

**THE**  
**PARLIAMENTARY DEBATES**

**OFFICIAL REPORT**

IN THE FOURTH SESSION OF THE EIGHTH PARLIAMENT OF THE REPUBLIC OF TRINIDAD  
AND TOBAGO WHICH OPENED ON OCTOBER 17, 2002

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**SESSION 2005—2006**

**VOLUME 12**

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**SENATE**

*Thursday, January 26, 2006*

The Senate met at 1.30 p.m.

**PRAYERS**

[MADAM PRESIDENT *in the Chair*]

**LEAVE OF ABSENCE**

**Madam President:** Hon. Senators, I have granted leave of absence to Sen. The Hon. John Jeremie, Sen. The Hon. Mustapha Abdul-Hamid and Senators Angela Cropper and Robin Montano from today's sitting of the Senate.

**SENATORS' APPOINTMENT**

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

“THE CONSTITUTION OF THE REPUBLIC OF TRINIDAD AND TOBAGO

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

/s/ G. Richards  
President.

TO: MRS. JOAN HACKSHAW-MARSLIN

WHEREAS Senator Mustapha Abdul-Hamid is incapable of performing his duties as a Senator by reason of his absence from Trinidad and Tobago:

NOW, THEREFORE, I, GEORGE MAXWELL RICHARDS, President as aforesaid, acting in accordance with the advice of the Prime Minister, in exercise of the power vested in me by section 44 of the Constitution of the Republic of Trinidad and Tobago, do hereby appoint you, JOAN HACKSHAW-MARSLIN, to be temporarily a member of the Senate, with effect from 26th

*Senators' Appointment*  
[MADAM PRESIDENT]

*Thursday, January 26, 2006*

January, 2006 and continuing during the absence from Trinidad and Tobago of the said Senator Mustapha Abdul-Hamid.

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 24<sup>th</sup> day of January, 2006."

"THE CONSTITUTION OF THE REPUBLIC OF TRINIDAD AND TOBAGO

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

/s/ G. Richards  
President.

TO: MRS. MAGNA WILLIAMS-SMITH

WHEREAS Senator John Jeremie is incapable of performing his duties as a Senator by reason of his illness:

NOW, THEREFORE, I, GEORGE MAXWELL RICHARDS, President as aforesaid, acting in accordance with the advice of the Prime Minister, in exercise of the power vested in me by section 44 of the Constitution of the Republic of Trinidad and Tobago, do hereby appoint you, MAGNA WILLIAMS-SMITH, to be temporarily a member of the Senate, with effect from 26th January, 2006 and continuing during the illness 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 26th day of January, 2006."

"THE CONSTITUTION OF THE REPUBLIC OF TRINIDAD AND TOBAGO

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

*Senators' Appointment*

*Thursday, January 26, 2006*

/s/ G. Richards  
President.

TO: MR. VASANT BHARATH

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

NOW, THEREFORE, I, GEORGE MAXWELL RICHARDS, President as aforesaid, acting in accordance with the advice of the Leader of the Opposition, in exercise of the power vested in me by section 44 of the Constitution of the Republic of Trinidad and Tobago, do hereby appoint you, VASANT BHARATH, to be temporarily a member of the Senate, with effect from 25th January, 2006 and continuing during the absence from Trinidad and Tobago of the said Senator Robin Montano.

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 24th day  
of January, 2006."

"THE CONSTITUTION OF THE REPUBLIC OF TRINIDAD AND TOBAGO

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

/s/ G. Richards  
President.

TO: MR. WALTON FRANCIS JAMES

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

NOW, THEREFORE, I, GEORGE MAXWELL RICHARDS, President as aforesaid, in exercise of the power vested in me by section 40(2)(c) and section 44 of the Constitution of the Republic of Trinidad and Tobago, do hereby appoint you, WALTON FRANCIS JAMES, to be temporarily a member of the Senate, with effect from 25th January, 2006 and continuing during the absence from Trinidad and Tobago of the said Senator Angela Cropper.

*Senators' Appointment*  
[MADAM PRESIDENT]

*Thursday, January 26, 2006*

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 26th day of January, 2006."

#### OATH OF ALLEGIANCE

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

Joan Hackshaw-Marslin, Magna Williams-Smith, Vasant Barath, Walton Francis James.

#### PRIVILEGE OF THE SENATE

**Madam President:** Hon. Senators, at the last sitting of the Senate, held on December 20, 2005, Sen. Wade Mark was granted leave under Standing Order 26(2) to raise a matter of privilege. I did not anticipate such a long break for the Christmas holidays, but I had indicated that I needed time to research and consider the matter and that I would give my ruling at the next sitting of the Senate.

At the sitting of the Senate on Tuesday, December 13, 2005, during his contribution on the second reading of the bill entitled, National Lotteries (Amdt.) Bill, Chap. 29:04, Sen. Mark stated that the National Lotteries Control Board spent some US \$75 million on an investigation involving former members of the NLCB. This statement was made between 2.30 p.m. and 3.00 p.m. Then, at approximately 3.00 p.m., during the contribution of Sen. The Hon. Rennie Dumas, Sen. Mark rose and informed the Senate that he was mistaken and that the figure he should have quoted was US \$270,000.

During his contribution in the said debate, Sen. Mark also stated that the financial accounts of the NLCB had not been audited and laid in Parliament since 1999. In making this statement, he said that he had checked with the relevant parliamentary official to ascertain the accuracy of his statement in this regard.

Sen. Mark has submitted that, notwithstanding what I have just outlined, the NLCB has caused full-page advertisements, signed by its chairman and three of its board members, to be published in the *Newsday* of Thursday, December 15, 2005 and in the *Guardian, Newsday* and *Daily Express* of Friday, December 16, 2005, quoting him as saying that:

- (1) NLCB spent \$75 million on an investigation; and,
- (2) the accounts of the NLCB had not been audited and laid in Parliament since 1999.

The board of directors demanded that he, Sen. Mark, cease and desist from misleading the people of Trinidad and Tobago.

Sen. Mark is contending that the NLCB chairman and board of directors engaged in what was a false and perverted report of the proceedings and that the manner and form of their advertisement amounted to molestation of a member of the Senate on account of his speech in this Senate and a reflection of his conduct as a member of this Senate.

Sen. Mark also submitted that a publication of these full-page advertisements was malicious and calculated to bring him into public ridicule and odium and that it was an attempt to intimidate him in the exercise of his duties as a member of this honourable Senate, which constitutes a breach of privilege.

Hon. Senators, privilege may be regarded as a group of rights and immunities enjoyed by each House of Parliament and committees of each House collectively and by Members of each House individually. The object of parliamentary privilege is to safeguard the freedom, the authority and the dignity of Parliament.

Privileges are necessary for the proper exercise of the function entrusted to the Parliament by the Constitution. They are enjoyed by individual Members because the House cannot perform its function without unimpeded use of the services of its Members and by each House collectively, for the protection of its Members and the vindication of its own authority and dignity.

The constitution of a breach of privilege requires one of a number of things such as the molestation or threatening of a Member or blackmailing or frustration of Members in one of a number of ways that impairs the Member's freedom of speech and action and hence the proper carrying out of the Member's duties or the upholding of a Member to public ridicule to such a degree as to impair the performance of the Member or the House's duty. Parliamentary privilege exists to protect the integrity of the House and the parliamentary process.

In Trinidad and Tobago, Members of Parliament, like their counterparts worldwide, are protected by parliamentary privilege in the course of parliamentary proceedings. This protection is guaranteed under section 55 of our Constitution, which states inter alia:

“(1) Subject to the provisions of this Constitution and to the rules and standing orders regulating the procedure of the Senate and House of Representatives, there shall be freedom of speech in the Senate and House of Representatives.”

*Privilege of the Senate*  
[MADAM PRESIDENT]

*Thursday, January 26, 2006*

Additionally, in Trinidad and Tobago the powers, privilege and immunity of both Houses have, in part, been codified and many may be found in the House of Representatives Powers and Privileges Act, Chap. 2:02. Others are to be found in the practice and usage of the House of Commons in the United Kingdom. I have turned to these sources and looked at the practice in other Commonwealth jurisdictions in order to determine whether the matter raised by Sen. Mark warrants the attention of the Privileges Committee of this House.

Hon. Senators, the privileges and immunities I have alluded to earlier are accorded to Members of Parliament in order to provide them with the protection they need to enable them to fulfil their duties without fear of reprisals. And so it is a matter of law that a Member, speaking in the course of proceedings in the Senate, enjoys absolute freedom of speech. This privilege, together with a number of others, is not granted to parliamentarians simply in order to confer on them any benefits that are not enjoyed by their fellow citizens.

In interpreting these privileges, therefore, regard must be had for the general principle that the privilege of Parliament is granted to Members in order that they may be able to perform their duties in Parliament without let or hindrance. They apply to individual Members only insofar as they are necessary in order that the House may freely perform its duties.

Therefore, Members of Parliament are protected from molestation when they are pursuing, or as a consequence of pursuing, their legitimate parliamentary activities. The type of molestation from which Members have a right to be protected include threats, intimidation, harassment, bribery and physical obstruction, while performing his or her parliamentary duties.

Erskine May's treatise on parliamentary practice says that conduct, including the use of words, does not constitute an offence unless it amounts to, or is intended, or is likely to amount to an improper interference with the free exercise by the House of its authority or function, or with the free performance by a Member of the Member's duties as a Member. Sen. Mark believes that the paid advertisement was intended to do just that.

I have given this matter long and serious consideration. I have gone through the *Hansard* in detail and I am of the view that the matter warrants further investigation. Accordingly, I rule that, prima facie, a sufficient case of breach of privilege has been established and I therefore refer the matter to the Committee of Privileges for full investigation and report.

*Finance Bill*

*Thursday, January 26, 2006*

**1.50 p.m.**

**FINANCE BILL**

Bill to provide for the imposition or variation of certain duties and taxes and to introduce other provisions of a fiscal nature and for related matters [*The Minister of Finance*]; read the first time.

*Motion made*, That the next stage be taken at a later stage in the proceedings. [*Sen. The Hon. C. Enill*]

*Question put and agreed to.*

**FINANCE (VARIATION OF APPROPRIATION) (2005) BILL**

Bill to vary the appropriation of the sum of the issue of which was authorized by the Appropriation Act, 2005. [*The Minister of Finance*]; read the first time.

*Motion made*, That the next stage be taken at a sitting of the Senate to be held on Friday, January 27, 2006. [*Sen. The Hon. C. Enill*]

*Question put and agreed to.*

**OCCUPATIONAL SAFETY AND HEALTH (AMDT.) BILL**

Bill to amend the Occupational Safety and Health Act [*The Minister of Labour, Small and Micro Enterprise Development*]; read the first time.

*Motion made*, That the next stage of this Bill be taken at the sitting of the Senate to be held on Tuesday, January 31, 2006. [*Sen. The Hon. D. Montano*]

*Question put and agreed to.*

**PAPERS LAID**

1. Annual audited financial statements of Metal Industries Company Limited for the year ended December 31, 2003. [*The Minister in the Ministry of Finance (Sen. The Hon. Christine Sahadeo)*]
2. Report of the Auditor General of the Republic of Trinidad and Tobago on the financial statements of the Chaguanas Borough Corporation for the year ended September 30, 2001. [*Sen. The Hon. C. Sahadeo*]
3. Report of the Auditor General of the Republic of Trinidad and Tobago on the financial statements of the Chaguanas Borough Corporation for the year ended September 30, 2002. [*Sen. The Hon. C. Sahadeo*]

4. Annual report and annual audited statements of the National Insurance Board for the year ended June 30, 2005. [*Sen. The Hon. C. Sahadeo*]
5. The Value Added Tax (Amendment to the Second Schedule) (No. 3) Order, 2005. [*Sen. The Hon. C. Sahadeo*]

**Value Added Tax (Amendment to the Second Schedule)  
(No. 3) Order, 2005**

**The Minister in the Ministry of Finance (Sen. The Hon. Christine Sahadeo):** Madam President, may I also advise that the Statutory Instruments Committee considered the Value Added Tax (Amendment to the Second Schedule) (No. 3) Order, 2005 and found that there is nothing to which the attention of the Senate should be specially drawn.

The minutes of the committee were circulated to Members.

6. Report of the Public Service Commission for the year 2003. [*The Minister of Public Administration and Information and Minister of Energy and Energy Industries (Sen. The Hon. Dr. Lenny Saith)*]
7. Annual administrative report of the Ministry of Education for the fiscal year 2002—2003. [*The Minister of Education (Sen. The Hon. Hazel Manning)*]
8. Response of the Minister of Education to recommendations/comments contained in the First Report of the Joint Select Committee of Parliament appointed to enquire into the report on Municipal Corporations and Service Commissions with the exception of the Judicial and Legal Service Commission. [*Sen. The Hon. H. Manning*]
9. A report on the exercise of the functions and powers of the Ministry Health for the period October 2003 to September 2004. [*(Sen. The Hon. Dr. L. Saith)*]
10. Annual Legislative Agenda 2005—2006. [*Sen. The Hon. Dr. L. Saith*]
11. The World Trade Organization Second Trade Policy Review of Trinidad and Tobago 1998—2005. [*Sen. The Hon. Dr. L. Saith*]



**ORAL ANSWERS TO QUESTIONS**

**Darul-Islam**

**(Amount of Money Paid)**

**15. Sen. Wade Mark** asked the hon. Minister of Energy and Energy Industries:

Could the Minister state the amount of money paid by the Government or any state enterprise or state agency to the body known as Darul-Islam or any other entity associated with the Jamaat al Muslimeen?

**The Minister of Public Administration and Information and Minister of Energy and Energy Industries (Sen. The Hon. Dr. Lenny Saith):** Madam President, I had a look at the proposed answer and having just taken up responsibility in the Ministry of Energy and Energy Industries I had some difficulty. Although the question is addressed to the Minister of Energy and Energy Industries, it talks about payment by the Government and any state enterprise.

The Ministry of Energy and Energy Industries had prepared an answer dealing with the Ministry of Energy and Energy Industries and state enterprises under the ministry. I do not know whether the Senator wanted the whole Government, in which case he directed the question to the wrong place, or whether he wanted the Ministry of Energy and Energy Industries. Even so, I have decided we should find an answer for the whole Government. I ask for this question to be deferred for two weeks while we get the information from the other ministries.

**Sen. Mark:** Madam President, if the Minister would like me to refile the question, addressing other Ministries, I will so oblige, but for purposes of this particular answer, which has been outstanding, with your leave, I would submit if the Minister has the answer for the Ministry of Energy and Energy Industries and its related state enterprises, he can proceed and with your leave, I can file new questions to deal with other state enterprises.

**Sen. The Hon. Dr. L. Saith:** With that explanation, I would answer the question next week. I do not have the information on me, but I will definitely answer next week.

**Madam President:** All right, let us move on.

*Question, by leave, deferred.*

**Enforcement of Order  
(Jamaat al Muslimeen)**

**17. Sen. Wade Mark** asked the hon. Attorney General:

- (a) Could the Attorney General state whether the Government intends to enforce the order for the payment of compensation of interest and costs made by Justice Joseph Tam to members of the Jamaat al Muslimeen during the insurrection of 1990?
- (b) If the Government has such intention, could the hon. Attorney General state what steps have been taken to enforce the judgment of hon. Joseph Tam that the members of the Jamaat al Muslimeen pay compensation which today stands at over \$40 million?

**The Minister of Public Administration and Information and Minister of Energy and Energy Industries (Sen. The Hon. Dr. Lenny Saith):** Madam President, the Attorney General is unfortunately absent today, due to illness. Therefore, I ask for this to be deferred for one week.

**Madam President:** Is that until Tuesday?

**Sen. The Hon. Dr. L. Saith:** No, for one week.

**Sen. Mark:** One week means next Tuesday, at the next sitting; not tomorrow.

*Question, by leave, deferred.*

**PLIPDECO Fantuzzi Crane  
(Forensic Audit)**

**20. Sen. Wade Mark** asked the hon. Minister in the Ministry of Finance:

Could the Minister in the Ministry of Finance inform the Senate whether any forensic audit was conducted by an independent auditing firm into the purchase of the Fantuzzi crane by PLIPDECO? If not, why not?"

**The Minister in the Ministry of Finance (Sen. The Hon. Christine Sahadeo):** The accounting firm of Ernst & Young Services was engaged by PLIPDECO, a public company, to conduct a forensic audit of the purchase by PLIPDECO of the Mobil Harbour Crane (MHC200), the Post Panamax Gantry Crane and the Weighbridge. The firm submitted a report in September 2004, which was reviewed by the Ministry of Finance. However, the Ministry concluded that the firm had in fact completed an investigation and systems audit, which only partially fulfilled the mandate and terms of reference of the exercise.

The Government subsequently agreed that the Attorney General would be responsible for the conduct of the forensic audit and in this regard, the Attorney General has acquired the services of a foreign forensic auditor, who has commenced investigations. It is expected that the audit will be completed by June 2006.

**Sen. Mark:** Could the Minister indicate the name of this foreign forensic accounting firm that has been recruited by the Attorney General's office to conduct the interview? Secondly, what time frame could the Minister provide to the Senate for the completion of this particular forensic audit by the foreign forensic accounting firm?

**Sen. The Hon. C. Sahadeo:** Madam President, I think I indicated that the Attorney General has indicated that the audit should be completed by June 2006. I suppose thereafter, it will be brought to this House.

**Sen. Mark:** What is the name of the firm?

**Sen. The Hon. C. Sahadeo:** I think it would be Bob Lindquist. I do not remember the formal name.

**Sen. Mark:** Would the Minister be prepared to provide to the Senate, seeing that she does not have the information today, that information at the next sitting of the Senate, so that the Senate will be aware of the name of the firm?

**Sen. The Hon. C. Sahadeo:** Certainly, that is not a problem.

**Sen. Seepersad-Bachan:** I just wanted a clarification on this particular issue. Are you saying that the firm Ernst & Young did not complete a forensic audit as requested?

**Sen. The Hon. C. Sahadeo:** As I indicated, that was our terms of reference but when we reviewed what was presented, it was deemed to be an investigation and systems audit. Therefore, in that context, the Attorney General was asked to get a forensic audit conducted.

**Commander Kayam Mohammed  
(Employment Details)**

**21. Sen. Wade Mark** asked the hon. Minister in the Ministry of Finance:

- (a) Could the Minister inform this Senate whether the Chairman of PLIPDECO, Commander Kayam Mohammed has been appointed as Team Leader, Marine Services at Trinmar?

- (b) If the answer is in the affirmative, could the Minister state what are the precise terms and conditions of his contract as well as its duration?
- (c) Could the Minister provide the Senate with a detailed breakdown of Mr. Kayam Mohammed's duties, functions and responsibilities as team leader?

**The Minister in the Ministry of Finance (Sen. The Hon. Christine Sahadeo):** The Chairman of PLIPDECO, Commander Kayam Mohammed, has been appointed as Marine Operations Team Leader at Trinmar Operations.

The contract of employment is for a period of three years with effect from August 16, 2004. The following are the terms and conditions of his contract: salary of \$25,000 per month; travel allowance of \$3,616 per month; primary health care and dispensing services at the marine base at a monthly fee of \$10; housing accommodation, for which \$500 per month is deducted from monthly salary; end of contract gratuity of 15 per cent of the fees attributable to services performed; and vacation leave of 20 working days per year.

In response to part (c), the duties, functions and responsibilities of Commander Kayam Mohammed as team leader are as follows:

- to facilitate the requirements for both the Marine Logistics and Marine Base Services Sections;
- to manage the execution of all the marine operations and marine data management in relation to offshore transport, terminal/passenger port, marine quay wall operations, marine support services, diving requirements and marine logistics;
- to facilitate the training and development of all marine operations personnel, in collaboration with the performance management section;
- to facilitate, research and develop marine operating systems, for example scheduling, terminal operations (radio, communication, bunkering);
- to chair the tenders committee for values up to \$10,000;
- to manage the budget for the Marine Operations Section;
- to facilitate the development of policies and procedures for marine operations; and

- to facilitate and advise on the preparation and execution of marine operations contracts, crane barge services and tug boat services.

**Sen. Mark:** Would the Minister indicate to this Parliament whether the Chairman of PLIPDECO holds an executive chairmanship position and whether this particular position as team leader was advertised so that other persons could have competed for this particular job? Is he an executive chairman or an ordinary chairman?

**Sen. The Hon. C. Sahadeo:** Madam President, there is nothing like an ordinary chairman. He certainly is not an executive chairman. He is the Chairman of PLIPDECO at this time.

As far as I am aware, Petrotrin normally advertises its various vacancies. At this point I would not have the details but certainly, I would expect that state enterprise to follow normal standing operating procedures.

**Madam President:** Let us move on.

#### **Procurement Activities (Government's Interim Measures)**

**25. Sen. Wade Mark** asked the hon. Prime Minister and Minister of Finance:

Could the Minister of Finance, as Corporation Sole, inform the Senate what special interim measures his Government intends to undertake to ensure that the procurement activities of the 15 special purpose state entities/vehicles/enterprises are not contaminated or polluted by corruption, nepotism, favouritism and cronyism?

**The Minister in the Ministry of Finance (Sen. The Hon. Christine Sahadeo):** The Senate is informed that the Ministry of Finance has developed standard procurement procedures for the state enterprise sector. However, enterprises may develop their own procurement procedures in keeping with international norms and practices, with the approval of the Ministry of Finance. These standards are an interim measure until the Government's procurement regime is legislated in 2006.

In addition, all state agencies are also required to submit to the Ministry of Finance, within 14 days following the end of each month, a list of all contracts which were awarded during the month, together with the value of each contract. These submissions are reviewed by the Central Audit Committee of the Ministry

of Finance for adherence to the policy. The Central Audit Committee is empowered to conduct audits on contracts awarded as necessary.

**Sen. Mark:** Could the Minister indicate whether these procurement procedures, as identified by her, could be made available to this Senate?

Secondly, could the Minister indicate whether these special vehicles, as they are called, and being privately incorporated under the Companies Act and are subject to the normal rules that are applicable to state-owned enterprises?

**Sen. The Hon. C. Sahadeo:** First of all, we have the standard procurement procedures and I am willing to make them available to the Senate. It seems that the Senator is getting carried away. There is a written answer which will be forwarded by next Tuesday which deals with those same questions. For clarity, they are all incorporated under the Companies Act and, therefore, this means that they will be under the auspices of the various regulatory authorities. Thank you.

**Sen. Mark:** Madam President, I would like you to refer to the written part of the question in the Appendix and you would realize that there are outstanding written answers since November. We are now almost to the end of January. I would like to ask you once again, to impress upon the Government the importance of adhering to the rule of law, particularly as it relates to our rules in Parliament. These matters have been outstanding. I would like you to guide the Senate as to when these answers would be coming.

**Madam President:** Dr. Saith, I think you would agree with me that there are quite a number of questions outstanding for written answers.

**Sen. Dr. Saith:** My information is that answers to questions Nos. 1, 6 and 31 have been approved and should be sent to the Senate and the rest I will follow up.

**Madam President:** There is another question, No. 50 to the Prime Minister and Minister of Finance. [*Sen. Ali stands*] Sorry, are you asking a supplemental, Sen. Ali? I am so used to Sen. Mark I just took it for granted it was Sen. Mark.

### **National Lotteries Control Board Members (Details of)**

- 50. Sen. Basharat Ali** asked the hon. Prime Minister and Minister of Finance:
- Could the Minister of Finance provide the Senate with the qualifications relevant to the performance of their functions as members of the National Lotteries Control Board of the following persons:
- (i) Ms. Norma Lewis Phillip

- (ii) Ms. Cherryl Guide
- (iii) Ms. Lindsay Parmashwar
- (iv) Mr. Carl Groome

**Sen. Ali:** The Minister in the Ministry of Finance has asked that the question be deferred for three weeks and I have agreed. Thank you.

