachan, I had asked you to continue with the Motion. I think you were responding to something somebody else said. So please return to the Motion. [*Desk thumping*]

**Sen. C. Seepersad-Bachan:** Thank you, Mr. Vice-President. The truth hurts because they have had three chairmen from then to now and they have not achieved anything. That is what is hurting them, but I will abide by your ruling, Mr. Vice-President.

**Sen. Dumas:** We are leaving the post for you.

**Sen. C. Seepersad-Bachan:** Thank you, Senator. Mr. Vice-President, this is the same group when they went in as management cancelled the balance score card system which was a performance appraisal system for management and staff when it was working and was being fine-tuned. So they know why they have to get up every minute to object. [*Desk thumping*]

Mr. Vice-President, let me get back to the issue with which I was dealing in terms of the margins. The concern that I have is that when we continue to depend on margins even for improvement, it is not part of the whole thinking or part of the industry worldwide. It does not conform to the benchmarks internationally. That is the point I am making.

Let me move on to the ex-refinery price. One of the things that drive the ex-refinery price is that—and many times we hear that when you have to pay the subsidy Petrotrin and NP are in a negative cash flow.

If we start with the ex-refinery price, it is based on a formula set by the Ministry of Energy and Energy Industries in the first week of every month. It is based on a basket of figures which can include the Gulf Coast posting, Caribbean posting, et cetera, and a yield for Petrotrin, but most important, included in that formula is a half cent to one cent premium. That means, regardless of what the postings come up with, Petrotrin is guaranteed a premium price from the local market and I want to make that point very clear. Many people feel that Petrotrin is subsidizing the market, no. Petrotrin is receiving not only a market price but a premium over the market price. And for some time now, we have been questioning why we continue to put that premium into that formula.

One may very well find that if we try to let this ex-refinery price come up to the standard, or come down to the market price, the wholesale price may fall. So when we are talking about the subsidy, I want us to also ask ourselves if we are paying Petrotrin the premium price or a true market price, because we are subsidizing part of that premium for Petrotrin, which is what we are doing. That is the point I want to make.

I am not against Petrotrin receiving the true market price for petroleum products. They must be given international market prices if they are to be competitive and we want them to be competitive, but they must show profitability and not say they are not profitable because they are dealing with the local market. That is untrue. What is happening here is when you look at the postings, you will get above the postings because you are using a netback price, and if you use the Gulf Coast you will add on two or three cents for transport. So because of that transportation cost what you are selling the local market is higher than what it would have sold for in Puerto Rico or on the Gulf Coast. Let us be very clear on that. So when we are talking about subsidy and the Government using subsidies and raising subsidies from the production levy, part of that is going back to Petrotrin and we must ensure that Petrotrin remains profitable when it comes to that.

If one looks at the breakdown, Sen. Ali was saying it was about 15,000 barrels, I think it may be more like 20,000 barrels because Petrotrin's refinery output is about 160,000 barrels right now; 20,000 barrels are going into the local market, about 1,500—2,000 barrels go into LPG and 40,000—50,000 barrels are going to the regional market, another market that gives us premium price. The other 30,000—40,000 barrels go into Latin America and the Central American areas like Guatemala and Honduras and the rest are sold on the international market as fuel oil.

Mr. Vice-President, close to 70,000 barrels produced by Petrotrin will be fetching a premium price, and as a result of that premium price they must ensure they are profitable. That is why when I asked Minister Sahadeo last week what is the true profitability of Petrotrin, it is because I know what it is costing the local market. The local consumer, through the subsidy arrangement is paying Petrotrin the premium price.

I asked the question about the rack-handling fee which has been included and which, somewhere along the line—I am not sure if the Prime Minister had mentioned it, or if it came out in a statement by the Minister of Energy and Energy Industries—it was saying that the rack-handling fee was removed. Some are saying it was two cents, I am not sure what it is, but we have to be very careful with the removal of that handling fee because already there are public complaints by the workers at the gantry about its current condition.

One would recall there was a strike at one time causing a shortage at the local market. The gantry is in need of proper upgrade, in fact, what we may be looking at is, instead of removing the handling fee we have to look at putting in a handling fee to ensure that the gantry can continue operating, or I do not know if you would say that is part of Petrotrin's responsibility. It may be the Government's position that the gantry is now part of Petrotrin's responsibility and, therefore, it should be absorbed in the ex-refinery price and there should be no additional handling fee for that rack.

Mr. Vice-President, let me say outright that the condition of the gantry today is outdated and there was a design for a new gantry to be located on the eastern side of Petrotrin so that there would have been ease of access by all the tankers. It was supposed to have been a modern, computer-controlled gantry because there is a lot of spillage that takes place currently, and it had caused some alarm and concern in recent times and times before that. So I hope by now the Government can tell us what is happening to the gantry operations and where the plans are at today in terms of the construction of a new one.

If there is going to be a new gantry, it was our proposal that all the wholesalers, be it Unipet, NPMC and Petrotrin form a joint partnership with that gantry and operate and charge their own fees. It would therefore remove this handling fee—whether it is adequate at two cents or four cents—out of the pricing mechanism. I hope to hear from the Minister on that issue.

Sen. Seetahal was asking about the quality of the diesel. We are seeing the price rise, and the quality of diesel right now and even on the issue of

PetroCaribe and the possibility of losing the Caribbean market. We recognize that Petrotrin must do something about the quality of diesel. In fact, there are many imported vehicles in this country right now that require diesel and the quality is really not up to standard.

I know that the Government is looking at the gas to liquids plant as part of the solution by using its output stream that can be blended into the existing streams from Petrotrin, about 2,000 barrels and by blending that output with the existing stream you will be improving the quality. It is more for increasing the cetane number and I know that Petrotrin was taking steps to look at the sulphur content of diesel.

**4.00 p.m.**

In fact, if they are going to lose, which we know—not now but within the next 24 months I would imagine, once that PetroCaribe Agreement takes full effect—the quality of diesel that Petrotrin is now producing cannot be sold on the international market. In fact, there would have to be a complete upgrade of all the product lines to meet the international standards. They are talking about the new refinery by some investors and it is clear that if a new refinery is sited in close proximity to Petrotrin—that is the plan I understand—then I cannot understand where the output from this refinery is going. Is it to the local market—that is what I cannot understand—with the same pricing mechanism used for determining the ex-refinery price?

We are not sure, because I cannot understand, if you put up a refinery here, do you know where the market is for the output of that refinery? It is clear that that refinery will be bringing new processes, new technology, et cetera, and, of course, it would be more cost-competitive than the existing refinery. In fact, it may throw the existing refinery out of business. I am not sure if that is the intention, but whatever it is, it can do two things. One is, it could either help us reduce this ex-refinery price or it can go up. I do not know. So I am not sure what the plans and agreements are for this new refinery.

I started off by speaking on the excise duty, but now that we have covered a lot of terms of the competitiveness of the industry, I want to say that the reason I have always advocated that we remove this excise duty completely—by the way, Minister, I wanted to say that in the last increase, you remember when you moved the production levy from 3 per cent to 4 per cent; that was in 2003, where the budget statement of 2003/2004 clearly stated the additional revenues derived from these increases will be used to fund a number of programmes, including

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reforestation of \$50 million, expansion of the Unemployment Relief Programme (URP), drainage in La Horquetta, Maloney, San Juan and Laventille, and CEPEP by \$225 million. So that was the justification given then for the increase in the production levy from 3 per cent to 4 per cent.