*Question, by leave, deferred.*

#### FINANCE BILL

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

That a Bill to provide for the imposition or variation of certain duties and taxes and to introduce other provisions of a fiscal nature and for related matters, be now read a second time.

Madam President, as this is the first opportunity that I have, let me extend to all my colleagues all the best for this year. I also wish to welcome the Vice-Chairman of the Patriots.

The success of the Government's policies is reflected in the economic prosperity of the nation. Whether you agree or not, in 2005, economic performance, as measured by real GDP recorded an unprecedented 12<sup>th</sup> consecutive year of positive growth, increasing by 7 per cent.

In fiscal year 2005, our external balance has been further strengthened with external reserves now at a comfortable level of US \$3.8 billion, the equivalent of seven months import cover. Provisional estimates indicate an unemployment rate of 7.8 per cent at the end of 2005.

The Central Bank is pursuing an aggressive monetary policy with higher repo rates, increased Treasury Bills and Treasury Notes issue limits, which are presently under consideration by the Government's specially created Central Bank notes and the requirement of commercial banks to lodge an aggregate of \$1 billion at the Central Bank. The Central Bank has therefore been proactive in sterilizing these increases in liquidity in the banking system in the light of inflationary trends.

The Government is also working assiduously to cap inflation and maintain a level of price stability which will influence consumer and investor confidence in the economy's prospects.

*Finance Bill*  
[SEN. THE HON. C. ENILL]

*Thursday, January 26, 2006*

Improved performance in the energy sector continued in 2005, particularly in the vibrant petrochemical subsector. Subsumed in this development were the start-up of the Atlantic LNG Train 4 and the Methanol Holdings M5000 plant. Concurrently, the Government has formulated policies to accelerate sluggish growth in the non-petroleum industry, inclusive of lower corporation tax rates.

The Government is aggressively pursuing policies and programmes geared towards the diversification of the economy through expansion in the non-energy sector, especially the financial services sector and is also putting measures in place to deal with poverty and the level of crime.

The key medium term objective for the period 2006—2008 includes, pursuing the human development agenda where policies are presented to ensure that economic growth becomes more inclusive and socially responsive and that all citizens are afforded opportunities for personal growth. Diversification and growth of the economy which primarily revolves around the expansion of the non-energy sector as the new engine of economic growth.

The key to the accomplishment of these objectives is represented in the Bill that is for the consideration of this honourable Senate and seeks to materialize the policy prescriptions announced by the hon. Prime Minister in the September 28, 2005 budget presentation for the fiscal year ending September 30, 2006.

Madam President, the fiscal measures that I shall discuss are part of the Government's holistic approach to the achievement of developed country status by the year 2020. I shall refer to these measures in the legal context in which they are subsumed. I would now examine the Finance Bill clause by clause.

Clause 1 of the Bill which cites the short title of the Bill is self-explanatory.

Clause 2 of the Bill proposes amendments to the Income Tax Act as follows: Clause 2(a) of the Bill amends section 2(1) of the Income Tax Act. Section 2(1) is the general definition section of the Income Tax Act. Clause 2(a) of the Bill repeals the current definition of "management charges" and inserts a new definition. The term "management charges" has been redefined to include "head office charges, foreign research and development fees and other shared costs charged by head office". It should be noted that this new definition is now consistent with the definition of "management charges" contained in the Petroleum Taxes Act.



Clause 2(b) of the Bill amends section 8(1) of the Income Tax Act. Section 8(1) is the exemption section of the Income Tax Act. Clause 2(b)(i) repeals paragraph (fa) of section 8(1). Paragraph (fa) exempts from tax the interest income received by financial institutions on loans made to the small business sector under the Business Development Company Limited. This exemption is now being removed for new loans granted after December 31, 2005. The removal of this benefit is being replaced by the five-year exemption from tax now being granted to approved small companies.

Clause 2(b)(ii) of the Bill amends paragraph (k) of section 8(1) of the Income Tax Act. At present, paragraph (k) exempts from tax the income of resident individuals up to \$25,000. This exemption is now being increased to \$60,000 as a result of the increases in personal allowances to this amount.

Clause 2(b)(iii) of the Bill amends paragraph (t) of section 8(1) of the Income Tax Act. Paragraph (t) exempts from tax the annuity payable under an immediate annuity to a person who has attained the age of 60 years. The amendment in the Bill seeks to remove the age restriction.

An individual who contributes to a deferred annuity policy is entitled to a tax deduction. The annuity payable on a deferred annuity policy at maturity is subject to tax. However, payment towards an immediate annuity is not tax deductible. Accordingly, section 8(1)(t) exempted from tax the annuity payable under a deferred annuity to avoid double taxing in income. Since the immediate annuity is purchased from after tax income, it should not matter what age the person is. The principle is that that income should not be taxed twice. Accordingly, the age restriction for benefiting from the amendment is now removed.

Clause 2(c) of the Bill inserts a new section 8A of the Income Tax Act. As stated earlier, clause 2(b)(i) of the Bill removed the exemption from tax of interest income received by financial institutions on new loans made to the small business sector. Section 8A preserves the tax exemption in respect of loans made on or before December 31, 2005.

Clause 2(d)(i) of the Bill amends subsections (1)(b) and (2) of section 10 of the Income Tax Act. These provisions deal with management charges. Currently, there is a limit to the tax deductibility of management charges paid to non-residents. The legislation limits such management charges to 1 per cent of all expenditure. The amendment in clause 2(d)(i) increases this limit to 2 per cent. It should be noted that the 2 per cent limitation is consistent with the current limitation in the Petroleum Taxes Act.

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Clause 2(d)(ii) repeals section 10(3) to (8) and (11) of the Income Tax Act. These provisions grant an \$18,000 deduction for mortgage interest expenses. This deduction has been removed since the increase in personal allowance from \$25,000 to \$60,000 would have factored in this deduction. The repeal is also a part of the tax simplification process.

Clause 2(d)(iii) and (iv) amends section 10(9) and (10), which provides for a deduction for tertiary education expenses. Free tertiary education will be available to all citizens of Trinidad and Tobago pursuing undergraduate programmes at local and regional public tertiary institutions, including distance learning programmes. This benefit will be extended to all citizens of Trinidad and Tobago at approved local tertiary institutions.

With respect to the medical facility at St. George's University in Grenada, the existing scholarship arrangements remain. Further, a maximum of 25 additional scholarships will be awarded, each representing 50 per cent of the tuition fees. Students at postgraduate level pursuing programmes at local and regional tertiary institutions, including distance learning programmes, will be eligible to access the GATE programme for grants to cover 50 per cent of the tuition. Since tertiary education at local institutions is now free, the \$18,000 deduction for tertiary education is now limited to study at institutions other than regional public institutions situated outside of Trinidad and Tobago.

Clause 2(e)(i) repeals paragraph (k) and (l) of section 11(1) of the Income Tax Act. These paragraphs make provision for the employment allowance and the apprenticeship allowance respectively.

The employment allowance was introduced in 1997 at the time of high levels of unemployment. However, such an allowance has now become unnecessary given the low current and projected rates of unemployment. Likewise, the apprenticeship allowance has also become unnecessary with the introduction of such schemes as the Helping You Prepare for Employment (HYPE) programme; the Multi-sector Skills Training (MuST) programme, and the Youth Apprenticeship Programme in Agriculture (YAPA).

Clause 2(e)(ii) substitutes a new section 11(3) of the Income Tax Act. Section 11(3) deals with wear and tear allowances in respect of private motor vehicles. There is currently a cap of \$100,000 on the value of a private motor car on which wear and tear allowances are made. The new section 11(3) contained in clause 2(e)(ii) of the Bill preserves the \$100,000 limitation only in respect of vehicles purchased prior to January 01, 2006. Accordingly, wear and tear allowances may

now be calculated on the full value of private motor cars purchased on or after January 01, 2006. The amendment in clause 2(e)(iii) is a consequential drafting amendment, based on the new section 11(3).

Clause 2(f)(i) inserts two new subsections of section 11A of the Income Tax Act. Section 11A provides for the pooling concept in computing wear and tear allowances. This concept was introduced in 1995 and requires that all plant and machinery acquired after January 01, 1995, be classified in a class or pool specified in the Seventh Schedule of the Income Tax Act and the wear and tear allowances computed using the aggregate value of each class. All plant and machinery acquired prior to January 01, 1995, continue to be depreciated on an individual basis.

A new subsection 11A(1A), has now been inserted, which transfers the written down value of all plant and machinery acquired prior to January 01, 1995, to its relevant class or pool in the Seventh Schedule. Accordingly, the pooling concept will apply to all plant and machinery. This is also part of the simplification process of the Income Tax Act.

A second new subsection, 11A(1B), has also been introduced by clause 2(f)(i) of the Bill. This relates to wear and tear on buildings. It provides that all buildings acquired after January 01, 2006, that qualified for wear and tear allowances under the Income Tax (In Aid of Industry) Act, will now be classified under the Seventh Schedule of the Income Tax Act. It should be noted that the Seventh Schedule of the Income Tax Act provides for greater wear and tear allowances on buildings than those granted under the Income Tax (In Aid of Industry) Act; 10 per cent versus 2 per cent.

Clause 2(f)(ii) repeals paragraph (h) of section 11A(2A) of the Income Tax Act. This paragraph limits the amount that can be credited to the pool upon the disposal of plant and machinery to the original cost of the said plant and machinery. This limitation has now been removed in the interest of simplification.

Clause 2(g) repeals section 13A of the Income Tax Act and provides a tax deduction to persons making investments in approved hotel or tourism projects. The tax deduction granted is 25 per cent of the investment. This deduction is now being removed, having regard to the comprehensive system of incentives now available under the Tourism Development Act.

Clause 2(h) repeals section 18 of the Income Tax Act and substitutes a new provision. The new section 18 increases the personal allowance to resident individuals to \$60,000. Non-resident individuals in receipt of a pension derived from Trinidad and Tobago will also benefit from the \$60,000 allowance.

The personal allowance in Trinidad and Tobago has been determined to be low by regional and international standards. There are two arguments in favour of a high personal allowance in developing countries. The first is an equity argument; given that a large number of individuals in developing countries are at the low end of the income distribution, the personal allowance relieves them from tax. Second is a tax administration argument; a high personal allowance reduces the need to rely on itemized allowances to help low income individuals, thereby reducing the cost of administering the tax system.

Clause 2(i) inserts a new subsection to section 18A of the Income Tax Act. Section 18A provides a \$10,000 allowance for five years to persons who acquired, for the first time, on or after January 01, 2003, a house to be used as a residence. A new subsection (6) has been introduced which removes the allowance for acquisitions after January 01, 2006. This has become necessary due to the increase in the personal allowance to \$60,000, as well as the tax simplification process. However, persons who purchased a house for the first time between January 01, 2003 and December 31, 2005, will continue to benefit from the five years \$10,000 allowance.

Clause 2(j) repeals section 18B of the Income Tax Act. Section 18B provides for a deduction of up to \$10,000 for the purchase of shares in credit unions. This repeal is a further part of the simplification of the income tax system. The increased personal allowance of \$60,000 compensates for the repeal of this benefit.

Clause 2(k) repeals section 20(3) of the Income Tax Act. Section 20(3) exempts from tax, payments made to a former spouse for the maintenance of children. The exemption was limited to \$1,200 per child per year. This is now removed in the interest of tax simplification and having regard to the increased personal allowance.

Clause 2(1)(i) repeals paragraph (ga), (q) and (r) of section 28(1) of the Income Tax Act. These paragraphs make provision for the withdrawal of up to \$35,000 from pension plans and deferred annuity policies to be used for the first time acquisition of a house. These provisions are now being removed, having regard to the improved financing options now available for the purchase and construction of homes. Further, very few pension plans were ever amended to take advantage of this benefit.

Clause 2(1)(ii) contains amendments that are consequential upon the removal of the withdrawal of contributions for first-time acquisitions of a house.

Clause 2(l)(iii) amends section 28(7)(b) of the Income Tax Act. At present, pensions can only be commuted, that is, converted into a lump sum, if their monthly value is less than \$65. This limitation is unrealistically low and the present amendment increases the figure to \$500 per month.

Clause 2(l)(iv) and (v) contains amendments that are consequential upon the removal of the withdrawal of contributions for first time acquisitions of a house. Clause 2(l)(vi) amends section 28(10) of the Income Tax Act. Section 28(10) provides for a 10 per cent tax payable on the refund of pension contributions. The amendment increases the tax rate to 25 per cent to make it consistent with the present flat rate of income tax, as well as the rate of tax applicable on the surrender of deferred annuity policies. This would also serve to discourage early refunds of pension contributions and so encourage savings.

Clause 2(m) repeals section 29A of the Income Tax Act. This repeal is consequential upon the removal of the withdrawal of contributions for first-time acquisition of a house.

Clause 2(n) amends section 35 of the Income Tax Act. Section 35 makes provisions for employees profit sharing plans, ESOPs. Where shares in an ESOP are transferred to an employee prior to retirement or death, there is a tax charge on the market value of the shares transferred. The rate of tax charged is based on a sliding scale from 5 per cent to 25 per cent. This amendment will now tax such transfer at a flat 25 per cent rate, which is consistent with the current rate of income tax.

Clause 2(o)(i) of the Bill amends section 134(6B)(a) of the Income Tax Act. Section 134(6b) makes provision for an annuity policy whereby employers contribute to the said policy on behalf of their employees. Currently employers can only contribute up to one-third of the employees' chargeable income in respect of such policies.

The increase in the personal allowance to \$60,000 means that employees earning less than \$60,000 per annum would be unable to benefit from such annuity policies since their chargeable income would be zero. Accordingly, this section is now amended to change the limitation from one-third of the chargeable income to the greater of one-third of the chargeable income or 20 per cent of emolument income.

Clause 2(o)(ii) introduces a new section 134(6E) of the Income Tax Act. This new provision applies where a company provides a loan to any of its directors or employees, where the repo rate of interest of the Central Bank of Trinidad and

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Tobago, as at December 31 of the prior year of income is greater than the interest rate charged by the company, then the difference shall be treated as a taxable benefit in the hands of the director or employee.

Such loans to employees at preferential interest rates have always been taxable benefits. What the amendments seek to do is to standardize the calculations of the benefit.

Clause 2(o)(ii) also introduces a new section 134(6F) of the Income Tax Act. This section applies where a loan to a director or employee referred to in section 134(6E) is written off by the company. In such a situation, the outstanding balance on the loan is to be treated as a taxable benefit in the hands of the director or employee. However, where the Board of Inland Revenue is satisfied that the written off loan could not be recovered by the company, then the outstanding balance would not be considered to be a taxable benefit.

This provision would encourage transparency in the writing off of such loans.

Clause 2(o)(iii) amends section 134(9) and inserts a new section 134(10) as well as a new section 134(11) of the Income Tax Act. Where a company makes available to any director or employee for private use, any motor vehicle or equipment, then this is considered to be a taxable benefit in the hands of the director or employee. The quantum of such benefit per month at present is 1 per cent of the cost of acquisition or 33.3 per cent of the monthly rental value.

The present amendments will alter the monthly quantum of the benefits for motor vehicles or equipment acquired after January 01, 2006 to 50 per cent of the wear and tear or 50 per cent of the monthly rental value. Previously, a director or employee would be taxed more if he was using a company-owned vehicle or equipment, compared to if he were using a vehicle or an item of expenditure rented by the company. The present amendment seeks to have a more level playing field.

Clause 2(p) substitutes a new section 135(3) of the Income Tax Act. Section 135(3) deals with the situation where a company makes available to any director or employee, any property owned by it as living accommodation. At present, this is considered to be a taxable benefit in the hands of the director or employee and the quantum of the benefit is the annual rateable value of the property.

The present amendment seeks to change the quantification of the benefit, since the use of the annual rateable value of the property represents an unrealistically low figure. Also, there is a measure of inequity because where a

company makes available rented property to any director or employee, the value of the benefit is calculated by reference to the annual rent, which is substantially higher than the annual ratable value of the property. Accordingly, where a company makes available property that it owns, the director or employee will now be taxed on the fair rental value of the property.

Clause 2(p) also inserts a new section 135(3A) which defines “fair rental value” as the value of the rent which the property can obtain in the open market between unrelated parties.

Clause 2(q) amends Part I of the Third Schedule of the Income Tax Act to reflect the new flat rate of income tax of 25 per cent.

In keeping with Government’s policy of progressively reducing the rate of personal income tax, clause 2(q) will amend the Income Tax Act as follows:

For individuals, the new rates with effect from January 01, 2006, will be 25 cents for every dollar of chargeable income.

Clause 2(r) represents the Eighth and Ninth Schedules of the Income Tax Act. This has the effect of repealing the employment allowance and the apprenticeship allowance referred to earlier.

I will now turn to the amendments under the Corporation Tax Act.

Clause 3(a) repeals paragraph (g) of section 3A(2) of the Corporation Tax Act. Paragraph (g) exempts from business levy the gross sales or receipts of approved small companies. Since clause 3(l) exempts such companies from corporation tax for a period of five years, the exemption from business levy is now unnecessary, since there is an automatic exemption from business levy where there is a corporation tax exemption.

Clause 3(b)(i) repeals paragraphs (c), (ka), (s) and (t) of section 6(1) of the Corporation Tax Act.

Section 6(1) is the general exemption provision of the Corporation Tax Act.

Paragraph (c) exempts from tax, the profits of any trade or business carried on by a local authority. This exemption is being removed so that private companies carrying on the same trade or business can compete on more even terms.

Paragraph (ka) exempts from tax, the interest earned by financial institutions on loans to fund projects in the small business sector under the Small Business Development Company Limited.

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Paragraph (s) exempts from tax, 50 per cent of the interest earned by financial institutions in respect of loans to approved small businesses.

Paragraph (t) exempts from tax, 50 per cent of the interest earned by financial institutions in respect of loans made for the purchase of certain agricultural equipment.

The exemptions provided in paragraphs (ka), (s) and (t) are now being repealed in the interest of tax simplifications and having regard to the fact that the reduced rate of corporation tax compensates for the loss of these benefits. Further, approved small companies are now exempt from corporation tax for a period of five years.

Clause 3(b)(ii) preserves the benefits provided by paragraphs (ka), (s) and (t) to persons entitled to these exemptions on or before December 31, 2005.

Clause 3(c) repeals sections 10C and 10E of the Corporation Tax Act. Section 10C provides for a deduction by financial institutions of 10 per cent of the net increase of loans made to approved small companies. Section 10E makes provisions for 150 per cent allowance for the training and retraining of employees.

Sections 10C and 10E are now being repealed in the interest of tax simplification. It should also be noted that approved small companies are now exempt from corporation tax for five years, while other companies have the benefit of a reduced corporation tax rate which would compensate for the loss of these benefits.

Clause 3(d) amends section 10G of the Corporation Tax Act. Section 10G provides for an art and culture allowance equal to 150 per cent of the actual expenditure up to \$1 million. The effect of the amendment is to remove the 50 per cent uplift so that only the actual expenditure would now be allowed.

Clause 3(e) amends section 10I and 10J of the Corporation Tax Act. Section 10I provides for an allowance for sports and sportsmen, while section 10J provides an allowance for sponsorship of audio/visual or video productions.

In both instances, companies can claim 150 per cent of the actual expenditure up to a maximum of \$1 million. The effect of the amendments is to remove the 50 per cent uplift so that only the actual expenditure would now be allowed—100 per cent of the actual allowances.



Clause 3(f) repeals section 10K of the Corporation Tax Act. Section 10K provides to production companies, a deduction equal to 150 per cent of the expenditure incurred in making productions. The effect of the repeal of this section is that production companies will now claim only the actual expenditure incurred in making productions.

Clause 3(g), (h) and (i) contains drafting amendments consequential to the repeal of Sections 10E and 10K of the Corporation Tax Act.

Clause 3(j) amends section 10O of the Corporation Tax Act. Section 10O makes provisions for a tax deduction for donations to charities by way of a deed of covenant. This clause deletes section 10O(2) which had limited donations via deed of covenants to \$1 million. This restriction has now been removed so that companies may now claim a deduction of up to 15 per cent of their total income in respect of charitable donations by way of deed of covenants.

This clause also repeals section 10O(5A) of the Corporation Tax Act. Section 10O(5A) had amalgamated the deed of covenant deduction with the training allowance; art and culture allowance; scholarship allowance; the allowance for sports and sportsmen; the allowance for sponsorship of audio visual or video productions and the allowance for production companies. These were all amalgamated. The repeal of section 10O(5A) has the effect of delinking these other allowances from the deed of covenant deductions.

#### **2.45 p.m.**

Clause 3(j) of the Bill also contains an amendment to section 10O(5) of the Corporation Tax Act. This is a drafting amendment consequential on the repeal of sections 10E and 10K of the Corporation Tax Act.

Clause 3(k) of the Bill repeals section 16 of the Corporation Tax Act. Section 16 provides for a tax deduction for approved property development companies. Such companies were granted a deduction equal to 15 per cent of the capital expenditure on the construction of commercial or industrial buildings. This deduction has now been removed in the interest of tax simplification and having regard to the reduction in the corporation tax rate. Further, on the basis of information available to me, this benefit was very rarely utilized.

Clause 3(l) amends section 16A of the Corporation Tax Act. Section 16A sets out the benefits to approved small companies; approved companies carrying on business in a regional development area and approved activity companies. These companies are currently entitled to a tax credit equal to 25 per cent of chargeable profits.

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Clause 3(m) of the Bill repeals sections 16F and 16G of the Corporation Tax Act. This is also consequential upon the repeal of the 25 per cent tax credit.

Clause 3(n) of the Bill deletes the reference to section 13(A) of the Income Tax Act from the table in section 19 of the Corporation Tax Act. This is necessary due to the repeal of section 13(A).

Clause 3(o) of the Bill amends the First Schedule of the Corporation Tax Act to reflect the reduction in the rate of corporation tax from 30 per cent to 25 per cent.

Madam President, I now turn to the petroleum provisions in the Bill. This is the payment of unemployment levy, petroleum profits tax, supplemental petroleum tax, clause 4. The Finance Act, 2005 contains measures which give effect to Government's intention to review and revise the energy sector's fiscal regime. The provisions in the Finance Bill, 2006 pertaining to payment of unemployment levy, petroleum profit tax and supplemental petroleum tax continue the process in the reform of a system of taxation of income from petroleum companies. To this end, the Unemployment Levy Act and the Petroleum Taxes Act would be amended to ensure that the legislation is comprehensive, easily administered, predictable and transparent. The provisions are as follows:

In clause 4(a)(i) the words "due and" have been inserted in section 8(1) thereby establishing that a person under the Employment Levy Act has a liability to pay unemployment levy.

Clause 4(a)(ii). Madam President, the Finance Act, 2005 changed the basis on which unemployment levy, PPT and SPT, would be computed. Prior to the Finance Act, 2005, the taxes and levy were computed on income from the preceding financial year. The law now provides that they be calculated on a current year basis. The effect of the amendment was to increase the levy and taxes due to the board.

This provision was retroactively implemented from January 01, 2004; however, the Finance Act, 2005 was not assented to by the President until July 2005. Persons under the Unemployment Levy Act and the Petroleum Taxes Act by that time would have computed and paid to the board, levy and taxes based on the law prior to the amendment. In these circumstances, the law should have provided a grace period and a date by which persons should submit to the board the outstanding levy and taxes under the new regime. The legislation omitted to do so.

In view of this, the Bill seeks to accomplish the following:

Extend the time in which outstanding levy and taxes as a result of the coming into operation of the Finance Act, 2005 are to be paid to April 30, 2006; and absolve the persons from paying interest on outstanding levy and taxes up to the April 30, 2006, and to agree that any outstanding taxes and levy not paid by April 30, 2006 accrues interest from May 01, 2006 to the date of payment. This provision does not apply where persons fail to pay all or any part of the levy and taxes as required by the law prior to the amendment.

These amendments are found at clauses 4(a)(ii) and 6 of the Bill in respect of the Unemployment Levy Act and the Petroleum Taxes Act, respectively.

Clause 4(b) of the Bill seeks to correct the following: clause 4(b)(i). Section 9 of the Unemployment Levy Act provided in error that a person who failed to pay levy should pay interest at 15 per cent rather than 20 per cent. That is now being corrected.

Clause 4(b)(ii), amendments made to section 9 of the Unemployment Levy Act in the Finance Act, 2005 erroneously deleted the requirement that the remainder of the levy for the financial year be paid on or before April 30 in the next year and if not paid, would attract interest at 20 per cent a year from the next day up to the date of payment.

Clause 5 of the Bill repeals part X of the Miscellaneous Tax Act which deals with the Road Improvement Tax Act.

Clause 6(a) defines the terms “deepwater” and “deepwater block”. Clause 6(b) repeals the existing section 7. This serves not only to include new sub-provisions but also acts as a tidying up measure. To this end the subsections contain the following:

That the PPT would be computed and assessed for a current financial year and paid quarterly.

That the SPT be computed and assessed on current income on a quarterly basis and paid by the 15th day after the end of each quarter, but where the PPT and SPT are not paid by the end of the quarter, outstanding tax attracts interest at the rate of 20 per cent.

That persons must furnish the Board of Inland Revenue with information that it may require for crude oil and natural gas. This provision always formed part of the law, however, it excluded the requirement to provide information in respect of natural gas. The Bill seeks to correct this omission.

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That a penalty for late filing of returns of income in respect of PPT and SPT would be imposed. This provision is contained in the Corporation Tax Act but was not incorporated into the Petroleum Taxes Act. The Bill seeks to correct this omission. The board, however, has in the past applied this provision to persons subject to the Petroleum Taxes Act who failed to furnish a return of income. In order to protect the Board of Inland Revenue it would be necessary to validate the actions of the board prior to the coming into operation of the Finance Act, 2006. The validation is to be found at clause 12 of the Bill.

That for the purpose of SPT, persons are to supply the board with a return of income 15 days after the end of the quarter and also in the circumstances where the person ceases to carry on business. The provision also provides for submission of returns for the year ending December 31, 2005. This requirement was excluded from the Finance Act, 2005 and the Bill seeks to address this omission.

Madam President, 6(c) will be explained later. The amendments at clause 6(d) and (e) are as a consequence of the change in the basis of computing PPT. Since the law now requires that PPT be computed on a current year basis, it is necessary to remove the reference to the PPT being calculated on chargeable income for the preceding year.

Clause 6(f) of the Bill amends the Petroleum Taxes Act to allow companies to benefit from the provisions for covenanted donations to charity. The companies would now be able to claim the donation on a deduction in ascertaining their chargeable profits.

In 2005, the law was changed so that SPT would be computed, assessed and paid quarterly. Additionally, companies are now required to furnish the board with a return relating to the tax payable.

Clause 6(g) is a consequential amendment whereby provisions under the Income Tax Act pertaining to assessments, additional assessments, notices of assessments and appeals against assessments will now be applicable to SPT under the Petroleum Taxes Act—condensate.

Clause 6(h). Madam President, the Finance Act, 2005 made the company that was issued a licence to produce petroleum liable for SPT on gross income derived from the disposal of condensate recovered along a natural gas pipeline. Prior to last year, condensate escaped the charge since it was recovered after the producers sold the petroleum as natural gas.

In view of discussions held with the tax committee, the BIR and the industry, it was agreed that the payment of SPT would be levied on the company which first sells the condensate as that product. This would require that sections 21(1)(A) and 22(A) of the Petroleum Taxes Act be repealed.

Clause 6(i), (j) and (k) deals with the concept of fair market value. In view of the complex nature of the issues involved in energy taxation, it was Government's decision to treat with the taxation of crude oil separately from that of natural gas. In this regard, the Finance Act, 2005 unveiled measures pertaining to the taxation of crude oil and represented part one of the plan to redesign the petroleum tax regime in Trinidad and Tobago.

Expanding activity in the natural gas subsector has resulted in this country being referred to as a gas-based economy. As a consequence, the aim must be to derive a fair share of returns from this subsector. In this regard, a basic principle of determining corporate income tax, petroleum profit tax, royalties or other fiscal features is that oil and gas are valued on the basis of the fair market value.

While this concept already exists in the petroleum tax legislation and is the responsibility of the Petroleum Pricing Committee, there is need to establish the market value concept in the natural gas tax regime. The existing legislation provides for the Petroleum Pricing Committee to determine the fair market value in the case of crude oil, petroleum products and natural gas exchanges or transfers between persons carrying on production and refining businesses or transfers between affiliated parties for the assessment of tax liability in Trinidad and Tobago.

The present legislation, however, does not provide for the treatment of natural gas sales for export. It has also been determined that the contracts entered into for the purpose of natural gas export should be consistent with arms length pricing principles. In view of Government's objective to ensure that all contracts along the LNG value chain be based on fair market value principles, the Petroleum Taxes Act would be amended as follows:

1. To require that all current and future contracts be submitted to the Board of Inland Revenue for examination.
2. To provide that the BIR could determine, if necessary, that the Petroleum Pricing Committee review and make a determination on the nature of the contracts as to whether they satisfy the market value principles.

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3. To provide that the Minister of Energy and Energy Industries can reconsider the contract where he is satisfied that circumstances have been so altered to effect the fair market value of the natural gas as previously determined by him. He determines that in the first instance.
4. To provide that the Petroleum Pricing Committee, in determining the fair market value of the gas, takes into consideration such parameters which include but are not limited to shipping costs, regasification costs, liquefaction costs and the price of the gas at the final destination.

Deepwater incentives: To date, approximately 38 per cent of Trinidad and Tobago's marine acreage has been explored, the majority of which is in shallow water. A considerable amount of the remaining acreage to be explored is located in deep water. It is generally recognized that drilling and development in deep water is more costly than drilling in shallow waters. Given the large available deepwater acreage and the lack of results in deepwater exploration in Trinidad and Tobago, thus far, it seems that there is economic justification for providing more generous fiscal terms. In keeping with the Government's objectives to provide incentives to stimulate petroleum exploration, the Petroleum Taxes Act would now be amended to provide as follows:

- (1) That a person engaged in the drilling of exploration wells in a deepwater block would be granted a capital uplift of 40 per cent on such expenditure with respect to the computation of the petroleum profit tax.

The Minister of Energy and Energy Industries would classify a deepwater block and exploration well.

- (2) That the rates of SPT to be applied from the disposal of crude oil from any well in a deep water block would be at rates set out in column D of Part B of the Third Schedule under the Petroleum Taxes Act.

Madam President, I now turn to the Fiscal Incentives Act. Termination of fiscal incentives: The effect of section 23 of the Fiscal Incentives Act is to provide for companies to claim annual allowances only in the year in which the allowances become due. This provision was enacted in the Finance Act, 2005. However, the amendment omitted to require a company to claim the allowance for the exhaustion by wear and tear resulting from the use of its assets.

Clause 7(a) of the Bill seeks to correct that omission. Clause 7(b) of the Bill is as a consequence of clause 7(a). The effect of 7(c) is that benefits including tax holidays would no longer be available to companies as provided under the Fiscal Incentives Act.

Capital allowance: The law provides that companies engaged in oil and gas exploration and production are entitled to deduct annual allowances in respect of expenditure incurred in exploration operations and intangible drilling and development costs from the year following the year in which the expenditure was actually incurred.

However, in order to provide the appropriate incentive to encourage companies to begin deeper drilling, given the known geology of the existing fields, the Petroleum Taxes Act is being amended to allow that where the expenditure is in respect of exploration cost, the annual allowance would commence from the year of expenditure. Madam President, this relates to clause 6(c) of the Bill.

In the legislation, annual allowance is the greater of 20 per cent or the fraction of output or production divided by output, plus reserves as at the end of the year applied to the residue of expenditure. This is in keeping with the depletion of the wells to be written down on a unit of production basis.

In view of the changes to the time from which the write-off of capital expenditure commences, it is no longer necessary to retain the basis on which the annual allowance is derived. The Income Tax (In Aid of Industry) Act would now provide that the allowance is 20 per cent of the residue of expenditure. This is to be found at clause 8(a) of the Bill.

Clause 8(b) of the Bill amends the Income Tax (In Aid of Industry) Act and serves as a tidying up measure to make that clear.

Madam President, how much time do I have?

**Madam President:** You have about seven minutes.

**Sen. The Hon. C. Enill:** Okay. The subsections at clause 8(b) of the Bill seek to amend the Income Tax (In Aid of Industry) Act and are tidying up measures to provide for the set-off of decommissioning and abandonment costs.

Clause 8(c) refers to the application of the Fiscal Incentives Act.

Clause 9 refers to the Tourism Development Act.

Madam President, clause 10 deals with retroactivity. The petroleum measures contained in the Finance Act, 2005, took effect retroactively from January 01, 2004 and as previously mentioned in the Finance Act became law in July 2005. In discussions with many of the stakeholders, it was agreed that due to the length of time the matter remained outstanding, most international companies have already presented their results to international shareholders which impact the share value of these companies.

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In lieu of implementing the provisions for January 01, 2004, government pursued alternative measures which would result in payment of the equivalent value retrospectively. Additionally, it was agreed to revisit the tax holiday provisions for Atlantic LNG Train 1. In light of the preceding, the petroleum measures would now take effect from January 01, 2005.

Part X of the Bill amends the Finance Act, 2005 accordingly.

Madam President, clause 11 validates the actions of the Board of Inland Revenue prior to the coming into operation of the Finance Act, 2006 in relation to the collection of any penalty in excess of \$100.

Clause 12 refers to the date on which the Act comes into operation.

This Bill is another step towards the realization of our key social and economic objectives. This government has been consistent in its thrust to ensure that the revenue from the energy sector is utilized in a manner which would guarantee our nation's economic growth and development.

The Finance Bill, 2006 would remove some of the anomalies in the system and place the non-energy sector securely on a path towards greater competitiveness.

Madam President, with these few words, I beg to move. [*Desk thumping*]

*Question proposed.*

**Sen. Wade Mark:** Madam President, the Bill before us is the Finance Bill, 2006 and it seeks to amend several pieces of legislation of a financial nature, emanating out of the budget presentation of the Minister of Finance to this honourable Parliament in September, 2005.

If we are to follow from the hon. Minister in the Ministry of Finance who has just presented these fiscal measures, one would believe that all is right and all is well in Trinidad and Tobago. These fiscal measures are designed to assist the Government in furthering its objectives of achieving some hocus-pocus Vision 2020 development goal which you and I will never see.

We got the impression from the Minister's statement that all these so-called macroeconomic fundamentals are in place and we have strong and positive external reserves. That is a fact. We have low levels of unemployment—I call it “bogus employment”—that has led to the low levels of so-called employment in our country. The Community-based Environmental Protection and Enhancement Programme (CEPEP) and the Unemployment Relief Programme (URP) are, in fact,



part of the scheme to fool the country into believing that our unemployment rate is low, when persons are mercilessly being exploited by this Government and their agents posing as CEPEP contractors, as an example.

We were told by the hon. Minister in the Ministry of Finance that the Central Bank is aggressively pursuing appropriate monetary policies, in an effort to maintain stability; not only in the foreign exchange market, but to see what it can do to stabilize prices in this country.

We were also told by the hon. Minister that the Government is aggressively pursuing diversification efforts to bring about a more balanced development process in this land. These measures are supposed to deal with poverty and reduce crime in our land. Madam President, when you and I look around our country, we get the impression that the Government believes in itself, and it provides this country with a lot of false hope and false promises. Where is the progress in this land over the last four years? Where is the advancement that persons have recorded in their living, working conditions and quality of life in this nation? Where?

Madam President, the social, economic, sociological and cultural conditions have worsened in this country over the last four years, in spite of all the fundamentals that we have been made privy to by the hon. Minister. The vast majority of persons still live in a state of hopelessness; they live in a state of helplessness; and a state of insecurity and fear.

Flooding: As we speak in this Parliament, hundreds of people in different parts of this nation have been marooned and stranded. They cannot even leave their homes if they are ill and need medical attention. They cannot get out. Whether they are in Barrackpore, Penal, Rio Claro, Mayaro, Mafeking or Caparo, the stories are the same. The country has been virtually inundated by rivers of water, and we are talking about progress after four years.

The PNM has been talking about the establishment of a dam in Mamoral to capture water. That dam is still to be constructed. In every budget statement an announcement is made by the Minister of Finance and, yet, our farmers continue to lose millions of dollars. Our citizens lose all kinds of material belongings amounting to millions of dollars and we have an Office of Management Preparedness and Disaster which, to my mind, is a disaster. They respond very slowly to the cries of the people.

*Finance Bill*  
[SEN. MARK]

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Madam President, I raised these points because we got the impression from the hon. Minister of Finance that everything in this land is fine and the PNM is the way forward, in terms of its public policies. The reality on the ground is that the lives of ordinary persons are very difficult, very hard and very challenging.

Madam President, would you believe that the people of Caparo asked the office of management preparedness for 51 mattresses to deal with the rampant flooding in their communities and today, as we speak, people are sleeping on gazette paper? They cannot get a mattress from the Government! They asked for 51 mattresses and not one has been provided. They asked for about 250 hampers and they were lucky to get 71.

What is the role of the fire services in this whole disaster? Do you know that we do not even have dinghies in this country? So, if you are stranded in flood waters and you want to get out you cannot even get a dinghy to take you from the flooded area to safety. The Government is spending hundreds and billions of dollars and people are not benefiting. Madam President, you travel on our roads every day; where is prosperity? Where is the progress taking place? The roads are bad; they are terrible.

The people in Point Fortin had to shut down the road to go to south. They shut down the place. The residents of La Brea and Sobo Village blocked the road with burning tyres in order to draw to the authority's attention their cries for better roads in their communities.

The UNC supports the struggle of these ordinary people—whether they are maxi-taxi drivers, PH drivers or ordinary residents. I think the PNM is sleeping and only fire is going to wake them up. That is why they have begun to burn tyres to draw to the PNM's attention that they need help; they need development; and they need support whether there is inadequate water supply, poor sanitary condition or poor health care.

Yesterday, I heard a gentleman from Tobago on a programme talking about a problem he has. His wife needed an X-ray and she went to the Canaan Health Centre and they sent her to the Scarborough Hospital for the X-ray and there were no X-ray facilities. They told them to return in six weeks' time or they could go and find some money and go to a private doctor. That is the kind of disrespect that our people have been experiencing under this regime. So whether you are in Tobago, Barrackpore, Penal, Caparo, Port of Spain, Petit Valley or Mayaro, the

problems are the same. You have an incompetent regime that is swimming in billions of dollars and they just do not know what to do. Madam President, I am going to show you that the Government continues to spend recklessly in this country whilst people hold their heads and bawl in this land. So we do not expect any prosperity under this regime.

What we are experiencing in Trinidad and Tobago, given the measures that the Minister in the Ministry of Finance has outlined—he gave the impression that there is prudence in fiscal management under his regime. What we are witnessing under this regime is wasteful expenditure. It is huge! The expenditure is huge and it is wasteful. We are not seeing, concomitantly, the kinds of development that are required.

I want to draw your attention to an article—when we talk about development—in the *Guardian* newspaper dated Friday, January 20, 2006 on page 17 and I quote: “TTCA knocks Govt on development”. Madam President, they are saying:

“The Government is not taking into consideration national development as it proceeds with its developmental projects, said Mikey Joseph...

‘Our view is that the Government’s development programme should also take into consideration national development, and the pace of its construction programme is not taking national development into consideration.’”

The Government is developing a lot of mega projects and they are not training our local people to acquire the necessary skills. What we are doing, as was established, is that these contractors are being given more and more projects and the projects are behind time—three months, six months and one year. So we have a lot of cost overruns taking place in this country. Even the Minister of Works and Transport admitted recently that he had to take a contractor who is dealing with the Diego Martin Highway to court. The Tobago House of Assembly also wants to take a contractor who is building the Scarborough Jetty to court. The Government cannot even start the Crown Point Airport. So what you have is a lot of flair and fanfare that they are about development, but there are no signs of real development being seen in this society. So, as far as we are concerned, public policy under this regime has failed. They have failed to deliver in terms of public services. The Government’s performance record is dismal; both in terms of efficiency and effectiveness of its delivery.

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[SEN. MARK]

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We need to come to terms with the fact that in spite of the best advice being given to this Government by the International Monetary Fund and other international institutions—they are telling the Government to mash brakes; they are expanding too rapidly; and they are overheating the economy, and the Government continues to pursue an expansionary policy and programme regardless of the consequences. The Government is not addressing the challenge between savings and consumption. They continue to spend lavishly and our savings efforts continue to decline.

Madam President, I was shocked today when I received the annual legislative agenda for 2005 to 2006. We were told in 2004 to 2005 that a Bill to encourage national savings through our natural resources, oil and gas, would take the form of a Heritage and Stabilization Bill. Do you know that we have received an annual legislative agenda for 2005 to 2006 and nowhere on this legislative agenda is there any evidence of the Government's intention to bring to this Parliament the Heritage and Stabilization Bill, so that we can save from our largess that is being derived from our petroleum resources, whether it is crude oil or natural gas?

We now have a situation where a virtual economic mirage is being projected and thrown up here to make the people in the country believe that something is taking place, but nothing of substance is taking place in this country. The Government is spending our money in a very reckless manner. No savings! That is why we have been calling for this Heritage and Stabilization Fund. This fund is necessary to deal with intergenerational transfers. We need to think about tomorrow's children. [*Desk thumping*] Yes, we have to deal with strategic investments today, but we have to think about our children and our future tomorrow. [*Desk thumping*]

Do you know that the price of oil, even though it continues to be around \$61 to \$64 a barrel, is not going to stay forever at that level? The natural gas price has reduced. At one time it was US \$14 per 1,000 cubic feet and today it is about US \$8. We have to recognize that our natural resources, gas and oil, are not finite and not inexhaustible and, therefore, there is need for us to focus on savings in our country.

The time has come when we must call on the Government to engage in an urgent review of its expenditure pattern. The Government's expenditure pattern today is too loose and too reckless. We cannot continue like that. The PNM was in charge of our resources when we had the oil boom in 1974. Madam President, do you remember? In 1983 they were also in charge, and by 1986 the economy had collapsed, because the PNM recklessly wasted our resources. They have not learnt from their mistakes. We are going through the same cycle of wasteful expenditure.

I would like Sen. The Hon. Dr. Lenny Saith to investigate why a building is being rented for the Licensing Authority? The person who owns that building is the president of DOMA, and for 18 months or thereabout we, the taxpayers, paid some \$75,000 or \$175,000 a month. Sen. The Hon. Dr. Lenny Saith, could you correct me if I am wrong on this one? We have been paying this huge rent and with no occupation.

Do you know that it was only a month ago that the Licensing Authority occupied those premises? So this particular individual has been collecting between \$75,000 to \$170,000 a month for this building, and we were not occupying the building. I am talking about wasting our resources. I call on Sen. The Hon. Dr. Lenny Saith to investigate this matter. To refurbish that whole building is going to take about \$2 million. Who is going to pay for that? The building is already owned by Aboud and he has not brought the building up to customized standards. Are we going to be called upon—after paying that kind of money for 18 months—to do the customization? Madam President, something is wrong. I call on the hon. Minister to deal with that question.

It is our view that there is need for some priority, as I said, in terms of savings. We are not happy with the level of savings here. We believe that the Government needs to pursue wise and prudent fiscal strategies. We are not seeing evidence of that. We believe that the people of this land are going to pay a very heavy price. Macroeconomic instability can visit us overnight. When it did visit us in the 1980s we had to chop and cut—retrench left, right and centre and cut people's salaries. There was an attempted coup in 1990 because of the PNM mismanagement and reckless approach to public expenditure in this country, and we are going through the same situation here again. We cannot continue in that way.

Madam President, I want to deal briefly with the energy sector. I want to raise the question of local participation and local content. The Government has spent some time in briefing us on the measures that were announced in the 2005/2006 Budget, and some of these measures are in the Bill before us today. There are so many important issues and now that we have a super Minister in the name of Sen. The Hon. Dr. Lenny Saith—he is a super Minister. He is in charge of the Ministry of Public Administration and Information and the Ministry of Energy and Energy Industries. I thought, given my colleague's age, that would have been too weighty for him.

**Sen. Joseph:** What that has to do with age?

**Sen. W. Mark:** That is more pressure on him; not the age so much, but the pressure he would be under. I thought it is too much pressure. Madam President, anyway, I was not talking to the Minister of National Security. I was talking to you. I am going to deal with the Minister of National Security at the appropriate time.

**Hon. Senator:** Did he tell you that he is under pressure?

**Sen. W. Mark:** I am concerned about the weight, but if he can carry the weight, I support him.

**Madam President:** I think he is young enough.

**Sen. W. Mark:** I am told that he is young enough. Madam President, with respect to local participation in the energy sector, we need to find a formula in 2006 to have some greater degree of equity participation in these oil ventures and operations. We do not want to be assembling platforms as we are doing presently. Do you remember when we used to bring down these completely knocked down vehicles (CKDs)? We used to assemble them here, and then we would say they were manufactured in T&T. The so-called Cannon Ball Platform is a CKD. We have to be a little more serious if we are talking about value added in the process.

Madam President, we believe that the local operators who operate the farm out programmes, which were referred to some years ago as the Lease Operators and Farm Out Programme, the Government needs to pay some attention to the disappearance of these allowances in this year's budget. These small entrepreneurs would no longer be able to enjoy the kind of allowances that they enjoyed previously. We believe that would have a negative impact in many respects on their operation and cost structure. I hope the Minister of Public Administration and Information and Minister of Energy and Energy Industries would pay some attention to that particular aspect, because they are Trinidadians; they are locals. We need to promote local entrepreneurship in this regard. I would call on the Minister of Public Administration and Information and Minister of Energy and Energy Industries to look at this particular matter very closely.

We did not get from the hon. Minister what is the Government's policy with respect to the natural gas industry. We were promised a natural gas tax regime, but we are yet to see a natural gas tax regime. When is that coming? We must conduct our affairs in some transparent way. I have been hearing that when gas prices are being determined by the Ministry of Energy and Energy Industries or the agencies which are involved in negotiations, public officers are told to leave the room and only Ministers and those elements and so forth who are here to

invest, would sit and negotiate these natural gas prices for these projects. I am not too sure, but I am telling you what I have been told. I would like the hon Minister of Public Administration and Information and Minister of Energy and Energy Industries to tell this country what policy is being pursued when we are negotiating natural gas prices with these foreign national corporations, and whether the time has not come for us to deal with this matter in a more open and transparent fashion.

When we left office in 2001—we were removed from office, I should say, in 2001—we had a gas master plan in place but, today, we understand that the gas master plan has been completed, but we have not seen it. Is it a secret document, Sen. Dr. Saith? Would you be laying that gas master plan in the Parliament? Would that gas master plan be subject to debates and so on and national dialogue in our country? We believe that is very important and it should be made public.