Today, since we are on the issue of looking at the subsidy, I think the Minister needs to let us know what has happened from that time to now. Was the extra revenue generated from the production levy increase from 3 per cent to 4 per cent actually used for reforestation, expansion of the URP and CEPEP? I think we need to know now. Sen. Basharat Ali spoke about the production levy really coming only from two companies, Petrotrin and bPTT; \$58,000 from Petrotrin and \$32,000 from bPTT. But given what we are seeing—and this is something we have always discouraged and this is why I am dealing with it altogether.

One of the issues throughout Latin America; there was a move by—you remember it was OLADE that did some research and there was a paper that was generated from that study which talked about all these taxes and the mere idea of increasing taxes on fuel to be able to fund social programmes. I remember making that point in 2003 and I am making it again today, that the purpose of subsidies and excise duties is not to support social programmes. It should not be. This is where we run into problems in countries such as Trinidad and Tobago when we follow that old paradigm of looking at taxes on fuels to fund social programmes.

That brings me to the excise duty. One of the issues I had mentioned to the Government was that for some time now we have been saying we have a subsidy and a surplus arrangement but it is not legislated. I have been advocating for some time that when we go to the subsidy legislation, we need to make room for the surplus that is generated when oil prices are low. In addition, as is obtained throughout the region, there is something called a consumption tax that is placed on fuels, as opposed to excise duty. The reason for the consumption tax is because, whereas the excise duty was static—it remained at one figure—the consumption tax varied. So to be able to respond to the varying market prices, the consumption tax itself will vary. In fact, if we do have the pump price of the \$2.45, the consumption tax will move in line with that. If, however, your oil price—the market price of the product—turns out at some point in time to be much less than the pump price, after you have taken out all the Vat and the margins, and so on, for the wholesaler and the retailer, that surplus can now be used to vary the consumption tax. I want to ask the Government to indicate to us if there has been any consideration given to the consumption tax. It has been used throughout the region basically to respond to the international market pricing.



It is important to note that right now with the PetroCaribe Agreement—I was amazed when I heard that figure—that Petrotrin’s profitability, with the current oil prices, will reduce by almost US 50 to 60 cents per barrel on the gross margin. This is serious.

**Mr. Vice-President:** Hon. Senators, the speaking time of the hon. Senator has expired.

*Motion made,* That the hon. Senator’s speaking time be extended by 15 minutes. [*Sen. W. Mark*]

*Question put and agreed to.*

**Sen. C. Seepersad-Bachan:** Thank you, Mr. Vice-President. As I was saying, there will be a reduction in Petrotrin’s gross margin by almost US 50 to 60 cents per barrel, and I think this is important for them to understand, because if you look now at the competitive pricing for the local market, then the PetroCaribe Agreement which will be negatively affecting Petrotrin, one will really have to start reviewing Petrotrin itself in terms of its operations, not to mention with the reduction in the gross margin. They still will have to meet more stringent international standards for their sulphur content and aromatics, et cetera, and in addition to that, look at this whole bottom of the barrel optimization, because fuel oil will not continue to exist very much in the international market.

I always feel that one of the issues that we need to deal with is that Petrotrin needs a joint venture partner who can be long on crude and who can bring some markets for their products. I also want to say, because I have been hearing this for some time from Petrotrin, that is, they want to get into service stations; to build service stations, and I want to remind them of the Heller Commission. I am sure Sen. Ali would remember the Heller Commission—not so, Senator?

**Sen. Ali:** Yes.

**Sen. C. Seepersad-Bachan:** Everybody remembers that, when all the price wars took place in the 1960s because of this same issue. It was a deregulated market at that point in time. In fact, it is a very good report and I suggest that the Government get access to that report because there are many issues, although it occurred in the sixties, that are still relevant today in a different form. One is, when you are talking about a deregulated and competitive market, you must remember that you cannot have the supplier, that is Petrotrin, operating in the retail market, because they will give their service stations preference. That is what created the shortage of gasoline during that time in the sixties because the one

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supplier, BP, I think, was controlling a large portion of the service station network and starving the other retail operators. That is what created the shortage and price wars. It is important we keep that supply function separate from the retail function. If it is that Petrotrin is interested in participating downstream then everybody must be able to access supply from international markets. It cannot be that you are the sole supplier and also participating downstream.