Madam President, I want to indicate very early that when the Minister of Finance indicated to us in his budget speech that he was moving to increase the personal allowance from \$25,000 to \$60,000 per annum, he indicated that the following would be eliminated immediately upon its coming into effect. That is the \$60,000 personal allowance. The personal allowance of \$40,000 for individuals 60 years and over has gone; the child allowance of \$1,200 per child has gone, that has been eliminated; the mortgage interest rate or interest deduction, as the Minister said, has been removed; the \$10,000 deduction for credit unions and cooperatives has gone; and the 25 per cent investment deduction in respect of equity investment in hotels has been removed.

We were told by the Minister of Finance that these are significant measures and they would put an estimated 300,000 taxpayers out of the income tax net altogether. Is that a fact? We understand that there are 300,000 persons who file income tax every year. Our research has shown that only about 140,000 persons out of the 300,000 would, in fact, benefit. So here we have the Minister of Finance misleading the entire country by telling us that 300,000 persons would benefit from this measure when, in truth and in fact, that is the number of persons who file annual returns.

**Sen. Enill:** For the benefit of the Senate, I just want to clarify what the Senator has just said. The Senator is quite correct. There are 300,000 persons that would benefit. They would benefit to the extent of \$1.6 billion. The fact is that everybody in the system would benefit by a reduction in the rate, as well as an increase in personal allowance. So the statement is absolutely correct. Every taxing individual would benefit. [*Desk thumping*]

**Sen. W. Mark:** Madam President, my colleague said that I am correct and then he went on to say that every taxpayer would benefit. I would want to differ. That is a very optimistic point of view being expressed. I do not share that optimism by the Minister.

Madam President, page 6 of the Bill before me deals with the repo rate of interest of the Central Bank of Trinidad and Tobago. It deals with what is called the difference between the two rates of interest referred to in paragraph 2. It says that it shall be treated as a perquisite of the office or employment of the director or employee and shall be chargeable to tax as emoluments as defined.

Madam President, I would like the hon. Minister in the Ministry of Finance to clear this matter. There are thousands of workers who are employed in the financial sector—whether it is insurance or the banking sector or the credit union movement. There are also hundreds of public officers who have access to loans at a very concessionary rate. What I understand is that the repo rate set by the Central Bank of Trinidad and Tobago has a big impact on determining interest rates generally in the system. We were told that whatever preferential rate that you enjoy as a worker—if you are entitled to 4 per cent on a mortgage loan and the repo rate is 6.5 per cent, that the difference of 2.5 per cent that you would benefit would be seen as income earned by you. It would be part of your emoluments and, therefore, subject to a 25 per cent personal tax rate. So whether you are a bank worker, an insurance worker or a worker in the credit union industry—this is a benefit they have enjoyed hitherto—this measure being implemented via the fiscal package. What has happened is that the Government punitively hit these categories of workers in a big way. Madam President, I am talking about the middle management.

Whether you are a supervisor, a loans officer or an operations manager you were entitled to certain preferential rates and that has now been eliminated. I want to ask the hon. Minister, in the case of us, we would go to the Comptroller of Accounts and they are saying to us that we are getting things at a preferential rate of 6 per cent, and the repo rate is going up every day. It started at 5 percentage points and it is now 6.25 per cent. We understand that by the end of this year it would go to about 7 per cent.

What we are being told is that the difference in terms of what you would access via the Comptroller of Accounts—that 1 per cent or 2 per cent difference—I understand that you and I are going to be taxed just as the ordinary worker at First Citizens Bank or at Scotiabank. So your emolument, even though you are enjoying the benefit, is going to be taxed. I am saying that the Minister of



Finance is going to have a great opportunity, in his winding up, to clear up these matters. I am not prepared to give up my time for any further clarification. I am going to ask the Minister to do it during his winding up.

Madam President, I can tell you that in the banking sector—I have done my enquiries in the banking sector and the financial institutions like the bank, insurance companies and credit unions are now going to have a punitive imposition on them as a result of this measure. Whether this is taking place in the public service, I do not know. I know in terms of the private sector, this is a punitive measure and the Minister could clarify it when he talks later on.

Madam President, what I would like to say is that the Government seems to be giving with one hand and taking back with the other. How would these measures really assist or improve the quality of lives of these persons? I am not saying that somebody who is working for \$5,000 a month and is getting \$60,000 a year would not have to pay taxes, but that same person who is working for \$60,000 a year is now subjected to a 33 per cent rise in food prices, and there is no stopping. The Government has not taken any measures to deal with agriculture in this country.

**3.45 p.m.**

It is predicted that some one billion new consumers would be on the world market in the next five to eight years, and they are going to be demanding the same thing that you and I demand, and the Government is doing nothing about agriculture. So this is a pie in the sky, this is no real improvement. We have already been told by T&TEC that our electricity rates are going to go up. WASA has served notice that they are going to increase our rates shortly. What is taking place is that on the one hand the Government is appearing to give something, but on the other hand—because they have no control or they appear to have no control over this economy—workers are going to suffer inevitably at the end of the process. The rich are becoming richer under the PNM and the poor are becoming poorer because of their failed public policy. Your public policy is not working, that is clear. If you look at the latest indicators from the UNDP, 12 per cent of this population receive less than US \$1 a day—that information came from you—and more than 39 per cent of the people receive US \$2 per day. So, Madam President, according to UNDP statistics, Trinidad and Tobago has a population under the poverty line of close to 50 per cent; and you have not denied it.

**Sen. Enill:** You believe that?

**Sen. W. Mark:** What? If I believe it? Yes, I believe it. I see it. I see the kind of poverty in this country every day. This Government is about mirages, phantoms, creating all kind of ghosts in people's minds and nothing to come; no real development taking place in this country. Yes, yes, you are simplifying the tax structure, all right, but what is going to happen to these people at the middle management level, Madam President?

I found it difficult for the Government to convince me of the removal of the benefits that workers enjoyed, who were first-time homeowners and they wanted to access through their pension plans' vast surplus, some amount of money to start an investment in their own property. They have abolished that, and what is the basis for abolishing it? Sixty thousand dollars is the new personal allowance, people would be able to take care of themselves, and the Government's housing policy is in place.

As we talk about housing policy; when I told you and this country that the PNM was on a voter padding mission, we are now seeing clear evidence of it. Imagine, I read in the newspapers yesterday that the PNM intends to demolish some 682 units in Port of Spain. They just spent \$150 million of your taxpayers' dollars to refurbish these buildings. They are now going to demolish these buildings, and you know what? They are taking their supporters, about 3,000 of them, where are they going to put them? In the marginal constituencies of St. Joseph, Barataria/San Juan, Tunapuna, St. Augustine, Couva and Chaguanas. Now, tell me if that is not voter padding, what is? And this is something that the PNM has timed, you know. Because every ordinary person in East Port of Spain would like to have a better way of life. So if you tell me you have a nice three bedroom house for me in Oropune Gardens and it is free, "ah mean to say, ah go take it up". But that is a policy on the part of the PNM; that is voter padding. We have to write to the IEDB and the Carter Centre on these matters, because the Government is using taxpayers' resources to remain in power illegitimately and undemocratically. I am telling Sen. Dr. Lenny Saith, the PNM is playing with fire, because if you frustrate the democratic wishes of the people, the ballot right now is the option. Do not allow the other option to come, you know. But if you frustrate people the other option could come.

Madam President, let me just indicate another matter to you. We were told by the hon. Minister of Finance, in his budget statement, that there would be free tertiary education for all. And you know honestly people believed it. Many persons went and signed up with IOB; they went and signed up with UWI, because they believed that tuition fees would be free at postgraduate levels. Only to be

told by the Minister of Science, Technology and Tertiary Education, in a press conference, this thing has conditions, it is not free you know. You know what is free, if you are an undergraduate student. If you are an undergraduate you are free, but if you are one of the 5,000 students—and it is not many—or thereabout who are doing postgraduate work at UWI and that is the kind of brainpower you need to deal with research and development if you are talking about 2020 in that regard you know what is taking place? Nothing for you. The same dollar for dollar, 50 per cent, a dollar for a dollar. You put a dollar, they put a dollar. That is what is in place. So it is the same policy that we pursued that the Government is still pursuing.

**Madam 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:** Thank you, Madam President. What I am saying is that the Government once again has fooled the population into believing that it was free tertiary education in Trinidad and Tobago. The Minister of Finance never told the country that only undergraduates would benefit from free tuition. He said free education for all; it is here in the budget document. Only to find out—people have gone to IOB; they have gone to UWI and they are being told, listen, "it eh free you know, yuh have to pay". So these people are in problems now, because they did not budget for it. Once again, the Government has deceived the people.

I want to give you another example of doublespeak on the part of this regime, I want you to listen very carefully and we are going to campaign on this one, because the Government of Trinidad and Tobago in a statement to the Parliament on June 16, 2003, the Prime Minister of this country told us: Do not worry about T&TEC rates, there would be no rate increases for the next 15 years. Here we have T&TEC telling us we have to pay increased rates. I want to quote from this document which is a statement made by the Prime Minister and Minister of Finance regarding the Atlantic LNG Train 4 Project Agreement. Hear what he says on page 2 of this statement:

"Royalty: ...a most significant element of this agreement concerns the payment of royalty to the Government of Trinidad and Tobago."

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The Prime Minister went on to say:

"Based on negotiations concluded with British Petroleum, Trinidad and Tobago (bpTT), a substantial tranche of gas... "

Madam President, I want to repeat:

"a substantial tranche of gas will be provided to the Government at no charge for 15 years between 2003 and 2017."

Madam President, a substantial tranche. He went on:

"Thereafter, the 10 per cent royalty rate comes into force. This replaces a royalty rate of US \$1.50...This new arrangement will have direct benefit for the ordinary citizens of the nation who will have the comfort of a stable price for electricity."

This is what the Prime Minister said. He said we would have a stable price for electricity, because of the outstanding negotiations that they conducted with the Atlantic Train 4. Here we have the RIC telling the population about rate increases. How can we have rate increases when the Prime Minister is on record as saying, in the negotiation, he has a substantial tranche of gas that would be used by T&TEC to maintain stability in the price of electricity rates in this country? Has this gas tranche gone to ALCOA, I ask? Could Sen. Dr. Lenny Saith tell this country if the tranche that was allocated to the people in order to maintain stability in the rates of electricity, whether that tranche has now been granted to ALCOA? I would like him to say that when he is speaking later, not whilst I am speaking.

Madam President, I am saying that is another deceit; they have deceived the people. They deceived the people in terms of tertiary education. Now they have deceived the people in terms of electricity. It is on public record. You cannot increase the rates of electricity. It is on record that you said you are not doing it; you have gas.

**Sen. Dr. Saith:** No, we said stable prices.

**Sen. W. Mark:** "Nah stable", so stable mean, oh, I see, I see, "Oh gawd, Lenny, they ain't make a mistake by putting you nah". They know what they do, you know. They put the right man, boy. Madam President, they put the right "fella".

This is an area that again, I want to emphasize needs to be looked at. We cannot take our people for a ride. People are under pressure; their quality of life is falling; the middle class is disappearing. Would you believe that our human capital, our intellectual capital base is migrating to the tune of 14,000 to 15,000 people every

year? Last year 14,000 of our brainpower, our intellectual capital, our human capital migrated to better lands.

How are we going to develop; how are we going to reach this so-called 2020 vision? With CEPEP workers? With URP workers? You need skilled professionals to deal with this whole question; you have a migratory problem and the Government is not dealing with that question. You are talking about all kinds of development, I do not know if the Government intends to use the CSME to bring in people from St. Vincent, Grenada, Guyana and other places in order to supplement for this migration that is taking place. I call on the Minister of National Security to investigate this matter. We understand that there are thousands of Nigerians—

**Sen. Joseph:** "Ah tell yuh that is not true."

**Sen. W. Mark:** I tell you I am seeing them, what you talking about "ain't" true, I am seeing them. Hundreds and thousands of them are in this country. I call on the Minister of National Security to investigate this matter.

**Hon. Senator:** Where have you seen them?

**Sen. W. Mark:** Madam President, there was a report in the newspaper, if he does not read. I would refer that report to him so he can investigate the matter. Because he is the most innocent Minister of National Security, you know, he "doh" know "nuttin", you know. But I wonder if you are the institution man that they refer to or is it Dr. Saith?

**Madam President:** Senator, you were going very good.

**Sen. W. Mark:** No, no, they say they trying to set up "meh" partner here, and they say one is LA from Los Angeles, the next one is the "Institution Man" and the next one is the "B Man". Madam President, who is the "B Man"? Is that the big man? I always hear about the big man. Anyway, we would deal with this thing on the hustings. The big man; we want to know who is the big man? The "B Man". Is it Bilaal Abdullah? I do not know. *[Interruption]* Do not worry, I am talking about a lady called Phillipard just now, I hear she has a slush fund with you. Anyway I "ain't going" to talk about that.

Madam President, I have some information but I am doing some more investigations, because when I reveal it I want to have the truth. I hear there is something amiss in many ministries, but we are doing our work and at the appropriate time we shall expose. I believe that this Government—

**Sen. Kangaloo:** You finish?

**Sen. W. Mark:** No my dear, you are pressing me, man. I still have five minutes. [*Laughter*] She wants me to leave so fast. I want to go to page 15 of the document. When we talk about a fair price, we would like the hon. Minister of Energy and Energy Industries to tell us what has happened to the pricing committee in the Ministry of Energy and Energy Industries. Is it dead? Is it alive? Is it half dead? We would like to know. We were told also, in this document that the Government was to set up, what they call, a high level monitoring committee to deal with the production operations and market conditions to really ensure that we get a fair price for the LNG that we are exporting. Is there such a committee in existence? Do we have a monitoring committee in the Ministry of Energy and Energy Industries? I do not know.

There was a pricing committee, we do not know. We are asking these things because we read some time ago where big multinational corporations were stealing our oil and stealing our natural gas; that is on record. So, we know that they thief. So we want to make sure that they do not continue to thief and rob this country of much needed resources. That was in the newspapers, I am not making any allegations. They say that they steal, not thief, steal.

**Madam President:** I would like you to use the word "steal".

**Sen. W. Mark:** Yes, I withdraw "thief". So, we would like the hon. Minister to let us know what is taking place with the Atlantic LNG in terms of fair prices; we need to know this.

As far as we are concerned, we have a Government, as I said, on a lot of "ol' talk" and no action. I would like to call on the Minister of Finance to examine very carefully the advice that was given to him by the IMF, and if I may indicate what they said in closing. Hear what the IMF told the Government in its 2005 Article 4 Consultation which is posted on the website. They said:

"While mindful of the potential long-term benefits of reducing tax rates ..."

Which, I mean we say we support, any more disposable income in your pocket, that is fine.

"and increasing capital spending, Directors expressed some apprehensions about the recent significant expansion of the nonenergy fiscal deficit..."

What does that mean? The deficit excluding energy revenues.

"They noted that the plans for current spending needed to be assessed against institutional limitations and the economy's capacity to absorb the higher levels of expenditures."

There were, in particular, emerging concerns about inflation and what they call the Dutch disease down the road.

**Madam President:** Did you say what document you were reading from?

**Sen. W. Mark:** This is a document called the 2005 Article 4 Consultation of the International Monetary Fund, which is posted on the website or you could go on a search engine and get that.

I would like to call on the Government to recognize that there is no real development taking place in Trinidad and Tobago. Building high sky or skyscrapers, mega projects, these things, yes, they might bring some comfort to your psychology and your emotion at times, but the real struggle and the real challenge is on the ground. It is about food; it is about clothing; it is about housing; it is about education; it is about health care; it is about recreation; it is about developing a knowledge-based society that is technologically driven. That is where we want to go. We do not want to go down the road of CEPEP, URP, makeshift and make-work; that is not taking our country anywhere.

As far as we are concerned this package of measures will not in the final analysis bring about the kind of growth, development and meaningful transformation including diversification of our economy, as is being predicted by the Minister of Finance. We believe that these measures are going to fail. We believe that this regime's public policies have failed, and the only decision left is for the Prime Minister to dip into his back pocket, let us get the date and let us face the masses and let the masses determine the future of the leadership of this country. We say call the elections, let us face the people and let us decide where we take this country forward.

Thank you very much, Madam President.

**Sen. Mary King:** Thank you very much, Madam President. Election or no election, we have to proceed. The Finance Bill before us today is mainly to give effect to the last budget changes and I think we have discussed a lot of those changes at length in this Senate already. I have no real quarrel with the details of the amendments to the related Acts before us. But I think that the Bill coming as it does at this time gives us an opportunity to refer to the details, perhaps to look at the bigger picture and to comment on the progress—and some would say, progress or otherwise—of the economy in the aftermath of the past budgets, and I think we all have concerns.

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If I could just recap briefly what I said during that debate. I discussed that, in spite of, and even because of, the great wealth that was being generated by the energy sector—and clause 6 refers to that change as well—this wealth is being channelled into the non-tradable sector of the economy, that is mainly the construction sector and the distributive trades, et cetera, as opposed to being channelled into the productive sectors. So given those conditions, we are indeed in the throes of the Dutch disease, which I talked about during my budget debate. And you know that those views are also shared by the IMF in its Article 4 discussion that we just heard about. In fact, the IMF thinks that we could be actually engulfed by the disease if we continue along the present path. So we do have to stop and think and perhaps give out some warnings, lest we really get further involved into the throes of the Dutch disease.

I will remind the Senate that during that debate an example I gave was that the construction, the quarrying sector is described as a grabber sector, in that it does not contribute to production but yet it is contributing \$6.4 billion to the GDP, and our GDP is \$75 billion, while export agriculture is only contributing \$520 million. On the other hand we have the energy sector providing over \$30 billion to the GDP, and further, this activity is the main driver of the basic onshore economy. We are depending on the earnings from oil to drive the onshore economy. So we do have a skew in the economy at the moment and I think this is why we have concerns; we need to see some changes and some real development changes.

Madam President, for reasons that I have also raised many times in this Senate, it is important that we reconstruct the rest of the non-oil economy. The reason that we need to do so could be summed up in one sentence: Our petroleum reserves of oil and natural gas will not last us more than 20 or 25 years. Hence we have at most this period of 20 to 25 years in which we can build the other parts of our economy. These parts of the economy that we must build will also have to contribute the \$30 billion that the oil sector is now contributing; that is at today's present value. That is only if we want to simply mark time. If we do not do anything then we really are into a dreadful situation, one that nobody wants to look forward to.

Twenty five years is not a long time to restructure an economy. If we look at the titivations that went on in clause 3 in the changes to the Corporation Tax Act, as it affects business, little concern seems to have been given to galvanizing the private sector into this productive engine of growth. Where are the further incentives and where are the additional sectors of focus that our private sector can get involved in? We really have not done the studies or any research into what are the areas;



and do not tell me it is marine and tourism. That is not going to create \$30 billion to replace oil in 25 years.

Some people think we have even less than 25 years to reconstruct our economy. The IMF has stated in its same Article 4 report that by the year 2008, we would have to start dipping into our energy savings, which today only stand at US \$4 billion. Also, today we are seeing great pressure being put on our exchange rate which is tending to force the Central Bank into releasing more of our foreign exchange savings to try and release the pressure on the foreign exchange and of course, on the inflation.

At a conference I was at recently, I also quoted the IMF staff paper, which suggested that with proper investment, were the Central Bank to release every year \$725 million into the economy and our petroleum reserves position does not improve, then we could continue to do this forever; that is at net present value. We would still be standing still. Maybe this is one of the unuttered objectives of the Central Bank. However, the current 30—35 per cent poverty level is very unacceptable to many of us, and we need to give some focus to that particular problem in our economy.

The reconstruction of the non-oil sector is not on the front burner of the Government's vision, although now and again it speaks on and off of the other pillars of development and talks about, as I said, marine and tourism. That is not going to do it, Madam President. If we even look at clause 9 of the Bill, I think that reduces the financial incentives for expansion of our tourist industry. There does not seem to be any coordinated effort in this reconstruction. For example, none of the development plans is as a result of any technological forecasting. We have not done the studies, and this is a normal first step if we are going to really be serious in a reconstructive exercise. If we look at countries which have developed rapidly in the 10 to 15 years, this is how they went about their development, and we are looking at New Zealand, Ireland, South Africa and France that got down to doing the strategic planning and developing studies and then implementing those things which were crucial to development. But here in Trinidad and Tobago it seems to be business as usual in the energy sector.

The Prime Minister recently announced with immense pride that he has actually managed to negotiate and is expecting \$7.4 billion in foreign direct investment in 2006; some of that in smelters and some other downstream plants. All of which depend on and would ensure the depletion of our natural resources, our gas.

**4.15 p.m.**

Madam President, we have a whole section of the population is up in arms over the smelters from the point of view of destruction of the environment and of course, hazardous to the health of the communities. But we have a Prime Minister who in Barbados a few years ago said if he were to be concerned about the exploitation of our natural resources and the environment, were we to get concerned about that, then we would not be able to develop our economy.

Madam President, we cannot go on with this kind of vision. We are going nowhere fast. In this context as well, the Prime Minister has recently boasted that here we are among the largest per capita users of electricity. So what he is telling us in fact, is that, we are also lockstep and in line with those who are also the largest producers per capita of pollution and producers of greenhouse gases in the world. So we are really paying a very high price for non-development because we have got the energy sector funds but we are not developing our economy. As a result of all of this, nowhere in the budget or even in this Bill before us is there an attempt to tax the users of electricity, oil and natural gas. Those people actually are creating the damage to the environment and instead, we actually go along subsidizing these people, who are producers of the pollution.

Madam President, so we really need a second thought of how we are inviting investors and what we have to put in place to preserve our environment. Then we have the other issue which has been raised now for well over a year of a looming shortage of proven natural gas reserves. Now, this announcement of the shortage of proven natural gas reserves has annoyed the Government; has annoyed the Prime Minister, but if you look at what is being said by other people even those involved, we have had Professor Julien, who has recently alluded to the time “after oil and gas”.

British Petroleum (BP) is doing its own studies for its company development in life after oil and gas. And recently, in one of the local newspapers, we had a report which has stated very clearly—it has not been rebutted by anybody, even at the National Gas Company (NGC)—that the National Gas Company is unable up to now to acquire the natural gas resources from the upstream producers for this envisioned \$7.4 billion that is to be invested in the sector. And it looks like the upstream producers are holding on to their proven reserves so that they could support their own requirements for LNG, because we are talking about Trains 5 and 6.

So perhaps the new Minister of Energy and Energy Industries, for which of course we must congratulate him, but he is not here, but perhaps he would clarify today, the position of the shortage of gas for the new possible investments and tell us what the new production sharing contracts would be like so we can take care of the situation of the lack of our proven reserves. So, Madam President, in other words, I think there is a nagging concern, even in the energy sector that this much vaunted reserves of the basin may remain more in the realm of myth than actually proven reserves.

We are looking on with great interest at the recent announcement of the Minister of Energy and Energy Industries. He has recently released requests for new bids to explore in our waters for new petroleum and obviously new gas. So all this simply serves to highlight the need to reconstruct our economy and this is not being done by any general statement that we are hearing or the implementation of any new strategies.

For example, we have been told that with the new GATE, the education plan, we would move our tertiary level graduates to 20 per cent of the cohort and we know that they are emigrating—perhaps out of that a lot more will emigrate. Also, with the University of Trinidad and Tobago (UTT) will we create a manufacturing industry to challenge China? Is this going to happen or are we going to find new niche markets? We have not been told anything of the vision for 25 years hence. So I think our initiatives really need to become a lot more focused than they have been in the past and I think, and I have said it before, that we have not given any real thought or any serious research into the construction of the knowledge-based sector that we know is driving growth across the world. We have got to get involved.

So Madam President, what faces us is the destruction of even the little of what we have; we have the march of the Dutch disease that facilitates the destruction of our productive institutions and it is expanding the non-tradeable sector of the economy. If you do not believe this, I think if any one of us is driving through Port of Spain, once you enter Wrightson Road at the east end, you see the Minshallesque tower cranes in their carnival extravaganza of conspicuous expenditure in construction, ably supported by more cranes in the blue section of the, what we call Woodbrook No. 1 at the other end of Wrightson Road.

Madam President, just the other day, the Minister of Works and Transport told us that the local building contractors have got too much work and in order to get the projects done, he intends to use Chinese contractors and import labour from the region. So two obvious questions arise. The first is: Is development about

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acquiring high-rise concrete and glass edifices or is it a process in which projects can also be used to develop our people? And the second question that it raises is, if our unemployment rate is now at the unprecedented low of seven per cent—I think that is the last figure we got, necessitating the import of workers from the region—why does clause 4 of this Bill instead not call for the removal of the unemployment levy? We have full employment, you are telling us, so let us do away with the unemployment levy.

The third question which could come to mind is, why are we trying to spend all that we have now as fast as we possibly can? These buildings, cranes and whatever, these are the outward and visible signs of the extravagant deficit spending of the Government, and here we must exclude the very valiant attempt at the provision of housing for the people. We have to exclude that from the rest of the deficit spending and the large extravagant buildings that we are seeing going up. Non-productive assets.

Madam President, by October of last year, the Central Bank had frozen \$8 billion in a vain attempt to control the liquidity in the country. We have seen the steady increase mentioned by Sen. Mark as well, of the bank's repo rate as it struggles and it is struggling hopelessly to control the liquidity in the marketplace; to control the economy; to dampen both credit and inflation, Madam President. Only a week or so ago, the Central Bank announced in great desperation, again, an increase in the rate to 6.25 per cent and has taken the unusual step—given that it had moved to the modern open market operations—to demand that the commercial banks increase their reserve deposits by \$1 billion each. The new T-Bills that the Minister mentioned today.

So, Madam President, when we count all of this up, we have now frozen TT \$14 billion in government money in an economy with a \$34 billion government expenditure for 2005 and 2006. So there is an orgy of expenditure going on. The Government seems oblivious of the need to manage the economy as it continues to pour deficit financing, to pour as it were gasoline on an overheated economy, as the Central Bank is struggling to wet it down.

We are in a terrible situation. Inflation in food prices has risen to 22.6 per cent, while general inflation is 5 to 6 per cent and rising. And little of this is due to any shortage in the market. It is due to the basic increase in the Government's deficit spending and the resulting mark-up inflation by our businessmen; this is current inflation theory and I would like anyone to debate it with me.

Madam President, at a social occasion meeting with the Central Bank officials, I asked whether they meet with the Government to discuss economic control and

whether the Central Bank and the Government are working in tandem in this effort. They acknowledged yes, that they do meet with the Ministry of Finance. The facts though are showing us that the Government is the major culprit as regards the present instability of the economy. Nothing in the Budget or in today's Bill recognizes this instability or implements any measures that would dampen the spending—

**Hon. Senator:** Shame, shame, shame.

**Sen. M. King:**—and that is what we need to do. Deficit spending for this year is estimated to be \$10 billion, assuming that the Central Bank releases the same amount of foreign exchange into the market as it had to do last year. Even before this is all injected into the market, the Central Bank has already taken out a further \$5 billion in anticipation of the economic pressures on inflation and the exchange rates.

We are in a very fortunate situation given the high energy prices, and we have today another opportunity to reconstruct the non-oil sector, the onshore economy to develop it for the longer term, to develop productive enterprises that meet with the definition of our respected economist Willie Demas. Willie Demas said that, when you are a developed economy, you are one in which you are saving enough to invest in productive enterprises that can adapt and innovate to the requirements of the economy. Meaning that you are getting into productive capacity and capability that would be able to sustain us for a long time to come.

So, Madam President, we are in a position where the Government seems to think that economic development and becoming a developed country is building as quickly as possible cities with tall buildings that look like the developed world. The outward and visible signs of development, and maybe this lookalike illusion is what was stated in the other place when a Member talked about the optical illusion. I think we have to get serious; urgency is needed in some particular areas now. Government agents, please get down to Point Fortin to fix those roads that we have been hearing about all morning! People are crying in Point Fortin.

I think it is time we set a housing policy that does not allow the building of houses in flood prone areas, like in Central. Why do we continue to allow housing in those areas? We have more problems with our water supply; we have problems with poverty; we have problems that we do not have a spare autoclave at the hospital and five ladies had to wait for Ds & Cs for five days. Unbearable in a country that has so much money. Big buildings in a big city are not going to cut it.

I thank you very much. [*Desk thumping*]

**Madam President:** The sitting of the Senate is suspended.

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

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

**Sen. Carolyn Seepersad-Bachan:** Thank you, Madam President, for the opportunity to contribute to this year's Finance Bill, 2006. Madam President, the Finance Bill translates the fiscal measures proposed in the budget statement into legislative measures. In fact, it gives the legislative effect to all of the proposed measures within the budget as enunciated in October of 2005, but I want to start my contribution with the petroleum taxation.

First of all, we were under the distinct impression that it was the Government's intention to approach the reform of the oil and gas taxation in a holistic way. In fact, when we came into this Parliament in October 2002, from then to now, every year on an annual basis, almost like a broken record, we keep hearing about this holistic review of the gas and oil taxation. Therefore, Madam President, it is a bit surprising to see us continue this piecemeal approach to the petroleum taxation. We started last year with the Finance Bill, 2005, which proposed some of the measures for the petroleum taxation, and in fact, that was after many, many calls by the public and from Members of the Parliament, including the Opposition and the Independent Bench for steps to be taken to reform the petroleum legislation.

Madam President, I wanted to start with, where are we today with respect to the petroleum sector. Because we heard a lot with respect to the local content and I thought that in this Bill 2005, the Government would have seized the opportunity to ensure that there would have been incentives to increase the local participation in the energy sector. I would also like to commend the Government for removing the retroactivity requirement which was stated earlier in the Finance Bill, 2005. In fact, you would recall that in June last year, when this measure was proposed for the taxation to be retroactive, we raised many issues which we felt would have been to the detriment of Trinidad and Tobago by introducing such a measure.

One of them being that it would have destroyed the investment climate of Trinidad and Tobago, especially from the perspective of an international investor. And therefore I was rather pleased to hear the Minister this afternoon indicating that they had removed the requirement specifically because they listened to the major multinational corporation, being bpTT, which was able to indicate the negative implication to their shareholder. And that was the issue that we raised at that point in time and not only by us, but by many outside, that in fact what would

have happened, is that the risk perceived by the investors for a company would have increased the cost of equity, the cost of capital for that particular multinational which has to operate in a country like ours, that Trinidad and Tobago would have been perceived as having a higher risk and therefore required an increase in their cost of equity and cost of the capital. At least this is the way the bankers look at it and that is the perception of the bankers.

Madam President, I know my colleague, Sen. Wade Mark asked about the issue of the pricing committee. I want to start with clause 6 with respect to the Petroleum Taxes Act and I am sorry that both Ministers are not here—one Minister is here in fact. When we look at clause 6, in one of the issues, it is stated here in clause 6(b), new section 7(3) and that is, when they are looking at disposing of the natural gas and crude oil and so on that they would determine the quantity disposed of and the price it was disposed at. It appears to me the Board of Inland Revenue (BIR) will be asking the company to indicate to them what would be the volume disposed of and what would be the price.

Madam President, why I am bringing up the whole issue of the pricing committee, Sen. Mark alluded to it, is that two or three years ago, we had a severe shortfall in revenue from the petroleum sector and one of the reasons attributed to that shortfall was because of the possibility that there was a shortfall in production and that there was a shortfall in revenue due to the price quoted. In fact, a couple months after that, the Minister of Finance, Sen. The Hon. Enill indicated that bpTT indicated to the Government that it could not get more than \$40 for two or three of its shipments. At that point in time, we raised the alarm bell as to how it is the operators were telling the Government what price they were disposing of petroleum products, when in fact, the Government is supposed to be telling the multinational operators, whether it is the local operator or an international operator what price they are supposed to be selling their product at.

Madam President, the reason that was raised—and it is in legislation that I am sure Sen. Ali also would back me up because he raised this. The pricing committee is part of the petroleum regulations, so by law we are supposed to have a pricing committee that would approve all prices of all petroleum products disposed of. And the reason for that, is because in most of the cases, let us take the local operator, they sell to themselves. It is himself to himself. In cases of the multinational operators, they sell to their refinery and therefore they are selling to themselves. So we cannot depend on multinational operators or even the local operators to tell us what price they are selling their crude at and what price they are selling natural gas at and this is the reason for having a pricing committee.

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Therefore, that is why I proposed that instead of the Board of Inland Revenue asking the operators to tell them what price they dispose their product at and at what volume, I am saying that the Board of Inland Revenue should verify with the pricing committee what price was set for this product. So therefore, I would like the Minister of Finance to comment on that. I know he would say that these prices were approved by the Minister. But being approved by the Minister is different from it being approved by the pricing committee. Because the pricing committee is set up by law and it is an independent body, it is not under the political directorate. That is my understanding of it.

Madam President, however, I would like to raise the issue of the pricing committee because to this day after that issue was raised, the Prime Minister in his budget statement, clearly enunciated that he was reactivating the pricing committee. This is about—not last year's budget, but the budget before—two years ago that they were reactivating the pricing committee and we asked the question, who deactivated it in the first place.

**Sen. Dr. Kernahan:** True.

**Sen. C. Seepersad-Bachan:** Because when we left office there was a functioning pricing committee. So why was it deactivated? From then to now, I have heard nothing about the pricing committee. In fact, Sen. The Hon. Sahadeo, in her budget contribution indicated that they were still in the process of setting up the pricing committee. So, Madam President, it leaves us—and I would like to understand because I was listening in the other place and understand that the Minister of Works and Transport, the Hon. Colm Imbert said, "We have a pricing committee and they are there when we need them, so we only activate it when we need the pricing committee," or that it will be set up or that it is there. Madam President, I am totally confused to this date to understand if we have a pricing committee if we do not have a pricing committee. So I would hope that the Minister of Finance would clarify this issue for us here today.

Madam President, I recommend that in clause 6, new section 7(3)(b)(ii) that the pricing at which crude oil and natural gas is disposed of, it is obtained not only from the operators, but it is verified by the pricing committee. I recognized that within the Bill, with respect to the Petroleum Taxes Act, there has been a measure of improved compliance and that is, there have been several measures to ensure that we have a timely payment on a quarterly basis and that if there is any tardiness on the part of the operators that there would be stiff penalty.



Madam President, this brings me to the next section of the Bill and that is under clause 6(d) and that is to deal with LNG and this whole issue of fair market value. One would recall my view on this issue of fair market value. Let me start by saying that in the Explanatory Note of this Bill it was clearly stated that a formula was being outlined in the Petroleum Taxes Act for determining the fair market value of LNG. But when I look at the section, I do not see a formula. This to me is not a formula. You are saying here that you would take into consideration in determining the fair market value of the gas the following:

The market destination of the gas; the price of the gas; the reclassification cost; shipping cost; liquefaction cost; pipeline transport cost and other issues, publicly available values outside of Trinidad and Tobago. Now to me that is not a formula for determining a fair market value. These are the factors that must be considered.

Therefore, Madam President, let me say just before—Senator, I would give you a minute, just let me finish this part so you could comment on the whole thing—I have a serious problem when we start saying that we are going to put this kind of ambiguity into legislation. In fact, if we are dealing with operators, there would be contracts and agreements in place and if we want to deal with formulas, formulas should be properly spelt out in contracts. Because as you would be well aware, Senator, that the circumstances change—through you, Madam President—from operator to operator and therefore what we would have is, we would have a problem if we try to develop a generalized formula that should be specific to each operator, to each circumstance and to each project.

I say this because, Madam President, what is difficult in a situation like this, is what is happening here, is that if the Board of Inland Revenue as stated here runs into a problem in terms of determining the fair market value they have under their purview now, they now have the authority to refer the matter for determination to the Minister for whom responsibility for the energy sector which I interpret from the measure here, the Minister being referred to here is the Minister of Energy and Energy Industries. But when you are dealing with international investors who are going to invest over a very long period of time, 20 and 30 years pay back, they are not interested in knowing that you have an ambiguous formula stated in a piece of legislation and that you would allow for a Minister, the political directorate at any point in time to interpret.

Madam President, they are not interested with interpretation because it presents to them a certain amount of uncertainty. In fact, they would prefer to know that they have a contract and when the time comes they have a deterministic

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environment and they can calculate what their tax exposure is. They are not interested in knowing that if a Government changes or Ministers change, as we just had one Minister of Energy and Energy Industries and now we have another Minister of Energy and Energy Industries and we are now dealing with an interpretation issue, they would include that uncertainty as a risk and a political risk and what that political risk translates into is a higher cost of the project which is not to the benefit of Trinidad and Tobago.

**5.15 p.m.**

In fact, when the UNC was in government, one of the areas we looked at was how to develop the factors favourable to foreign investment. One of those factors was developing a deterministic environment and removing all uncertainty, so that even if governments change, there will be continuity; there is that measure of comfort that there will be continuity. Once you introduce ministerial discretion into legislation, you leave that uncertainty there and this translates into higher risks and, ultimately, into higher costs. I am of the view that the Minister of Finance should review this whole area of what they are calling the LNG fair market value and that these formulas should be properly hammered out for each project and properly stated in agreements, so that when you are dealing with an investor, you are dealing with a deterministic environment.

There has been introduction in this particular Bill of the 140 per cent capital allowance for the deepwater block. Whereas we welcome that particular measure, because we recognize the high risk in deepwater, many experts outside there are of the view that this particular measure would not be adequate to attract enough investors into exploration activity. It is the view that these allowances will not be adequate to create the economic environment that will encourage activity in this area. So the Government allowing for 140 per cent capital allowance in clause 6(c) is not enough of an incentive to encourage exploration of the deepwater block.

For example, if they do have a dry hole in the deepwater area, even if it is \$100 million, it will come to zero. I know that there was the issue of the consolidation and how many of these allowances of exploration were being allowed to be offset against their foreign operation. I appreciate that the Government in attempting to ring fence it to separate the exploration activity from the current day-to-day production operation, but when it comes to the risk of deepwater, the Government has to do the analysis to determine whether or not this incentive will be adequate to attract more investors into the deepwater block.

The new Minister of Energy and Energy Industries can hear me out on this; it is clear that the deepwater has turned up zero so far and it is not likely that it would. I know there is going to be some skepticism. Right now there is a perception outside there that it is not very optimistic in the deepwater area. As a result of that, the Government may need to re-look at this, because I do not think this would be enough of an incentive to get exploration activity going in the deepwater section. The whole idea of getting the deepwater activity going is that we would need to be able to get as many bidders as possible.

Through you, Madam President, I think you need to separate your deepwater activity from the shallow water activity; anything less than 1,000 metres. I quite agree with not consolidating the capital allowances for exploration activity—less than 1,000 metres—having that offset off the current production operating expenses, but I think if you want to get the deepwater activity going, you may have to start that route and after some time separate the two. That is my recommendation in that area.

The important issue with this deepwater block is that we are running out of acreage and we need to venture out there. I am concerned, unlike many in the Government, but like many in the public and Sen. King, about the gas availability in this country. We have had too many serious concerns expressed about the gas available. Yesterday I heard 18 TCF is what we have available now; that is not going to take us very long. I am not interested in the 2Ps and the 3Ps; I am interested in 1P, proven reserves, because no banker would want to hear anything about 2P and 3P. No investor wants to hear about 2P and 3P. When you go to them, they want to know what is your 1P, your proven reserves. They do not want to hear probable or possible. [*Interruption*]

It is for you, the Government, to prove up the reserves and that is the problem we have in this country. We are not proving up reserves. The Government, in my view, has not taken enough steps to encourage exploration activity; I have said it over and over and I will say it again. Instead it continues to commit to projects; the \$7.4 billion in projects.

In fact, I was a little surprised to hear about the many projects that I have been reading about and as alluded to by Sen. King. Last week's *Business Guardian* spoke of the many projects and the concerns expressed that we will not have the gas available for those projects. It is my understanding that the current LNG Train

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4 operation is only at 40 per cent of its capacity and it has nothing to do with commissioning. I understand it has to do with the pipeline; that we do not have the pipeline ready. In fact, you are not going to get up to 100 per cent until you have the gas available for LNG Train 4.

The Government needs to inform us as to what is really happening with respect to gas availability. I express great concern when I keep hearing about the suppliers being able to negotiate with the clients and about supply and demand, because if you are telling me that a government no longer has influence over the supplier, in terms of what its gas is committed to, then you are saying that the Government has no say; the people of Trinidad and Tobago will now have no say in how gas is utilized in this country. That is a serious issue. Then suppliers, the operators out there, the multinationals, will determine for us how our gas would be utilized. Will it all be utilized in LNG or will it be utilized in downstream activity where there will be value added? I have a serious problem with that; when one tells me that the Government cannot influence the discussion between the suppliers and potential customers for this gas. [*Interruption*]

**Sen. Dr. Saith:** "Who tell you that?"

**Sen. C. Seepersad-Bachan:** Sen. Dr. Saith, you will have an opportunity to clarify that issue.

**Sen. Dr. Saith:** The Government would always decide where the gas of this country goes, how much for export, how much for local industry. There is no intention of allowing the multinationals to decide where the gas is used. I hope that satisfies you; so you need not worry about that.

**Sen. C. Seepersad-Bachan:** I thank the Minister, but then probably he would clarify another issue. We understand that a reliability study was done on Atlantic LNG Trains 2 and 3 and they are rolling over very quickly, bottlenecking the Trains 2 and 3. If you de-bottleneck Trains 2 and 3, you are looking at another billion cubic foot per day of gas; that is almost another Train; that is equivalent to another Train 4. So I want to know who gave the approval for operators to supply 1 billion cubic foot a day to Atlantic LNG Trains 2 and 3. I find it unlikely that the investors would go forward with de-bottlenecking of a plant, if they did not have a gas supply agreement. I am asking if the Government gave approval for a gas supply to Trains 2 and 3 up to 1 billion cubic foot a day. I do not know if the Minister would like to answer that question.

**Sen. Dr. Saith:** I will check, but the numbers being called remind me of Sen. Mark's \$700 million. I do not want to go back to the Committee of Privileges, but I will check.

**Sen. C. Seepersad-Bachan:** Senator, you should know by now that every time I bring information to this Senate, it is not false; it is based on fact. [*Desk thumping*] That is why I asked the question. Probably if he had listened yesterday, he would have heard what the answer was, but I do not want to report what happened in a joint select committee meeting yesterday, because it goes against the rules of this Senate. Probably he should check with his technocrats, because I keep hearing that. Let me just ask the general question one more time: Do the suppliers have the right to negotiate directly with their clients or does the Government have the say as to where our gas is utilized?

I am putting that on record, because I keep hearing that the Government has no say and that the suppliers would deal directly with clients, because it is their supply, it is their gas. That is the stage we have reached in this country; we had better watch it, because we will not have any say anymore in gas utilization in this country. That is where it has gone. That is why today we have the situation where the National Gas Company (NGC) would tell you that they have no gas available to supply the downstream estate. Do you know why? All those suppliers would hold on to their gas, because it is more beneficial to them to export it as LNG than if you had stipulated from day one, during Train 4 negotiations, the reduction of the gas supply contract to the NGC so you could have continued to stimulate the downstream sector.

I make the point, because by now everybody should know that I do not come to this Senate with any false, fabricated or exaggerated information. I am sure if the Minister does his checks, he would find out that the de-bottlenecking of Trains 2 and 3 has the capacity for an extra billion cubic foot per day of natural gas. Having made that point, I look forward to a response by the Minister at a future date.

Returning to the point of the deepwater activity, I heard someone say that when we committed gas to projects under the UNC, there was 8 TCF of gas before we started all the projects that we did. Under the UNC, that was when we went out aggressively to get our exploration activity going and it was under the UNC that we were able to move the proven reserves from a mere 8 TCF to over 20 TCF in this country. [*Desk thumping*] That is how we knew that we could make commitments to projects, because we had the proven reserves. This Government continues to commit to projects which it does not have the gas for.

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I am not making up anything. The Chairman of the NGC, Mr. Keith Awong he said it. He came out early o'clock, a year ago, and said that there was no more gas available for downstream development. So it is up to the Ministry of Energy and Energy Industries to address that issue. The *Business Guardian* last week made the same point, so it has been said in many other areas, not only here in the Parliament and not just by the Opposition.

What concerns me in this particular issue is that whereas we expected the tightening up of fiscal measures in the Petroleum Taxes Act, we know that there were many abuses; we have maintained that there was a need for monitoring and enforcement. Instead, what we see the Government's approach being is one to actually extract as much as possible the maximum tax dollar. That is why I made the point under the deepwater block activity. I am wondering if it is important now for us to be maximizing this tax revenue as opposed to putting forward some incentives so that we can prove up reserves to have for future potential projects.

Are we living only for today and not for years to come? We would like to make sure that the generation which comes after us may be able to enjoy some of that benefit. I am not sure if this Government understands that. It continues to spend \$34 billion a year; its expenditure has been growing. I think in a little while there would be an exponential growth in this country from year to year. We continue to base our spending patterns on the revenue that we are maximizing out; the tax dollar we are maximizing from the energy sector.

I am wondering, when we continue to base our spending patterns on that and extract the maximum out of our tax dollar and not look for down the road, what would happen to us. If you read the International Monetary Fund (IMF) report, many have said it, but that is really the underlying issue when we talk about saving for the future. We may probably need to give up a couple tax dollars today so that we can get incentives out there to get more activity to prove up our gas reserves for future projects.

This is why this Government will do anything to stay in power, because it recognizes its potential to maximize the tax dollar. That is why they would do anything, whether it is to plant missiles and cocaine in Sen. Baksh's water tank.  
[*Crosstalk*]

**Madam President:** Go back to where you were.

**Sen. C. Seepersad-Bachan:** Madam President, I am going forward. Returning to the issue of factors favourable to foreign investment, there is another example where it states in the clause about the Minister of Energy and Energy Industries. There is a clear definition of what is deepwater:

"'deepwater' means that part of the submarine area which has a water depth greater than one thousand metres;"

The other definition is:

"'deepwater block' means fifty percent or more of a licensed contract area or contract area which lies in deepwater;"

Madam President, I was enlightened to see the definition, but when we move to clause 6(c)(1D), it states:

"For the purposes of this section, a 'deepwater block' and an 'exploration well' is a block or well, as the case may be, so classified by the Minister to whom responsibility for petroleum is assigned."

I fail to understand why you need the Minister to determine what a deepwater block is when in the Petroleum Taxes Act you have the definition of "deepwater". You also have a definition for "deepwater block". If there is any need for more specifics, as to the classification of "deepwater", this can be done very easily under the Petroleum Regulations. So we expand the Petroleum Regulations to include any other specifics related to deepwater. I fail to understand why the Government needs to have the Minister again enter in the form of ministerial discretion and interpretation when this can be easily done.

Furthermore, it is interesting that when the leases are assigned, after your exploration and bidding process and your bidding round is complete and the selection is done, the lease itself would have that specified, whether it is a deepwater block, so that should be done at point of signing the lease. I fail to understand why you would need this to be back here in this legislation. I would imagine that you are doing this because you want to determine if you would be given the 140 per cent capital allowance. Once again, I make the point with respect to the ministerial discretion entering this Bill. I specifically recall, not only in this Bill, but several others including the Telecommunications Act, where we raised the issue of having too much ministerial discretion in the legislation. The clearer the legislation is, the better for the investor all round, especially for continuity; it gives the investor a stable environment.