I just wanted to say, because we have been talking about competitiveness, and I listened to the Minister of Energy and Energy Industries speaking about the last administration going on a frolic of building rum shops and grocery stores. I think the citizens of this country deserve better. This PNM government, for the many years they have been in place, never took the time to upgrade service stations; to replace underground storage tanks; they continued with the pollution of the soil by hydrocarbons and lead. The main objective of the service station upgrade was to ensure that we had remediation taking place at all those service stations. It is a well-established fact that all the service stations that carry these underground storage tanks are leaking so that we have hydrocarbon and lead going into our watercourses.

It is, therefore, unfortunate that the Minister could make a statement like that because right next door in Barbados and Guyana, you have upgraded service stations. The citizens of those countries are given the opportunity of convenience stores. Our citizens deserve just as much. But according to this administration, our citizens do not deserve the best; our citizens deserve dilapidated service stations with no convenience. That is the message that they have sent. That is why when we speak about getting competitive and making sure competition enters into this market, it is so important. It is important for us to recognize—last week we spoke a lot about the competitive index. Let me inform you that Transparency International, the corruption perception results are out today. Last year's score was 4.2; this year's score is 3.8. We are now 59th on the list. We are down from the 51st position. I hope that the Government takes note, because exactly what we were saying last week and when they were pounding on us for doing that, this is where it has reached. This information I got, courtesy Sen. King, who passed this to me just now

I want to end by saying that last week when the Minister of Finance mentioned that there was no way that gas revenue is going into the Revenue Stabilization Fund, I want to make just one point. There is a revenue of \$3.75 per BTU and an expenditure of \$3.75. Last year it was \$1.50 for revenue; expenditure, \$1.50. So there is no differential between revenue and expenditure as in the case

of oil. What you have indicated was that 100 per cent of the differential goes into the Revenue Stabilization Fund. In this case there is no differential. You may tell me that the price of natural gas may go above \$3.75. I am saying that is already a very high price for the natural gas at the well head.

I wanted to clarify that particular issue and to end off I just want to say that I hope the Government would think carefully about the way forward and encourage the opening up of this market; bring in competition. I will give an example. In today's advertisement on TSTT, with all the competition coming in from Digicel, do you know what is happening? You are seeing big advertisements by TSTT: "While you are asleep we are working to build a better network for you." Suddenly TSTT recognizes it must now build a better network for the citizens of Trinidad and Tobago. What was happening all before? Nothing, because there was no competition. That is the situation we have in this retail market. There is no need to make any improvement; there is no objective, no goals, no plans, because there is no imminent threat of competition. That is what we sadly need in the retail marketing sector.

I thank you. [*Desk thumping*]

**4.15 p.m.**

**The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill):** Mr. Vice-President, the matter for deliberation today, the Motion to discuss the changes in the Excise Duty (Petroleum Products) Order, 2005 has been discussed. Let me thank Sen. Mark, Sen. Ali and Sen. Seepersad-Bachan for their contributions. Let me make the point again that the issue that the Government basically was flagging was about this product that was at a price at a time when oil was \$25 a barrel. Today it is going to \$60. The question arises: Is that a good use of the resources of this country particularly in circumstances where there are those who are talking about the question of the Heritage and Stabilization Fund? It is a discussion that clearly, we need to have.

I was particularly entertained and interested in the policy position of the United National Congress as enunciated by Sen. Seepersad-Bachan. We have a view and a plan. Much of the assumption she has made and conclusions she has come to as they relate to how we deal with people is absolutely not true. The fact that particular circumstances are taking place in a particular industry cannot be attributed to the Government not caring about people. That is not so. I want to make it absolutely clear that those statements cannot make sense.