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Let me turn to the issue of the local farm-out operations, the small operators. A lot has been said about this area. Madam President, you would recall that in the Finance Bill, 2005, which was laid here in June or July of last year, that in the interest of simplification of the tax code, several allowances for the operators were removed. We had talked about the issue for some time before and, in fact, we were calling for reform of the legislation because these small farm-out operators were suffering.

I refer you to an article in the *Business Express*, at that point in time, which talked about a crisis which loomed in south Trinidad because of the impact of the existing legislation on these small operators. We kept calling on the Government to look at introducing a fiscal regime that had some incentives to continue the production and exploration activities, proving up the land reserve position. Instead, quite on the contrary, in 2005 we got legislation which took away incentives and created what we call a hefty tax bill for all those who made heavy investments.

After that Bill, there were several calls in the public domain, including the South Chamber and many other chambers, for us to reinstate some of those incentives to continue to encourage the local operators. I am a little disappointed that in this Bill we still have not seen the reinstatement of any of those incentives.

Let me deal with this under the broader heading of what we keep talking about as local participation. What do we view as local content and participation? We keep hearing about increasing local participation, but what is it? Increasing local participation, in our view, involves three components: increasing the amount of investment by local investors; the expenditure level; and the third part of it, development of the human capital. The local operators started suffering at that time when the crisis loomed in South Trinidad, as stated by the *Business Express* of January 14, 2004. I could probably read that to remind this honourable Senate:

"Crisis looms in South Trinidad"

The article states that there was an expected recession in spite of the booming energy sector. [*Interruption*] It is a January 14, 2004 headline.

**Sen. Dr. Saith:** Has it happened?

**Sen. C. Seepersad-Bachan:** The situation has gotten worse; that is the point I want to make. Although that happened in January 2004, on the contrary, instead of alleviating the position of these operators, the Government introduced taxation that made it more difficult. Because of the pressures of the obsolete tax system,



there was a need. We are dealing with ageing, maturing fields which require some amount of capital expenditure. When the Government removed the incentives, although I know that the SPT and PPT rates came down, if you look at the analysis you would see that many of them ended up with a tax bill to pay. Although you had a reduction in the SPT and PPT, the capital allowances you removed, the tax breaks from that, were not equal to the reduction rates. As a result of that, they ended up with a tax bill.

I commend Sen. Enill, because I remember when we raised the issue last year June and July, the point was raised about the hefty tax bill, and he did promise to look into the situation. I think both Ministers in the Ministry of Finance did promise to look into it. We told them that those who made no capital expenditure, ended up with a tax rebate and those who made the capital expenditure in the work overs and the secondary recovery, ended up with the hefty tax bill. In fact, Minister, you did and this is why I notice that you have removed the retroactivity clause and, therefore, they do not have this tax bill to pay. [*Desk thumping*] I give kudos when kudos are due.

That analysis tells us that going forward we will be back in the same situation we were trying to avoid, in that, because they have done that analysis and recognized that they are better off not making the capital expenditure, they would continue to milk the fields. [*Interruption*]

**Sen. Enill:** Madam President, just a quick observation. This issue keeps coming up from time to time and I find myself in a very difficult position. Based on the information they have submitted to us, when we did the work, we found that they were better off. When we ask them to give us the data to support the statements they are making in public, that information is not forthcoming. One of the possible reasons could be that the information we have and the information they are talking from, are different. I do not know what the answer to the question is, but I do know that based on the analysis we did based on the data we have over a five-year period projected forward, what the Senator said is not supported.

I have asked on a number of occasions at a number of places that they bring me the information so we could talk about it and to date I have not received it. So if you can do that for us, I will respond to it. I have responded to what we have looked at and what was before us. You are correct; we have amended to achieve a positive response. The Government's position is that it will support local content and those activities, but if you are saying something that I cannot support, I cannot go forward with it. That is the clarification I want to make.

**Sen. C. Seepersad-Bachan:** I accept the point, Madam President. This is the information coming to me from the South Chamber of Commerce and the locals. Probably the Minister could tell me if Petrotrin and Trinmar ended up paying a very huge tax bill. Now that you do not have the retroactivity, they would not end up paying, but if the analysis revealed that they had a tax bill, probably that would indicate to you, Minister, that the operators would also have a tax bill to pay; so that could be your first step.

I agree totally with you that you have to have the data and the information to do the analysis and they should be forthcoming with the data. I keep saying that to the South Chamber, because I have spoken to them. Whenever these pieces of legislation come out, I try to call the various chambers to get the data and the information and this is the complaint. I am sure the Minister would have gotten the complaint from the South Chamber, because they represent many of those operators.

If there is the possibility that they will continue to milk the field and not make the necessary investments, the Government will not achieve the objectives it has set out to. That is the point I am making; you would get no work overs and no secondary recovery and, therefore, we will not be proving up the land reserves and that is what we need to do; we need to get the land operation going again. This is where you are going to get the local content, not on offshore. It is on shore that you would get the local content. This is where you would get the local equity; this is where you would get the expenditure; this is where you would get the job creation; this is where you would get the development of the intellectual capital. The Government has a vested interest to looking into this land operation and doing the investigation.

The other issue I raised with respect to the other aspect of local content was the whole issue of equity participation. I had mentioned this some time ago. We have been doing these projects over and over and by now I would have thought that the Government would have given some incentive towards the whole issue of getting equity participation. We have heard the Central Bank Governor calling for the deepening and widening of the capital markets. There is not enough in the private sector to widen and deepen the capital market, but we can do so if we get some input from the energy sector companies. Therefore, I thought we would have seen some incentives given to those who, on entering into projects going forward, would have those projects listed; separate companies set up and have some portion of it, whether 40, 50 or even 20 per cent, listed on the stock exchange. That would go a long way in terms of deepening and widening the capital markets.

Since I started in the Senate I have suggested this to the Government, that we look at the possibility of getting some of them to list locally on the stock exchange. This is why I am asking what is the selection criteria being used in terms of our gas utilization, because it is clear that we have several investors, several projects in the pipeline and how do we decide which projects we should select for the limited gas reserves we have? Why not give incentives to our local people, if you have the Ansa McAls coming forward? I see they have a project; the Clicos and even others, these are the people that we should be giving incentives to, because that is where the equity will go. If we could get local equity participation, we would retain some of the foreign exchange. When we have all this amount of foreign direct investment, most of the foreign capital goes back out; it does not stay with us. This is why we need to look for equity participation.

I am supporting the call by the Central Bank Governor, Ewart Williams, who has been calling for the deepening and widening and getting the energy sector becoming a major player within the capital markets of Trinidad and Tobago. We talk about becoming the financial centre, the head of financial services in the region; this is the only way. We have to start with our capital markets. I thought we would have seen some incentive in that regard.

We talked about expenditure; what has happened with the whole issue of project financing? I know that there were issues raised before and I know some of the local banking sectors started to look at participation for project financing, but I see no incentives; the Government can tell me otherwise. What are some of the areas they can look at in terms of encouraging project financing locally?

Regarding intellectual capacity, we can talk as much as we want about putting up a platform, slapping together platforms, assembling platforms, but where do we have the intellectual capital coming from? [*Interruption*]

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

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

*Question put and agreed to.*

**Sen. C. Seepersad-Bachan:** Thank you, Madam President.

In one of the areas when we talk about the development process, it is not about whether we want to import development or whether we want to reinvent the wheel. It is about creating innovation and creativity among our people; that is how we would be able to sustain ourselves long after the gas and oil are finished. I am

surprised to hear, "That is not important; we can import development. That is not the issue. When the cannonball was constructed at the Labidco site, there was the issue that we were losing our competitive edge. This was reported by Robert Riley, head of bpTT. He expressed the concern that inflation was causing us to lose that competitive edge.

In fact, we were bringing in these platforms from Mexico and it was cheaper for us to do it here, because of the transportation cost from Mexico to Trinidad and Tobago. What we have found is that with the higher prices, at least, that was reported by Robert Riley, what has indeed happened, we are losing the competitive edge because of the higher cost. The higher cost, due to inflation, has eliminated that cost saving in transportation between Mexico and Trinidad and Tobago.

When we talk about Dutch disease, everybody says that we are not experiencing it, but we are crowding out all the private sector initiatives with the spending going on by the Government. As Sen. King said, there is the whole issue of the continued deficit spending by the Government.

There are two other issues I want to raise here. One is, very quickly, under the Act as well. When the Minister of Finance talked about the removal of the Fiscal Incentives Act, there was a value added tax (VAT) exemption in that area; that has now been removed. But it created a cash flow problem, in that, if I had VAT exemption on \$100 million, now that I have to spend that amount and I no longer have the VAT exemption, I would end up with \$115 million, but I would have to wait after the commissioning at the start-up phase to recover that extra \$15 million. That would increase the financing cost to the project.

All I am saying is that you had several projects in the pipeline and I would imagine that all the analyses and the economic models were based on that VAT exemption. In fact, this clause is not giving effect to those projects that may have been in the pipeline already. It is not like in tourism. The amendment to the Tourism Act gives a sort of grandfather clause, which allows you to take care of existing projects and those already analyzed and approved. I am not sure in this particular case, so probably the Minister may be able to clarify, as there is no grandfathering clause for the existing projects in the pipeline, what would be the effect of the VAT on those projects.

The definition of the management charge is way too wide and broad. I know that it has moved from 1 to 2 per cent, as stated here. What may happen is that you may capture under the management charge genuine third party services that would not have been there before. By broadening the definition I think genuine third party services will be captured under this management clause. I appreciate what the Government is trying to do in terms of broadening and tightening up the management charges, because there was a lot of abuse in that area, but I feel there may need to be more specifics, in terms of the definition of management charges.

Some time ago there was a case and I think the court, I cannot remember which one, ruled that management charges should be more in line with the strategic level and not the technical level. The Government needs to look at that issue.

Decommissioning as mentioned by the hon. Minister, we are now allowing for the year of the decommissioning to be offset against the income of that year and the year previous to the year of decommissioning, but there is a serious risk there. In most cases, you need, at least, five years' income, because decommissioning is a high cost and we do not want to run into the danger or face the risk again of when they are about to decommission, because they do not have adequate income to cover that cost, they walk away and leave us to do the environmental clean ups; they walk away after doing a half-baked job. [*Interruption*]

**Sen. Sahadeo:** Madam President, just to clarify that in most of the contracts we are doing now, we have within the contract a decommissioning of these wells, so they cannot just walk away. I just wanted to clarify that for this Parliament.

**Sen. C. Seepersad-Bachan:** Senator, that is what you may say in legislation, but how is the work done?

**Sen. Sahadeo:** The contracts now allow.

**Sen. C. Seepersad-Bachan:** The contracts demand decommissioning, but by allowing for just two years, you are going to face the risk that they are going to walk away if they do not have enough income to cover the cost of decommissioning and we do not want another situation as what happened to us on the Labidco site. That was a perfect example of a multinational walking away and leaving us with an environmental nightmare, which we have not been able to clean up to today, with all those seeping underground wells and so on. We want to prevent that. It is a known fact that you would not be able to cover the cost of decommissioning based on one or two years' income. The Government needs to look at the international standard and see what is allowed for decommissioning.

*Finance Bill*  
[SEN. SEEPERSAD BACHAN]

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Just very quickly, I wanted to state this issue, because it is clear to me that all this song and dance about this royalty—we keep hearing about this royalty issue. Let me just say for the record, that when you are in the negotiations of an LNG Train, we can achieve about four benefits. Let us deal with four tangible benefits: you get an increase in royalties; you can benefit in kind, for example, a free tranche of gas from the Trinidad and Tobago Electricity Commission (T&TEC) or we can get a reduction in price. Let us take just the three of them: the increase in royalty; the free tranche of gas and a reduction in gas price. When I say a reduction in gas price, I mean to the National Gas Company (NGC), so it can continue to stimulate downstream development.

We have heard a song and dance about this particular royalty issue. It is now clear to me that there was no increase in royalty by this Government in the negotiation of Train 4. They were given a free tranche of gas in lieu of royalty. They did not achieve an increase. [*Interruption*] [*Crosstalk*] Let me make the point, because I want to compare it. [*Interruption*] You will get your chance to answer. Do you know what happened here? Under Trains 2 and 3, we got the reduction in the gas price for T&TEC and that is why they were able to hold their rates as they did.

In addition, under Train 1, we were able to renegotiate the royalty rate for all those contracts whose leases were expiring; 119 E&P licences by the one operator in those days, AMOCO. We were able to get that royalty rate up to 10 per cent. Some of those E&P licences were expiring from 2009, 2012, 2013 down the road, so not all 119 licences would ever expire in 2017. But under Train 4 this Government got 50 million cubic foot for this year, another 50 for 2007 and then they would get the 10 per cent royalty in a free tranche of gas from 2008. So you did not get a free tranche of gas and an increase of royalty; that is the point I am making. You got one in lieu of the other.

In fact, with all those expiring leases which were supposed to kick in at the new 10 per cent rate, I feel that this Government removed that in the negotiation for the free tranche of gas. That is the point I want to make. I just have five minutes again. [*Crosstalk*] Go ahead, you will answer when I am finished.

Today's *Guardian* newspaper reported that the Ministry of Energy and Energy Industries came before the Joint Select Committee yesterday and could not answer questions. But do you know what is amazing? I keep hearing from these people that the Natural Gas Task Force has no executive authority. In fact, they said to the Joint Select Committee yesterday that they do not have to appear, because they are not a state enterprise. They have no executive authority and as

such, they do not have to appear before the Joint Select Committee. Everybody else in this country, every investor knows that the only person who approves projects is the Natural Gas Task Force; they are the ones who give the approval, not the Ministry of Energy and Energy Industries.

Every investor who calls you tells you that in order to get an approval for their project they have to go to Prof. Ken Julien through the Natural Gas Task Force. *[Interruption]* And today you are telling me that these people are not accountable to this Parliament of Trinidad and Tobago. You are telling me about parliamentary oversight? Do you see how this Government erodes parliamentary oversight, Madam President? That is the issue I raise here.

That is why the Ministry of Energy and Energy Industries officials could sit here and cannot answer a question, because they have no input into any of the decisions made in the energy sector. They have no say. The Ministry of Energy and Energy Industries has no say on how gas is utilized. The Ministry of Energy and Energy Industries has no say on how gas is priced in this country, because that is determined by the Natural Gas Task Force under the chairmanship of Prof. Ken Julien. *[Interruption]*

**Madam President:** You have two minutes more.

**Sen. Joseph:** How was it done under the UNC, Finbar Gangar? *[Crosstalk]*

**Sen. C. Seepersad-Bachan:** The UNC was very transparent. We had an energy policy which you cannot table today. We are the ones who commissioned the Gas Master Plan study which would tell you what is the utilization and gas pricing policy and availability. I am sure that Gas Master Plan would tell you that you should not have invested in another LNG Train before going further downstream. Do you know what happened? When you ask this Government for the Gas Master Plan, it is always before Cabinet. We could never see it.

I do not know for what reason they continue to hide it. I am sure that Gas Master Plan runs contrary to all the decisions taken by this Government today. That is why we cannot see that Gas Master Plan. *[Desk thumping]* We need it now. You talk about openness and transparency; that is why we were open and transparent. That is why investors came to this country. *[Crosstalk]* That is why we had factors favourable to investment. *[Desk thumping]* They do not understand that.

*Finance Bill*  
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On the issue of investment and savings, if we have a government that is not saving and investing for the future, our citizens who must follow the role and use the Government for their example, will continue not to invest and save. Therefore, we have no savings in this country right now. I want to remind this honourable Senate about convergence. We are not poor, but if you want developing countries to converge with developed countries, you need investment and you have to have savings. That is the only way that you will get your gross domestic product (GDP) level up to the level of any developed countries.

This Government cannot tell me that it is trying to reach First World nation status and it is doing nothing about savings. In fact, they are encouraging the citizens not to save, because they themselves are not saving for the future, for the rainy days. They are not interested in what happens in the future. But no, you see, they will not be here. They are interested only in how much they could spend today. This is why they want to extract every tax dollar available out of the energy sector, because they know they want to spend it today. They are not interested in savings going forward and that is the issue. [*Crosstalk*]

**Madam President:** Wind up, Senator.

**Sen. C. Seepersad-Bachan:** Yes, Madam President, I am winding up. They talk about diversification, [*Laughter*] but they do not have a clue about diversification, because if they were serious about it, with all the tax dollars we have today, they would have made sure that every watercourse in this country was cleared and we would not have the flooding that we have today; we would not have farmers running all over the place with serious losses. You talk about diversification; diversification is the agricultural sector and that is what you are not attending to, because you have no interest in it. If you had interest in that sector, we would not have rice farmers outside complaining, with no mills. [*Desk thumping*] Your policy is not about diversification; you are about spending.

I thank you, Madam President. [*Interruption*]

**Madam President:** Senator, you are now into extra time. [*Crosstalk*]  
[*Laughter*]

**The Minister of Public Administration and Information and Minister of Energy and Energy Industries (Sen. The Hon. Dr. Lenny Saith):** Madam President, I did not intend to enter the debate, but the hon. Senator raised some points which I think I should quickly answer. [*Interruption*] Not provoked, she asked questions and I will try to answer them.



The first question dealt with this shortage of gas; I wish to remind the hon. Senator that she had that tune when the UNC was in power and, in fact, ran into serious conflict by siding with Steve Ferguson and Donald Baldeosingh against the then minister, when they were doing Trains 2 and 3.

**Sen. Seepersad-Bachan:** So I am still consistent?

**Sen. The Hon. Dr. L. Saith:** You are consistently wrong. [*Laughter*] I think the constant harping on this point needs to be put in that perspective. No government, whether UNC or PNM, would go into these arrangements without having a clear idea of where the gas is coming from. I can assure you, the same way Mr. Gangar had a clear idea, we have a clear idea. [*Desk thumping*]

Let me deal with this question of the royalties. When the UNC negotiated Trains 2 and 3 and extended the licence of BP, they extended the so-called royalty arrangement to 2017, and BP very smartly put into the agreement that if there was any increase in royalty before the end of this, it will be passed on. So that if in the negotiations with BP we had sought to increase the royalty, BP would not have paid it; they would have passed it straight on to the NGC.

So we had to find a mechanism that would get what was due to the country, without doing it in a way, given the contract they had signed, that the NGC would pick it up. We have said to the country, that in lieu of royalty, because we could not increase the royalty, we have got a tranche of gas which has been made available free of charge to the country. [*Desk thumping*] [*Interruption*] It is to generate electricity. I want to clear this issue about the royalty. [*Interruption*] Gas is only a small portion of the cost of generating electricity. Equipment is going up, wages are going up, materials are going up, conversion costs are going up. Gas is only one part of it. The Government said, and we will do it, that we would seek to maintain a stable environment, as far as gas was concerned, for electricity. You are suggesting that there are no other costs associated with electricity; that is not so. There are lots of other costs; the cost of transmission, for example.

The other point I want to clear up is the question of the Gas Task Force approving projects. The task force reports to an interministerial committee, which reports to the Energy Standing Committee, which reports to Cabinet. Every project in this country is approved by the Cabinet of Trinidad and Tobago. Let me restate it: no advisory body; no Minister on his own, approves projects. It goes through a process and ultimately comes before the Cabinet and the Cabinet, as the Government of Trinidad and Tobago, will either approve or reject.

[SEN. THE HON. DR. L. SAITH]

The last thing is this question of investment and how things are so bad here and people do not know what is happening. On one hand we hear that we have too much investment; we have too many projects coming; we do not know where the gas is coming from. If that is so, then how come you are saying that people do not want to invest? [*Crosstalk*] I think if you are here long enough in the Chamber, I will get the opportunity to tell you about the exploration programme that is planned for this year.

**Sen. Seepersad-Bachan:** You should still tell me, whether I am here or not.

**Sen. The Hon. Dr. L. Saith:** I can do it here. [*Laughter*] At the end of March, we are going out for bid rounds of the deepwater blocks and, again I hope at that time to be able to tell you what are the arrangements and what kind of responses we are getting.

**Sen. Mark:** What about the Gas Master Plan? Is it going to be made up of the document?

**Sen. The Hon. Dr. L. Saith:** The Gas Master Plan is under study. Obviously, of the things recommended, events have overtaken some of them. It has proven to be a guide in some areas and we are reviewing it to see what is still relevant and what has to be modified, because the energy sector, as you know, is very dynamic.

**Sen. Mark:** Any time frame?

**Sen. The Hon. Dr. L. Saith:** In due course. [*Laughter*]

**Sen. Seepersad-Bachan:** Before the Senator finishes, can I just ask a question, Madam President?

**Madam President:** Yes, go ahead.

**Sen. Seepersad-Bachan:** You mentioned that gas is just a small component of the T&TEC issue, the rate hike, but the Regulated Industries Commission (RIC) Chairman was the one who said that the Government needs to look at getting some kind of reduction in the gas price or some tranche of gas at a stable price for T&TEC. I do not know if the Minister could respond to that.

**Sen. The Hon. Dr. L. Saith:** We all agree that the price at which you make gas available in the arrangement with T&TEC is going to affect the electricity price, but that is not the only focus. When you get electricity at your house, it is a combination of the generation, the transmission, the distribution and all that it entails. It is not like rice. [*Laughter*]

**Sen. Basharat Ali:** Let me first congratulate Hon. Dr. Saith, the new Minister of Energy and Energy Industries and I am assured already by his advisor that those questions which I asked in the budget debate will soon be answered. They are on his table and will soon be answered. I am sure my friend, the Minister in the Ministry of Finance, who had made certain arrangements in December, would be happy to know that there is continuity in terms of providing answers to me.

I propose to speak on the petroleum taxes section only, but I would like to preface what I am going to say by a little comparison, some numbers—I like to work with numbers—relating to crude oil and natural gas. I want to compare volume as against price on the same basis.

By the end of fiscal 2006, we should be consuming, in terms of natural gas, some 2.5 billion cubic foot per day, that includes 800 million for Train 4 and that is for LNG, and to the other customers who include the petrochemicals, utilities, steel plants, et cetera, another 1.5 billion cubic foot per day. I expect that by the end of September 2006, our natural gas consumption will be 4 billion cubic foot per day.

These days it is the done thing to convert that to barrels of oil equivalent. So I am following the usual pattern; 4 billion cubic foot per day of natural gas is equivalent to 713,000 barrels per day of oil equivalent; that is a large number. If we look at our oil production at that stage, and the figure I still have is 165,000 barrels a day, I am not sure whether we will make that, but that is the last number we have. So when we convert everything to oil equivalent, the ratio of gas to oil becomes 4.32 times gas as compared to crude oil.

If you look on the other side, on the pricing side, natural gas to LNG—I have used our Minister's figure of \$3.75 per million btus; I use per mcf because it makes my calculation easier and it is about the same—\$3.75. My best estimate of gas to the others at the well head is \$1.50. Right now, for example, methanol and ammonia will be buying gas at about \$2.50, from what I understand. So if I take a weighted average of the gas price at the well head, it comes up to \$2.91 per mcf; that is equivalent to \$16.30 per barrel of oil equivalent.

The figure for oil used in the budget is US \$45 per barrel. I am taking Sen. Enill's figure for that. So if we look at the gas to oil revenue, we arrive at a figure of 1.56. When we keep saying this high number for barrels of oil equivalent, 4.3 times gas to oil, we should really look at the revenue side, which is only 1.56 gas

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to oil on an oil equivalent basis. We need to receive a greater share of revenue from gas; there are different ways of doing that and I would speak to that in a little while. [*Interruption*]

**Sen. Enill:** Just a clarification, Madam President. The number you are using is net back at the well head based on planned pricing rather than current actual Henry Hub. Is that correct? I think Henry Hub is somewhere in the vicinity of 12; the net back at the well head is going to, in fact, impact you more than the 1.50 you are looking at.

**Sen. B. Ali:** All my prices are based on well head prices; there is \$3.75, the \$1.50, which is dollars per mcf, which I have said is for gas, and the \$45 per barrel, which I said is for oil production. They are all going back to the well head. They are producer prices, in fact. This is why I say that we need to recover or receive a greater share of revenue from gas.

#### **6.15 p.m.**

How are you going to get that? Perhaps we need to take another look at the production sharing contracts. I have seen the grids on that and I am not sure about it, but I think it is something that we need to look at very carefully.

Those numbers have gone up compared to the last numbers I have seen on the website of the model contract. The maximum, for example, is \$2.00 per mcf for gas and everything is above that so we really need to have a very critical look at that to see whether we are getting our fair share. Particularly as we really only have two companies that are contributing to a production levy—there are three companies really, they are Petrotrin and bpTT which is now Repsol/TT, I think it is, and, of course, BHP Billiton but they are not really putting their hands in their pockets because their production levy is coming out of their profit share, and I do not know what the sharing is between the Ministry of Energy and Energy Industries but we really need to look at it because gas on the whole is getting a free ride.

Gas does not pay any SPT, it does not pay any production levy and it is the biggest volume producer in Trinidad and Tobago right now. So that is a prelude to my contribution on the debate on the Finance Bill, 2006, and I will go very quickly through some of the items. I think I now understand that Act No. 21 of 2005 does not have any retroactivity, it is now from January 01, 2005, so there is no retroactivity to 2003 or 2004.

As I mentioned to you, hon. Minister, in looking back through the committee stage of that passage of Act No. 21 of 2005, I noted that because we did not do the Lotteries (Amdt.) Bill at the time, there was supposed to be a renumbering of those clauses, so I had a little problem when they said section 19 which really should have been section 18. I think it is just a matter to be looked at because that is what we said at the time.

The second item I have here is on the deepwater exploration allowance. Once again, it looks like that is now effective from January 01, 2006. Before it came from the other place, I think we were talking about anything that happened in 2005 was going to have that 140 per cent uplift allowance on expenditure. So I believe I am correct in saying that that is now changed to January 01, 2006 and there is no retroactivity.

I have one question: Are there any beneficiaries to that right now? If so, who are they? There may be potential beneficiaries, of course, and I wonder whether bpTT for example were the people who had been talking about the deepwater drilling or exploration, whether they are beneficiaries. So, it is a question.

I go next to clause 6(h) to which the hon. Minister referred and that is the deletion of section 21(1A) which was relating to the taxation of pipeline condensate. I understand that is out, but it was said that some other entity is going to be taxed. I did not know who that entity would be. Perhaps you can let me know because as I said, I wondered why in July we included it and today we are repealing, so it must be going somewhere else.

My next comment relates to clause 6(j) and (k) and I call it the procedure for fair market value for natural gas to LNG. I have one question: Does this procedure cover sales by producers to an affiliated or related company not necessarily for LNG, but for any other product manufactured? For example, I understand that bpTT sells natural gas to Atlas/Methanex which probably falls into the category of an affiliate or a related company because bpTT is supposed to have a 25 per cent interest in that company. So is it that scrutiny would be used to look at that sale contract between bpTT and Atlas or Methanex, whatever they may be called?

Looking at the items that have been visited for the determination of fair market value and, basically, this fair market value is based on LNG manufacture, I think the elements identified captures in layman's terms the requirements for that determination at well head. We all see the list here, and I think Sen. Seepersad-Bachan mentioned them. I have to disagree with her that you can do a fixed formula for that, but you have to identify it and people have to do the work to be able to come up with a determination.

**Sen. Seepersad-Bachan:** Just for clarification. It is not that I am saying that you cannot come up with a fixed formula. Through you, Madam President, what I am saying is that to put a fixed formula within legislation instead of doing it within a contract, when it is put in the contract it is more determined. That is the point I was raising. So that for each project, when you have that, the investor knows for sure what he has to pay and what is his taxation liability.

**Sen. B. Ali:** Thank you for that explanation. I still do not understand it because you may have three or four different contracts being negotiated. For example, how many partners are there from LNG Train 4? So each—

**Madam President:** Senator, will you give way for a minute?

#### PROCEDURAL MOTION

**The Minister of Public Administration and Information and Minister of Energy and Energy Industries (Sen. The Hon. Dr. Lenny Saith):** Madam President, I beg to move that the sitting continues until the conclusion of the debate on this Bill.

*Question put and agreed to.*

#### FINANCE BILL

**Sen. B. Ali:** Thank you, Madam President. As I was saying, I agree with the items, but on the whole, I find that the language needs to be more precise particularly with respect to the definition of natural gas. If you go to the Petroleum Act, natural gas means petroleum in the gaseous state and petroleum means any mixture of naturally occurring hydrocarbons and/or hydrocarbon compounds. The very simple definition for natural gas and these definitions in fact spill over into the Petroleum Taxes Act from which we are dealing, and I am saying that because there is a bit of redundancy. For example, you cannot have regasification of gas, you can have regasification of LNG but not of gas. So I think we need to be a little more precise as to where we are.

My suggestion would be to split up those items into items which are within Trinidad and Tobago, for example, into local cost: Pipeline cost from well head to liquefaction cost, storage and handling cost, freight and insurance as applicable; and the second part will be on the offshore side which will be shipping, regasification cost and pipeline cost as they relate to going from regasification plant to say the hub.

The hub is where the transfer takes place and I believe it is very important that we do differentiate between natural gas as a product and LNG as a separate product. I say so in light of what we have been having in terms of our dealings with our Caricom partners in Jamaica who basically are saying that they should get the same price that Trinidad and Tobago sells its natural gas to its local users, and I believe from what I hear from the hon. Prime Minister's statements, that that is a matter to be resolved by the CCJ in due course. They are going ahead with planning for the LNG terminal, et cetera in Jamaica, but that is a matter that is still outstanding. So we have to be very careful that our language can bear scrutiny, that we can really say that LNG is different from natural gas, and I believe my colleague here will support me. We have discussed it and he supports me and there are many others who support me because in the Petroleum Act, I think they have listed liquefaction of natural gas as a process. I have been trying to find it, but I did not find it today and I am sure I will find it at another time. So I will recommend caution and we are looking at those clauses where they talk about natural gas in the gaseous or liquefied form as it states here in that particular amendment. To me, it is very loose language, and it needs to be corrected.

I am very pleased that in Schedule II paragraph 6(a)(1), which relates to the appointment of a permanent Petroleum Pricing Committee is now going to take full force, and I put emphasis on the word "permanent" because there may have been an ad hoc pricing committee operating up to now, and I remember Sen. Seepersad-Bachan mentioned what Minister Christine Sahadeo said a while ago about this committee in formation, but it is a long outstanding matter. I had spoken about it before and we need to have a strong permanent Petroleum Pricing Committee because they will have a key role in determining fair market value of natural gas. I wish to correct Sen. Seepersad-Bachan, where the word "Minister" is mentioned there, it is the Minister of Finance and not the Minister of Energy and Energy Industries. This is a tax Bill in fact, so where it says the Minister will appoint—

**Sen. Seepersad-Bachan:** It was defined.

**Sen. B. Ali:** No, you can check it again, but the "Minister" as I read it here where it is said that consultation will take place, it says consultation with the Cabinet Member responsible for petroleum matters. So when it says his appointment is by the Minister and this committee advises the Minister, who is the Minister of Finance and he would then proceed to take the action to pass that determined price to the potential taxpayer.

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That is a very strong committee, or it should be, because according to the Act they will take into account what the potential taxpayers have to say on a particular issue; so there is a dialogue that is going on or that can go on between the Members of this committee who come from the Ministry of Energy and Energy Industries, the Ministry of Finance, and the Board of Inland Revenue. There is that dialogue which can take place before he even advises his Minister.

The Minister in the long run when there is a conflict, the Minister is the one to resolve it and the Act says his decision is final. That is the Minister of Finance, not the Minister of Energy and Energy Industries. So I want to say that we must get this permanent Petroleum Pricing Committee rolling and that we need professionals with hands-on experience in marketing and specifically in this complex field of petroleum marketing.

Where are we going to find them? I am not too sure, but we can tap certain resources I feel from states with whom the Government or its agencies have signed memoranda of understanding. For example, Sonatrach of Algeria, that has been in this business for 25 years plus, or Petronas of Malaysia that has also been in the LNG business for some considerable period. So this might be an opportunity to establish that kind of situation where we can use these people and have this cross-posting of people between Trinidad and Tobago and in which process we would have developed that kind of expertise to sit against the bpTT's and the BG's because those are the people with whom we have to deal.

Finally, I wish to get from the hon. Minister in the Ministry of Finance, a clear statement as to whether there is any further natural gas tax regime to come because really what we have had so far is a tax regime on oil. What we have in this amendment is a mechanism for valuation of gas, and that is not really a policy matter at all. Therefore, I would like to know whether there is any intent to have any further natural gas tax regime discussions or proposals to us. I note from the hon. Minister's budget statement that it is intended to have a review every three to five years but I do not think that is adequate. I think we need to do much more right now in that field.

I am saying all of this because there is a lot of doubletalk and even today, there has been doubletalk about our natural gas resources availability, et cetera. I have tried to check out the situation and my understanding is that right now, there is a very fine balance—and those were the words—of gas supply versus demand,



and small shutdowns in the gas fields result in curtailment from time to time to downstream users like methanol ammonia. This apparently is a fact. I have confirmed that with the people who make methanol, and I have spoken with the people on the supply side.

This may be aggravated by the fact that bpTT has not been able to come up to scratch on their requirement for Train 4, and as Sen. Seepersad-Bachan said, she understands that that plant is running at 40 per cent of design capacity. That is the figure I have heard, 40—45 per cent and that is due not to a lack of reserves, but to the fact that there is a pipeline constraint between Cannonball and Bombax, wherever that is. So it is on a thin line because the people at Methanol, for example, tell me they just get a call sometimes from NGC saying to cut back because any little failure—the system is so finely balanced now that—in any of the fields can result in having to have curtailment or rationing, whatever you choose to call it. So I am saying that we need to get down to solving that problem. I do not know why the National Gas Company cannot negotiate any additional gas from any of the other potential suppliers and for users.

One of the reasons, of course, is the differential between the price of natural gas that is going to go to LNG as against that of natural gas going to products like methanol and ammonia which are running at \$300 plus per ton. So naturally, every gas producer is hesitant to sign any contract which will tie him down to a lower return of revenue in a long-term contract. But I will remind the Minister that in one of the items which we still have to find a solution to, I have not heard it said before because in your document—through you, Madam President—you spoke of the comprehensive review that Government is to agree on amendments to the fiscal regime with a view to expanding the exploration development activities.

The second one, balancing the allocation of gas for export and domestic uses is where we are at the moment and that is why we have these projects. I agree with Minister Saith that we have all these projects that are there and there are commitments to probably two of them, but none can go ahead until the National Gas Company can find that gas and we will have a committed supply of gas and each of these plants will require natural gas for 15 years. So I am urging that we take every step to do something about that and bring to bear on the producers that they cannot only depend on getting the best price scenario which is gas for LNG through this long chain, and leave behind the rest of the export-oriented industries; methanol, ammonia, even steel as we go along, and then, of course, we have these nitrogen products coming if we get gas sufficient to implement them.

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So that emphasis is there that the Government needs to get ahead of the game to formulate policies with respect to gas, and we look forward to greater development of reserves and that is what we are always talking about. If we do not have the reserves proven and developed, then we cannot say that we have got it because it is not going to do anything for us in the short term.

We need to have reliability of supply because that is important. Once anybody knows that we are up and down people; whether it is electricity or gas, then we have a problem.

And finally, most importantly, we need to ensure a greater share of revenues from what is our patrimony.

Thank you.

**Sen. Brother Noble S. A. Khan:** Thank you, Madam President, for allowing me these few moments to share with you some thoughts on what is before us, the Finance Bill, 2006. Indeed, it was a pleasure hearing the opening remarks of the Minister of Finance and also hearing our new Minister of Energy and Energy Industries, and I would like to add too our new colleague, Sen. Vasant Bharath, before I get into action.

We are following a pattern here as far as the finances of our country is concerned that has been established quite some years ago. I do recall Ordinance No. 20 of 1959 of the old colonial times and so we have gone over many years to this point almost nigh close to 50 years, and I do recall one of our contributors making a comment where it was said that within a period of 25 years there could be a complete turn with respect to an economy, a system of accounting, or what have you, but I guess in these fast forward days, it could possibly take quite a shorter time.

We have been fortunate twice within recent times where we have had substantial inflows coming into our country and I am sure all of us have been hearing about the price of oil and gas. I will not get into the areas of the niceties or complexities of what our colleagues have displayed here today but when I think in terms of the price of gas, my mind goes back to the Organization of Petroleum Exporting Countries (OPEC) on the price of oil and when our country made an attempt to become a member of OPEC, we were told in no uncertain terms—if I do recall—you are not big enough—or words to that effect, and we remained outside.

I seem to recall—and forgive me, I am speaking as a layman without any professional backing or any pretence of knowing what I am about, but just an enquiring spirit—that as far as gas was concerned I think at some stage it was said that we are the biggest or close to the biggest exporter of gas. So there is to some extent on the market we may have a positioning of gas and pricing so to speak, but then again, when we think in terms of the prices of the products that we have, we really never had a proper command over pricing, and this is my view. If we were to go back to our old school book of economics, the question of setting prices and all these things have been explained to us, told by us, and even operated by the people from the North and so today the question of the price of oil and gas still remains a big one.

I do recall too, many years ago as a young person, when the question of America going into Saudi Arabia and King Abdul Aziz was there at the time, how the price of oil was set there at maybe a penny a barrel or some absurd figure because that was what was offered or given to these people for oil at the time. We know what took place in 1973 or thereabouts, the new generation coming up getting into the hands-on of how the system operates and to some extent had been able to create what has been referred to as first shock, second shock and so many other shocks, but the world was never the same insofar as pricing was concerned.

I also recall with people coming from the North and the father of our nation—I will explain it how I understood it—referred to them, I do not think in any bad terms but some of us who have been around for quite some time can remember, and I am sure Sen. Augustus could remember when he made reference to the pickpockets coming. And one wonders in this relation when these people come to deal with us what is this position that we have vis-à-vis setting price of oil or gas or whatever it is.

I do recall too, in setting the price of sugar in the colonial time and we had just shifted over into some control when our deceased founder of the nation had requested—and this might be a part of the folklore—three names of who will go to the United Kingdom to negotiate the price of sugar and he got three names from the organization which were the names of the same person written three times and he had to choose one. Well, out of the three names he chose one, it was one of the names that had to be the same person who went to the UK to negotiate the price of sugar. There was feedback of how that price of sugar was negotiated, at what Caribbean, West Indian and Trinidad sugar would be sold. The feedback was that a pretty old chap from here and a pretty old chap from there sat, spoke, and drank tea and as they doddered towards the end they recalled when it was

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time to go and one asked, what will be the price? The other said, oh, that is what we came for, let us make it 3 pence, as the case may be, and that was the price. That was how it was settled. That may be true but that forms part of the folklore of pricing in our country and parts of the products that we have. Well, we know what has happened to sugar. I do not know if we have anyone of that acumen or ability to go to negotiate the price of sugar, but we know the whole matrix has been shifted somewhat from those times.

Coming back to the price of gas these are some of the things that emerge within me. How much command do we have over the situation and how prices are set? We have heard quite a bit about this and that and about this law that has been set, but the nitty-gritty of it is what the price of the gas is and how it has been arrived at. Having been arrived at and after we have done our thing of having all these different committees and what have you, it flows back down to this Bill that we have before us.

**6.45 p.m.**

It also flows back down to how much of that money that is being paid by whoever buys—let us say the consumers from overseas—reaches down to us and what part of that price that we, the simple, humble person gets, and as we go down the chain, the lesser and lesser it gets of their share in that. I try to explain it that way because some of the older folks, when thinking in terms of their own existence, would tell you—and I think in some of the other Caribbean islands it is like that—that the money they would get from the “Zabooka” tree is what they would use to pay tax and the money they would get from another tree is what Jane, George or Parvartee—with due respect to you—would go to school with. I am putting it in those, sort of, graphics of what goes down to that share of the price that reaches us.

Obviously, when we come to the question of gas as has been referred to—and somebody popped up here just now and spoke in a very puffed up way in his expressions about what electricity would cost. I remind ourselves that it was part of the sharing to the small man that subsidy of electricity was put on, when the first run came. When that was done, he said the small man had to get some of the cake too. I recall this. You can verify it. You might not see that in any document but that took place. I suggest that to ourselves here that you pay recognition in whatever it may be, that whatever of that little that comes down, if it has to echo in our country, pay recognition to that, because Allah La Naum—God does not sleep. I am not speaking about who has gone; I am speaking about the real man up there. How you do it, you do it.

The other part that is coming through is that it is not reaching down as yet. I will tell you something. The price of gas was big across the ocean, and what people pay, and they blew up the gas line—I am talking about Georgia and other parts of the former Russian area—for what was the question of the price of gas and how important that was. I would tell you also, I saw a gas line spitting fire, from my home across the Beetham. Something happened on one of those lines. It is not deep, you know. It was kicking like real, real fire. They turned it off somewhere else, but it was not because the people in the area did that. A technical problem took place and it happened. But the lines are not deep. And I will share something again. I never really mentioned this much but possibly it might be important to mention it. It was on the morning of July 28. I used to run and from my little dirt lane I come out onto the back road onto the Priority, and going up the road—some of us could recall what July 28 was—and some young teenage boys had fire bombs in their hands. They would know me because next to me is a school and for generations they grew up. They were going to fire bomb Angostura. When I saw what they were doing, I talked to them and said: “None of that”. If that happened here, the whole of Beetham would go up. Perhaps I was thinking in terms of preservation too, because when those rum barrels start to fly, I “gone”. I do not mean with speed—out.

So these are some little things in the matrix. Pay attention to it. It is closer than you could think. That is as far as the reaching down and the big flow that we are having and we are not getting. These are important aspects as far as this piece of legislation is concerned. Just to refresh our minds, when you think in terms of what comes out of the whole ball, how much is reaching down; who is benefiting.

The other part of this I would like to mention too, is that while that might be just a flash, we are thinking in terms as a people, a nation, what has been established more than 50 years ago, and some may go further back to some of the older generations before us and what they would like to see go forward. I am talking about a city beyond, as the case may be, but also, too, of a Trinidad and Tobago that we would like to see. I am speaking here about using these types of mechanisms to put into place a type of economy that could definitely build ourselves and the nation and put it in a way that—to borrow some of the old clichés—could be sustainable, to which our young people could look forward. Not that we think in terms of—I mentioned it the last time, you know—the \$30 billion and the underground which I understand is more than that, is no attraction to them. They take what they want and if you are in the way, they move you out. These are the

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facts of life. We have been here for four budgets, if I have it correctly, and so far precious little has changed insofar as the lives of the people, and as far as the economy is concerned, very little is reaching down as far as the initiatives.

I support the initiatives that are being tried and we would like to see much better but, obviously, more than that has to be done. I mentioned early the question of putting aside for future generations. I had picked it up somewhere long, long, possibly when I had mentioned the question of the inter-generational gap, the equity, that they have a stake in it. The future generation has a stake in it and we owe that to them, even as those who were before us—I would not say they owed that to us, but have contributed to our being what we are today. It is a question of building and going forward.

The question I know to change an economy, especially what takes place in what has been referred to as globalization and some of the old structure has been set up, in my humble view, somewhere around 1944, Bretton Woods and what have you, and many of these areas they went aside, and ever so often as one went aside or is evaporated, another system would come up: GATT, World Trade Centre, free trade, globalization, World Bank, IMF, the European Union, Caricom and what have you. So these are some of the things which I think we will have to watch and see how we could possibly utilize them or test ourselves in areas which we could come up with something.

We are fortunate in our country of Trinidad and Tobago. We always pride ourselves on having people with high acumen, good intellect and what have you, but I do not know who it is working for, or how we could redirect that towards ourselves and particularly to our young ones. Because we are thinking in terms here of, if it does not work correctly, I do not know how far we will go, because the indications are not so good. Of course, equity, justice, fair play, sharing and caring—at a later stage I will touch on sharing and caring. Caring is an important expression, many of us who had hope of caring, and see how we could really put it in perspective. If it is just talk, wind or how we could make it happen, but maybe at a later time.

So these are some of the things. The financial system, I have touched on that in the past. Every time we come it is the same, possibly because of the system that we operate under; the question of deliveries, the mechanics of how we go about it; when we think in terms of the fundamental change, to reach down, I have touched on that. I do not want to make it look too gloomy but one gets the feeling—as I mentioned before, I used to do a little running and it is like going down a hill, if

that is the way we are going, and if we do not keep in stride, the rhythm of the run, you could easily, because of the gravitational pull, especially if you are going down the hill, your top might be going faster than your foot could carry you, and you know what would happen. Somebody mentioned—was it Carol—“Humpy, Dumpy and Thumpy” coming down. So these are some of the things, I do not know if we are heading that way but there might be indications of that. So let me express my gratitude to you for allowing me these few words.

Thank you and God bless. [*Desk thumping*]

**Sen. Sadiq Baksh:** Madam President, I join the debate on the Finance Bill, 2006 and at the outset I want to say that the several pieces of legislation before us, we generally support. In the case of the Income Tax Act, Chap. 75:01 which, in fact, seeks to increase the personal allowance from \$25,000 to \$60,000, it is a measure which we support wholeheartedly. No one could really object to the increase in personal allowance so as to allow the disposable income of citizens to be increased, but I want to move immediately to a situation where locals, as citizens, receive an allowance of \$60,000 but employees employed outside of Trinidad and Tobago receive a salary in excess of US \$60,000.

I bring to your attention an advertisement from the George Mason University that invites applications for a research assistant professor position in the administration of justice programme. This is a fixed term 12-month appointment:

“Requirements: Masters degree or higher in criminal justice, criminology or a related social science field. Experience working with or in police organizations or other applied settings is preferred. Needed proficiency in statistics,...Excel, Access.

The position requires working as an applied criminologist in Trinidad and Tobago on a project assisting the Trinidad and Tobago Police Service (TTPS) undertake a comprehensive set of reforms to reduce violent crime, enhance police professionalism and integrity, revise employee performance appraisal, modernize record-keeping and strengthen management and supervision.

The criminologist will work under the direction of an Executive Advisor (a senior American police administrator also located on site), who works directly for the Commissioner of Police. The criminologist’s responsibilities will include data collection and developing data bases, conducting needs assessment and evaluation research, and monitoring implementation of reforms.

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This position should be attractive to persons seeking to develop skills working in an applied research setting, doctoral graduate students seeking a dissertation topic, or persons having recently received a doctorate.

Salary will be (US) \$58,000—\$62,000, depending upon qualifications. Fringe benefits include retirement, health insurance, life insurance, and disability insurance. In addition, the Ministry of National Security will provide at the government's expense furnished housing, automobile (rental, insurance, and business-related fuel costs), telephone and internet service, and other work-related expenses as appropriate. One round trip for the individual (and family) to and from Trinidad and Tobago is also included.”

I draw this comparison basically to bring to your attention that whereas we are happy to support a measure that would give an allowance for TT \$60,000, even in a situation where we have an escalation in the cost of basic commodities quoted between 30 and 35 per cent, and inflation riding at not excessively high, but climbing continuously, citizens believe that they are receiving the crumbs in a time of plenty and it is then the motivation is not there to participate in the improvement of the country and the development of a fabric in our society that will see the potential for us to become the best that we can be.