Really and truly, there is nothing for me to defend. There are a number of technical questions that the Senator has asked and because they are technical I

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think that they should be addressed to the Minister of Energy and Energy Industries in the appropriate form. The issues are of a technical nature and would be best handled by technocrats. I am not one of those and I would never pretend to be able to answer them.

Interestingly, the question of Transparency International, I wonder if anybody can confirm whether the matrix has changed; that is to say, that Transparency International has now decided not to use as a factor, the degree to which there is polarization within the society. In my research on this particular matter in trying to understand what some of the issues were, I think that there were some changes in the way in which the thing is being mentioned. That is something I would like somebody to talk about at some point in time. [*Interruption*] It is irrelevant but it is a question that was just raised.

Having made those few comments, I beg to move.

*Question put and agreed to.*

*Resolved:*

That the Excise Duty (Petroleum Products) Order, 2005 be confirmed.

**Mr. Vice-President:** Hon. Senators, it is just a few minutes away from tea time. We would take the tea item on the Order Paper and there is a Motion on the Adjournment. We will come back at 5.00 p.m.

**4.20 p.m.:** *Sitting suspended.*

**5.00 p.m.** *Sitting resumed.*

#### ARRANGEMENT OF BUSINESS

**Mr. Vice-President:** Hon Senators, I did indicate before we suspended for tea that there was a part of the procedure that I needed to revisit. It is Item 13, Introduction of Bills for the Bills to be read into the record. I seek leave of the Senate to revisit Item 13.

*Question put and agreed to.*

#### SUPREME COURT OF JUDICATURE (AMDT.) (NO. 2) BILL

Bill to amend the Supreme Court of Judicature Act, Chap. 4:01 [*The Attorney General*]; read the first time.

#### FAMILY PROCEEDINGS (AMDT.) BILL

Bill to amend the Family Proceedings Act [*The Attorney General*]; read the first time.

#### ADJOURNMENT

**The Minister of Community Development, Culture and Gender Affairs (Sen. The Hon. Joan Yuille-Williams):** Mr. Vice-President, I beg to move that the Senate do now adjourn to a date to be fixed.

*Adjournment*

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**Mr. Vice-President:** Hon. Senators, leave has been granted for a matter to be raised on the Motion on the Adjournment by Sen. Wade Mark.

**Emergency Health Services  
(Workers)**

**Sen. Wade Mark:** Mr. Vice-President, I raise the following Motion dealing with the policy of the Ministry of Health towards the workers employed with the Emergency Health Services. Let me take this opportunity to welcome my colleague and friend, the hon. John Rahael, to the Senate.

I raise this matter and I do it with a heavy heart. There is a company which has taken over what is called the Emergency Health Services of Trinidad and Tobago. The name of the company is Global Medical Response of Trinidad and Tobago. Prior to this organization coming on board, this particular task or responsibility was executed by the South West Regional Health Authority (SWRHA). When they were running this particular service I understand from research that they were paid around \$75 million to \$76 million for a year and this particular company that has now come on board is now receiving close to \$150 million for the said contract. That tells me that the value of this contract has been increased from around \$75 million to roughly \$150 million.

There was a work force of close to 290 workers when this contract was issued to Global Medical Response. This company is made up of a partnership consisting of American Medical Response and Amalgamated Security Limited. The workers are made up of the following categories: 21 supervisors; six shift coordinators; seven training officers; eight safety officers and about 242 emergency medical technicians.

There are about 37 ambulances in active service in the system at this time and we need about eight persons to man these ambulances on a 24-hour basis.

Since this contract was handed out I do not know—maybe the Minister of Health can tell this Senate the process involved in this exercise. Was there an open tendering process? Who were the people or organizations that bid? What was the highest bid? What was the lowest bid? Let us get some information.

I am concerned about the public assets that have been placed in the hands of private owners. We have contracted Global Medical Response at a price or contract value totalling \$150 million. This new company that has come on board has unceremoniously dismissed about 180 workers. They have only re-employed about 104 at the time of my information. The Minister of Health can correct me.

If all the workers are currently employed he can let us know. This particular company has taken advantage of these workers who are citizens of Trinidad and Tobago. A number of workers have not been given any contracts. The Minister of Health was either written to or they attempted to meet him without any success to date. He can correct me. I also understand that the Prime Minister has been written to on no fewer than three occasions seeking an audience and they have not been given any audience with the Prime Minister to date.

I would like to draw to your attention a copy of the contract. I do not know if the hon. Minister is in receipt of this contract. I turn to a particular clause and I ask Sen. The Hon. Christine Kangaloo; Sen. The Hon. Joan Yuille-Williams; Sen. Magna Williams-Smith and Sen. The Hon. Hazel Manning to pay particular attention to this clause. Under clause 6(g) of this contract headed Maternity Leave, it states:

This leave entitlement shall be limited to two pregnancies in every four consecutive years.

This is in a contract that these people at Global Medical Response have forced female workers to sign. I have a copy of the Maternity Protection Act of Trinidad and Tobago which was passed in both Houses of Parliament and required a special majority.

**5.10 p.m.**

This Act protects our women in this country and it is almost out of order for a foreign company to come to our country and impose such a backward and retrograde clause in an agreement. I call on the Minister of Health to have this contract thrown out. I do not know what the Minister of Labour, Small and Micro Enterprise Development is doing but I will make a copy available to him.

Mr. Vice-President, our female workers are being called upon by Global Medical Response of Trinidad and Tobago (GMRTT) to sign a document that will confine them to two pregnancies in every four years. This is madness! The Minister will have to explain why he, the Prime Minister and the Government of this country have allowed GMRTT to impose such a backward clause and provision in this particular contract.

Mr. Vice-President, I get the impression that apart from the Minister of Labour, Small and Micro Enterprise Development, who seems to be anti-labour and pro-big business, that we have a number of Cabinet Members—I know the hon. John Rahael is a businessmen, so I know, inherently, he is anti-worker.

[*Interruption*] Okay, you are not anti-worker. Mr. Vice-President, why would the Government of Trinidad and Tobago allow such a contract to be issued? What is sad about it is that we are paying Global Medical Response of Trinidad and Tobago taxpayers' dollars in the sum of \$150 million and they are telling our women how many pregnancies they can have in every four years. It is not their company, Mr. Vice-President. It is our money that is financing this operation! I really take strong umbrage and objection to such a clause in a contract.

What are these demands of the workers in question? The workers are calling on the Minister of Health to ensure that all the workers who were employed before this contract was signed, are transferred, without any loss in terms and conditions of employment, to the new company called Global Medical Response of Trinidad and Tobago. If there were 290 workers, they must all be transferred to this new company without any loss in terms and conditions of employment. I am not involved and I do not support VSEP, that is something for the union to discuss, so I do not think the question of retrenchment should be involved in this matter whatsoever.

My information is that a number of workers, as we speak today, are on the breadline; workers who were productively employed and engaged before this company got the contract. These workers have mortgage payments to meet, they have contractual obligations with a number of businesses; they have children to send to school; they have their basic needs to satisfy. What is going to happen to the quality of life of these workers? What is going to happen to family life that the Government spoke about in their 2006 budget? Family life is going to be destroyed.

Mr. Vice-President, may I bring to your attention that there are married couples that work for the emergency health services of this country and both husband and wife are on the breadline today? That is so because we have some aliens coming from abroad, taking our money and actually brutalizing our workers, more so our female workers! They are now on the breadline, Mr. Vice-President! I am calling on the Minister of Health to take action to ensure that the 290 workers who were employed with the emergency health services, which was run by the NWRHA from south, are all reemployed without any loss of service and on the same terms and conditions as they enjoyed before. If they want to engage in discussions, let them do so with the Public Services Association in terms of any future disengagement of those workers.

Mr. Vice-President, I call on the hon. Minister of Health to tell the Senate what he is doing about this travesty of justice. Why is he allowing these

foreigners to oppress our workers, particularly, our women? I hope I would not have to raise this issue again. I hope the hon. Minister could give me and this honourable Senate the comfort—he knows about the problem—that he has taken action; that the workers are happy; that they are all employed; that they are on the same terms and conditions and business is running very smoothly.

I thank you, Mr. Vice-President.

**The Minister of Health (Hon. John Rahael):** Mr. Vice-President, as usual, it is always a pleasure to be in this honourable Senate. I always remind Members that I first cut my teeth in Parliament in this honourable Senate during the years, 1991 to 1995. My good friend, Sen. Wade Mark was also in the Senate at the time and it is amazing how Sen. Mark can really flip-flop. When he is in Opposition it is one song; when he was in government it was another song. Well done.

First of all, Mr. Vice-President, with respect to the emergency health services, for many years we have had various complaints about the arrival of ambulances at the scene of an accident or, when someone calls for an ambulance it takes a very long time before the ambulance reaches its destination. I recall, very vividly, one evening while watching television, there was an accident outside TGI Friday and TV6 and all the cameras and everyone arrived on the scene before the ambulance arrived. It took the ambulance, which was actually being run by the South West Regional Health Authority, 45 minutes to get to the scene.

There were numerous complaints over the years about our ambulance service and we are all aware of that. Having recognized that, Mr. Vice-President, we, the Ministry of Health and the Government of Trinidad and Tobago decided that we would try to introduce private management into the service to ensure that the delivery of service will be done in a timely fashion so that our citizens' lives would be saved by reaching the destination within a specified time. The South West Regional Health Authority and the management of the EHS, at the time, agreed with the approach to put out a tender for a—because we had received the 30-odd ambulance services; each of those ambulances has a service contract attached to it so that the maintenance and the servicing of the ambulance was already assured—contract with respect to the management of the service. Mr. Vice-President, we went out for international tender. Sen. Mark, it was, in fact, tendered.

I think it was about four or five companies which tendered and it was a three-year contract. Sen. Mark, the prices that you were quoting were not quite accurate so I would just like to correct that. All the prices I am going to read to this



honourable Senate have to do with a three-year contract and the lowest bid was \$130-odd million and the highest bid was \$300 million, over a three-year period. In that bid document it talked about response time; you must respond within a specific time depending on category of call; every call is going to be logged; it is going to be monitored and recorded with respect to the time the call was received; what time the ambulance was dispatched; what time it arrived at the scene; what time it arrived at the hospital. All of that was part of the tender document so that anyone tendering would have had those guidelines to understand what was expected of them with respect to the response time.

We went out for tender and the company GMRTT was the preferred tenderer, this was through the Central Tenders Board. Their bid was \$150 million over three years. Again, the bids that came in ranged from \$130-odd million to \$300 million, so they were awarded the contract.

In that tender document, it never said that one would take over any employees because all those who were employed for this service by the South West Regional Health Authority were employed under contractual arrangements. They were fully aware of that and, in fact, we were going out for private management of the service. The South West Regional Health Authority gave ample notice. Arrangements have been made to pay all the workers in accordance with the contract and the benefits including the notice of time, gratuity and all that is required—not only what they are legally entitled to, but even more.

Mr. Vice-President, we could not have told the providers or the tenderers at the time that they must employ “x” number of persons. Our condition had to be with the performance of the service. However, GMRTT was the preferred tenderer and as of today they have employed 212 persons out of the 280-odd persons that the South West Regional Health Authority had employed at the time.

Mr. Vice-President, we cannot tell persons to bid on certain conditions with respect to what we require. We require an efficient service and we require them to respond within a specific time. Out of the 280-odd persons, 212 persons have already been employed. All the ambulances that the South West Regional Health Authority was supposed to hand over to this new company, they have not yet been handed over. They are going to employ as many as required in order to ensure they provide that service.

With respect to the terms and conditions, I also want to inform this honourable Senate and Sen. Mark—in fact, the terms and conditions when it comes to the monetary terms, I am aware that their package is a much more enhanced package

than what they were receiving from the South West Regional Health Authority. My information is that when they were employed at the South West Regional Health Authority their salaries were about \$22 an hour. I understand that they are now getting between \$24 and \$25 an hour. Mr. Vice-President, as I said, their remuneration package is much more enhanced and they are going to be trained to become paramedics. This is going to be the other level of service that we want to provide in Trinidad and Tobago, so that when our ambulances arrive at the scene they would be able to provide certain kind of treatment that might save lives.

With respect to the maternity, again, that contract would have gone through the mill. If it was an oversight, I am sure it would be corrected now that it has been brought to my attention. I am going to get a copy of the contract; I have never seen the contract. I am sure that no company will be able to enforce anything that is outside of the law. If, in fact, there was something stated in that document that is outside of the laws of Trinidad and Tobago, whether it is a local company; whether it is a joint venture with any foreign company, or even if it is a foreign company, that will not be accepted. We, on this side, will not tolerate that.

Mr. Vice-President, again, I want to give this honourable Senate the assurance that we will go through the contract with a fine tooth comb and refer it to all the legal minds to ensure that there is nothing in it that contradicts the laws of Trinidad and Tobago.

Mr. Vice-President, I came here this afternoon to clear the air with respect to the service. I am confident and very hopeful that we will see a much more improved service. Last Friday night was a very good example as to the response time. Mr. Vice-President, in less than five minutes the ambulances were on the scene.

**5.25 p.m.**

Already we are seeing some improvement. We expect to see much more. We have not yet received all the ambulances that we are supposed to have received. I am hopeful that they would employ more persons [*Interruption*]*—*Sen. Mark, it gladdens my heart when everyone is employed in Trinidad and Tobago because in other interests that I have, that would be beneficial to them as well. I cannot be anti-worker. I wanted to clear that with you.

**Sen. Mark:** Seeing that you had 290 workers employed prior to that, you now have 204 or thereabout, are you anticipating that the 290 workers would probably, ultimately, be employed as well?

**Hon. J. Rahael:** Again, the contractors would employ the numbers that they need to run the service. There was no condition in the bid document that they have to employ any number of persons. You cannot tie people's hands and expect them to provide you with a service at a very competitive price, and that is what we do. [*Interruption*]

**Sen. Mark:** It is our money.

**Hon. J. Rahael:** Our money or not, the point is we have to be efficient. We have to be able to provide the service that we need to provide and if it means in order for them to do it—if we insisted and they employed 500 persons they would have done so but the cost would have been more. We cannot operate anything— [*Interruption*] As I said, however, I hope I have been able to bring some light to this whole issue and I think the point with respect to the maternity leave we would look into that.

With respect to employment, all we can do is to ask the provider to employ as many persons as he can. We cannot tell them to over employ people to sit and do nothing. The provider would provide the service. That is what we are measuring, not whether or not he employs 300, 295 or 212. We cannot do it that way. This is not something that you are just employing people and you do not have the work for them. And that is part of the problem that exists in Trinidad and Tobago. One just thinks we must employ the people. One must employ the people in a way that they would be productive, and if they need further training one must provide that training and that is what we are doing and that is why we are talking about carrying the same emergency medical technicians to another level, paramedics. Once we do that, then we would be providing more opportunities for our people.

Mr. Vice-President, thank you very much.

**Mr. Vice-President:** Hon. Senators, the Senate now stands adjourned to a date to be fixed.

*Question put and agreed.*

*Senate adjourned accordingly.*

*Adjourned at 5.28 p.m.*