Under the same piece of legislation, the Income Tax Act, we see the Ministry of Finance—and I know that these measures were passed four months ago in the budget, but we have not been told whether the objectives were met and the strategies that the Government implemented at that time have started to bear any fruit at all. In this specific case, clause 2(e)(i), in terms of the removal of the respective measures for apprenticeship allowance, if at any time in our history we needed a real apprenticeship programme, it is now. We need at this time to really shape an apprenticeship programme, and if the Government cannot do it—and obviously they cannot—removing the allowance from the business sector industry, generally, will not assist us. In fact, if anything, we should be increasing that allowance, develop a proper apprenticeship sandwich programme in conjunction with COSTAATT and over a two-year programme—we normally used to have five-year apprenticeship programmes, but maybe condense it to two years—we should target a continuous churning out of skilled craftsmen in terms of masons, electricians, tin smiths, blacksmiths, welders and all the related trades, especially for the oil sector and the construction sector.



We are in a situation today where, because of a number of artificially created situations, among them the heating up of the construction sector, which I will come back to shortly, we need more than ever to develop an apprenticeship programme to take young people off the streets and, in fact, prepare them for sustainable, secured jobs well into the future. I understand clearly the Government's intention when they increased the allocation for URP and the development of the CEPEP programme. I might not agree with it, but I understand the philosophy in terms of bringing opportunities for people who hitherto did not have the possibility of earning an income, but you need to have the systems in place to manage that.

So when you say you are creating entrepreneurs, you are really holding their hands, recognizing that it is not an end but a beginning; a beginning with an end in mind. You cannot have a programme that says it is the beginning, but every year you are beginning again. You cannot do that. You need to have an end in sight. This is not the time for it; we have passed that stage; we have now repealed it, or we are going to do that, but the Government should seek immediately to introduce a programme. I want to recommend that some of the funds going into some of the make-work schemes be directed into that area immediately and handle systematically the conversion of people whom you feel could only cut grass, to become masons, carpenters, electricians and plumbers. What is even worse, we are creating an artificial situation with a lack of labour. We need them now more than ever.

We have unemployment. Yes, I agree that unemployment appears to be down, but down with people not in sustainable employment, not where you would be able to accrue any sort of benefits. You have people who really, do not have enough money to save, to become self-sufficient and to really one day be able to take care of themselves and their families without their hands being held. That is a serious problem we are experiencing now in Trinidad and Tobago. We need to prepare people for a rainy day. You saw what happened yesterday. We were not prepared for a rainy day. That might be physical in terms of the flooding, but if we do not prepare our most important resource, our human resource, to be able to take care of itself, we are going to be constantly in problems.

All the measures that we have before us are intended to do a number of things. Among them is to create more jobs, to improve access to income, to get more opportunities with the overall context to have progress. The hon. Minister in the Ministry of Finance in his presentation said that there were a number of things: investor confidence; diversification of the economy; fight against poverty; crime; 2020 vision—he did not include housing; I am including housing—flooding; the

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invasion of moths in Cedros which is an important issue. I know we cannot legislate to tell the moths not to come into Trinidad and Tobago, but that is not to say we cannot initiate programmes that would assist those citizens who are defenceless at this time.

While a number of people spoke about the commanding heights of the economy in terms of the oil and gas sector, we need to seriously address how we deal with the manufacturing and non-oil sector, because those are sectors that I am sure continue to experience negative growth for a number of reasons. I will get into agriculture just now, but the manufacturing and the non-oil sector which is, in fact, one of the key sectors in our relationships within Caricom and the region—we are the suppliers of the region's goods and services and if these two major sectors are in decline, then we cannot be talking about setting these legislative frameworks in place to ensure diversification of the economy.

Is it that we are only diversifying in terms of tourism, a sector earmarked by the Government and, yes, experiencing growth? But is it the only sector? I suggest not. I am suggesting that we need to look at that. The manufacturing sector suffers in a number of areas. One, we have not retooled to take care of the new opportunities in the future. We remain in the old manufacturing sector with obsolete technology and high labour instead of automation, and now we are experiencing a shortage of labour because of an artificially-created situation. That cannot be well for assisting us to save for a rainy day. When rains come like yesterday, we could be in trouble.

We cannot really say that we have a stable environment. What used to be relative calm and serenity, a place that a lot of us could say, not paradise, but paradise within paradise, we have seen over the last few years a situation that cannot continue much longer. We are challenged on the killing fields throughout the country. It is no longer any geographical area; it is no longer unsafe in one part of the country. There is not one citizen who feels safe anymore. We need to address that to have a stable environment.

With regard to agriculture, I do not think any government would not want agriculture to prosper. I believe that every government will want agriculture to be an integral part of, not only the diversification, but the continued stability of the country. We know how unstable the world appears to be and anything could happen at any time. Shipping routes could be blocked off, terrorism, a host of reasons. We could have a drought; we could have a famine, but we do not have food in stock for any period. We have foreign reserves but no local food reserves. What kind of security do we really have? I do not know about anybody else but

the strength of my activist is still in the belly. Without food you are in trouble. As basic a situation like that, we need to address post-haste and the Government would be well advised to really make it a priority to ensure that agriculture becomes one of the important building blocks for the future and, in fact, the strongest thread in the fabric of our nation-building process. You cannot remotely think about 2020 with all the subjectives without a real vision for agriculture. You cannot.

The attack on poverty, again, like all governments—no government likes to hear about people being poor. They want everybody to really enjoy a better quality of life. I want to tell you that the people that are poor also want to improve themselves and they want to have a better quality of life. I have also said that givers always get more satisfaction than receivers. The poor does not like to get a hamper, you know. They would prefer to give a hamper than to receive one, and for some strange reason we believe that we have citizens who are developing an appetite for hampers only, and believe that a hamper could solve the problem. If we reach that stage we are in real trouble. We are in real trouble if you feel a hamper could improve the quality of life of any citizen in Trinidad and Tobago.

It is for all those reasons that I am suggesting to the Government, as we give effect to all the measures, that they must immediately begin to benchmark where we are in terms of the objectives and the strategies adopted in the 2006 budget. I feel certain that there are areas in which the Government would meet its benchmarks, but I feel that in many areas, in the majority of cases, they are not meeting those objectives, and when they do not meet their objectives and they are not successful, the country cannot be successful. I am suggesting that the most important hurdle that we face today in Trinidad and Tobago is the fight against crime. We need immediately to put all the systems in place; engage the entire national community to fight this scourge that we must remove immediately.

There was a day in Trinidad and Tobago when the first priority used to be education or health care. Now it is crime. Next to crime would be high food prices; the second priority for Trinidad and Tobago. I live here and I talk to the people where it matters; the poor, the oppressed, the hopeless, the dispossessed. We need to re-evaluate where we are and deal with high food prices because it does not make sense to the people that are poor and unemployed. Although we say we have a low unemployment rate at this time, there are many people who are unemployed; there are many people who cannot work and it does not make sense whether the personal allowance is TT or US \$60,000. It means nothing to them because they do not have any income.

**7.15 p.m.**

Madam President, the low income persons in our society do not benefit from any of the incentives or measures before us and they are the ones we need to help most.

I know that we have a number of programmes in that area. The Government has set in place a number of safety net measures but there are many people falling through those holes and the net appears to be too big a mesh. We need to reduce that mesh so that we would catch more people and avoid them from falling out of the system. When they fall out of the system and we recognize it, too late, too late, shall be the cry. If people have to cry on a Government as being too late, then we are really in trouble because we need to be able to forecast what is taking place. We need to study where we were, know where we are, and then forecast where we will be at a particular time to ensure that we help the poorest among us.

The housing sector is targeted for special attention by this administration and people speculate all sorts of reasons why. I do not need to get into it today, my colleague dealt with it sufficiently. What I prefer to deal with at this time—nobody could quarrel about any government that wants to provide its citizens with housing. I have no problem with that. It is when people get the houses and they know what they pay for those houses and then they see a contractor coming in every day—like in Tarouba—with a sewer truck to take up the sewage because they do not have a sewerage treatment plant, and the cost of the removal of the sewage is much more than the cost of the house that they are paying for, they feel cheated.

Madam President, I am informing the House today that that is the situation at Tarouba and I invite the hon. Minister of Energy and Energy Industries—I know he passes there regularly and he could see the contractor every morning taking up sewer from there. Madam President, the cost of the removal of sewage on a weekly basis is equivalent to the cost of one of the houses built there. So in 71 days, the cost of 71 houses would be the cost of taking away the sewage. Do you understand that, Madam President? I do not even think the Government knows that because it will be taking place—there is no longer the Housing Development Corporation—in some other organization, but what you have is a siphoning out of the funds from the Treasury into the sewage. That is the problem now!

Madam President, the poor understands these things very well. They have a lot of common sense. They are paying 33 per cent more for food that they are converting into sewage and then the sewage is going out at 300 per cent the cost

that they put in. That is common-sense mathematics; they understand that and they see it every day and they are vexed. The people who feel happy to get the houses are now vexed. That is the real life situation that one sees on a daily basis. They speak about it. I did not dream this up. I am not telling you something that you cannot go and check. I am not telling you something that happened last year. I am telling you about something that happened this morning. Every morning I look at it in amazement.

It is a targeted area and the hon. Ministers coming from south would see it. They saw the houses being built in Tarouba and they looked pretty good, but then they built a wall and that wall kept shifting and they put mud to block the wall. Now they are building a drain and if you look at it the cost of the wall is more expensive than the houses.

The people in Tarouba are now looking across to the new stadium—I support the stadium; I feel that the stadium in San Fernando—[*Interruption*] I understand that the cricket area would cost about \$150 million—I am not in this \$850 million business. Everybody goes to cricket; persons from south come to Port of Spain for cricket, so now some people from Port of Spain could come to south. There are times persons cannot come into Port of Spain when there is a cricket match because there is too much traffic jam. I am living in the real world so I have no problem with it. When people are seeing what is taking place in Tarouba and they know that tickets are going on sale for the stadium in December for 2007, they are getting worried. They are getting worried because the rains came yesterday and they do not know what the weather would be. We were expecting the dry season since January 01, and we are almost at the end of January and it has not yet started. We are in crisis. The weather patterns are changing; I am not blaming the Government for that but that is the harsh reality in 2006 in Trinidad and Tobago.

While we have all these funds available—I am not saying that we have money coming through our ears—we have a windfall and I feel that is a good thing. We have the resources now and I feel what should be taking place is that while we attack poverty, crime and the diversification of the economy, the housing that we have should not impede the progress of other people who want to build houses. Because of the demand—I have moved away from the shortage of labour but we all know about that—by the State for housing materials for joint venture programmes that seem not to be completed in any form—Madam President, if you look at Roy Joseph Street in San Fernando the houses were started; they have stopped; grass is growing; the job has been discontinued months now.

You will recall in 2002 the houses on Circular Road were started, but not one has been given out. Worse than that, the infrastructure in terms of the traffic jams that it would cause if it is not looked after, if it took so long then something is wrong with the contract administration; it is just not happening. You might have another 10,000 houses under construction with less than 1,000 persons actually in occupation of any of those houses. You are paying on the loans; the cost of the houses is going up; there might be vandalism; by the time you are ready to hand them out, you do not have the keys—a lot of them are artificially created—but the real point I want to make is that somebody in the private sector who wants to build his house really cannot go to the hardware store and be sure to get all the materials he needs at any particular time, and that is if he could get the labour to do the job. We have gone back to the days where if you just want to buy the locks and the hinges for the door you cannot get the door anymore. It is a serious situation because you might have your hinges already; you might have your locks already but you cannot get the door because you are not buying those things. We are in real trouble because of a situation of undue haste, lack of proper planning and lack of the study of the impact on the economy, not only in terms of the macroeconomic indicators but real life on a daily basis.

When you go to the hardware store and you expect to be able to say: “Send X bags of cement for me”, Madam President, for three months that was not possible. It is now back to normal. If you ask for 4x8x16 blocks now, that is not available. You would start with concrete blocks and you would end up trying to make fit with clay blocks, and that is only when they are available, because you now have people in joint venture arrangements that are blocking materials.

Gypsum is a non-traditional material in building in Trinidad and Tobago; it is now the material of choice but you cannot get everything, every time that you go for it. I am not suggesting that you stop building houses for the poor, but set in place the proper mechanisms. I am also not suggesting that the State get involved in importing materials; I am saying that we must structure proper plans to ensure that as we develop the country people will not be penalized; those who are not accessing these programmes. So that if you want to build your house on your own you can get your material at a reasonable cost and not because of inflated prices because of an artificially created situation.

Madam President, I now come to the situation of the invasion of moths in Cedros. The moth situation was aired on a call-in programme. Over the last few days it was impossible to really stay indoors. I am asking the Government to take

into consideration if they migrate further south. We have a situation in Cedros now and if we do not deal with it we might end up with it in the whole country. I would like them to take note of that because we have the funding in place.

Madam President, I really did not plan to speak this long and I want to advise the Government that whereas we support all these measures, we look forward for them to take into consideration how they deliver to the people of Trinidad and Tobago; how they provide long term sustainable jobs; how they ensure that we progress; not for 2020, because a lot of us will not be here in 2020 for one reason or the other; that they deal with the traffic jams; that they look at the infrastructure and they really do not consider just building skyscrapers, dealing with issues in the sky while the people on the ground suffer.

Thank you, Madam President.

**The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill):** Madam President, let me extend my heartfelt thanks to all those who spoke on the Bill.

May I also indicate that there is an amendment that is in circulation and I will explain what has occurred. In the negotiations for the energy sector taxation, this particular matter was agreed to and, unfortunately, it did not make its way into the original Bill and I will explain that when we get to committee stage.

Madam President, for a long time in Trinidad and Tobago tax policy had focused on the extensive use of tax incentives, investments for savings and employment, often in an ad hoc and discretionary manner, and mainly in the form of tax holidays and allowances without giving due attention to a broad tax system designed, particularly, to the tax mix in general and to the contribution of the non-energy sector to the total tax take. As a result, the tax base narrowed and the tax system reached a level of a complex state disproportionate to the economic structure of the country and its tax administration capabilities.

These were some of the findings of a team from the International Monetary Fund (IMF) when we invited them, basically, to look at our tax system to see what it was doing. They indicated in their review that in spite of the widespread use of tax incentives, in some instances it deterred rather than encouraged investment because it lacked transparency and predictability, which are two of the most important determinants of investment decisions.

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They also indicated that in the personal income tax scenario the eliminating of most of the deductions for savings and investments was not necessarily a bad thing because in some cases, based on the information they looked at, the benefits were very small, of doubtful effectiveness and, in other cases, conferred too large a benefit to high income individuals. Basically, on the corporate income tax side the issue was closing certain loopholes that were there to avoid tax avoidance. I say this because some of our commentators have talked about the issue of removing incentives for savings; removing some of the things that we have talked about, but in so doing they have not really analyzed the information that is available, certainly, from the income tax side.

Madam President, what we sought to do in coming up with some of these measures was really to look at that and to determine what is in the best interest of Trinidad and Tobago, as we sought to move forward within the context of our vision of looking at the future of this country.

Let me address some specific issues that came out of our discussions. Madam President, I like contributions made by Sen. Wade Mark because they represent, in my mind, an element of our culture that I do not normally come across in the manner in which he brings it across but, nevertheless, it is always refreshing to me to listen to him. He used words that, clearly, are intended to evoke emotions, and they do. How could Sen. Mark talk about the question of a government spending recklessly where he knows that if, for example, we were talking tomorrow we would know that the surplus for the year just concluded was \$2.1 million, where we basically placed in one year \$2.6 billion in the Heritage and Revenue Stabilization Fund, where in addition to everything else, we put \$500 million in the IDF. In addition to all of that our expenditure level was, basically, just under \$27 billion.

Madam President, the information in a lot of instances really does not support the facts, so let me put on record some of the facts. The issue of the Heritage and Stabilization Fund, from where I sit, those who are concerned about the legislation, are concerned because they are of the belief that the irresponsible Government that currently sits in control of the resources would not put any resources into this Fund. By principle, we have told the nation at budget time that the way we will ensure that we keep faith with what we have said is by doing a revenue price and an expenditure price.

We have said, for example, in the fiscal year that we are currently operating within, that our price for expenditure purposes is based on a \$35 dollar price for oil, and for revenue purposes \$45. We have said that we have made an allocation



for putting the differential between \$35 and \$45 into the Heritage and Stabilization Fund. We have made an allocation for that and that is what we are doing. The question of the legislation is, in fact, being worked on. There is a consultant on board who is looking to see how to convert the policy that we have set up, in terms of the three particular elements of the Fund, into legislation. Madam President, that allows us to do two things: one, to keep faith with what we said in terms of the piece that has to deal with stabilization, which is price shots, price volatility, the question of strategic investments and also the question of inter-generational savings.

The thinking is, by most commentators, that based on the current estimates of production in the energy sector, which we basically have 15 years of resources, if you do absolutely nothing, then it will run off. The Fund, I think, at the last time I looked was \$4.5 billion—some number like that—and we intend, as long as the revenues commit, to increase that consistently over time. Some of the policies in which the Government is engaged are, in fact, in support of most of the things you have talked about. For example, for us to compete in a knowledge-based society we must have individuals who are knowledge based. We recognize that for us to do that our emphasis must be on education, hence the reason we have gradually phased into the situation where we are going to make available education to all our citizens on the basis of what we can afford at no cost.

For those individuals who we believe are able—the post graduate levels, by virtue of their own resources—to support themselves and for the private sector to continue to assist in some of those circumstances, we have said that they would be able to access some portion of that through the GATE programme. We have attempted to deal with those where nobody has an interest and those for whom the private sector and other agencies may have an interest to lend some support. Quite frankly, I think it is a policy that we are proud of. We will make absolutely no apologies for it. I believe it is the right policy for us as it relates to building our competitiveness, looking at what we have to do in the context of a knowledge-based society.

Let me deal with benefit in kind. First of all, the benefit in kind that we are talking about in the legislation, basically, is defined for organizations that are involved in commercial activity, that is to say organizations that are involved in business and make a profit. This has also been in the legislation and many of the individuals were, in fact, in breach of the legislation. The reason that they were in breach of the legislation was because there was no way in which one could have determined what that benefit in kind was. We have now put in the legislation a

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mechanism that says: In order to determine what it is, very transparently, we will refer to the repo rate of the Central Bank as at December 31 in particular and that becomes your starting point for the next 12 months. The next time you look at that is at the 31st of the year ended for the following period. In that way there is no issue with the determination of the benefit in kind and, therefore, there is a method by which employers can now comply with the law.

The first reaction to this was that certain sectors—I think the banking sector in particular—said that they were being targeted. The real issue is: Why should the Government, basically, support one sector in the way in which it appeared that it was happening? The fact of the matter is that if you look at the profits of those institutions there have been a lot of calls for us to tax them differently that will not make sense.

Madam President, to say that the Government is in a way targeting that particular sector is really not true. The fact of the matter is that they have not been complying with the law; the law is there; we are now putting in place the mechanisms that allow it to do so. In a lot of instances, as well, what we have seen—not middle income—is that higher earning individuals are the ones that were benefiting unfairly from some of the loopholes that were in the law. Every single loophole that we have closed there was a beneficiary who was a high income earner. That we felt was something that should not continue and we therefore moved to fix it.

Madam President, there have been a lot of discussions about T&TEC rate increases. There is a body called RIC that has, under the law, a specific responsibility which is to look at the utility; discuss with the utility the cost of its operations and make a determination as to what a rate should be on the basis of those considerations. They have done so and they have said, in some instances, that this is not to be considered because the Government should pick that up because that is infrastructure cost. They have said if we do the analysis in the way that we think we should do it, then it is possible that a rate increase could occur. The Government has said to them, basically, go ahead and do the exercise but do not tell us what to do with rates. We are to determine when you have decided what the rates are what we would do with it.

The Government has made no decision as yet because that exercise is not complete. It is therefore not fair at this point in time to say that there is a rate increase that we have planned to do. We are going to look at it in the context of what is available; we are going to look at it in the context of how it is going to impact on the poor and then we will make a determination. The lyrics about

higher prices and so on, we have really not reached that stage as yet. What this is saying to us is that on the basis of the ingredients that go into the cost of providing power to this country there is sufficient justification that the economic price at which we are currently exchanging power for service, needs to be looked at.

The other issues that were raised, some we can deal with tomorrow afternoon when we deal with the Finance Bill so therefore I will confine my comments to the Bill before us.

Insofar as hocus-pocus and bogus and all those kinds of things, one of the things we need to basically come to terms with is that there are institutions in Government that support the administration, both in terms of information and interpretation of information and we depend on those institutions for information. All we do is interpret the information that we get and it is unfortunate in making the comments that Sen. Mark has made, the unintended consequence of some of that is really to attack public officers. Madam President, in a real sense, if I get unemployment data from the Central Statistical Office—they have confirmed that is so and that is what the number is—and you say that it is bogus, well, is it me? I am simply interpreting what has been given to me and that is what they have done over time. Therefore if you take that and you juxtapose that against the Central Bank's information and they correlate in some way, then I, on the basis of that, have no basis for saying that the information is hocus-pocus or it is bogus.

**Sen. Mark:** Madam President, through you, could the Minister say who determines when a change should take place in the definition of unemployment by these institutions? Is it the Government or these institutions, or is it a combination of both?

**Sen. The Hon. C. Enill:** Madam President, the framework for the determination of changes is usually based on some deficiency that is brought to our attention through some assessment by an international agency. For example, when the Government chose to implement the decision of the IMF as it related to changing the base year for measuring gross domestic products, it was based on the fact that they had done an analysis and they had said to us, based on the production indicators, the country had moved from oil base to gas base and you needed to factor that into your economy because you were not doing the thing right. We studied it; we put it before a technical team and they said, yes, this

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made sense, and on that basis we moved. Likewise, all other agencies that are providers of information go through a process. Remember we operate within a global financial system and a lot of international agencies, basically, make recommendations to investors about the state of the economy and about their investment prospects within the economy based on these indicators.

**7.45 p.m.**

If it were hocus-pocus, I am sure by now that most rating agencies would have picked it up. The IMF, the World Bank—it could not be hidden because within the system within which we work, one of the things that you basically take reputational risk from is lack of data or data that is manipulated in a way and, therefore, I just put that for your consideration in the context of your continuing discourse about these matters. Maybe, what we have not done well is articulated why some of the things were changed. And, if that is the case, then we can change that very easily. Because in many instances we have some of the best public officers who are able to sit with us and are able to tell us where we are going wrong. And you know more than I do, that if we do not take some of the advice, then the liability passes from them to us, and you know how that works because you were a former minister of public administration and you know the system.

So that while it sounds good politically and it makes headlines, the facts are that we would do ourselves a disservice in what we are attempting to do. If it were that at some future date you offer yourself as an alternative to us, then I do not see what benefit you could get from destroying the people that are involved in the process. I simply made it as an observation because in 2006, as we get closure to that pocket date, I think that we could engage differently and get more positive results.

**Sen. Joseph:** Not from Wade Mark, even his Leader is concerned.

**Sen. The Hon. C. Enill:** Yes, from Wade Mark. I have faith in him. I think that we have to make a compact and the compact we have to make is that Trinidad and Tobago has to come first and we cannot seek to divide as we start to put Trinidad and Tobago first, because quite frankly, as I have said in other places, the competition is really India and China. If we had to get into a different kind of discussion to really understand who our true competitors are, the Western world has significant spare capacity. The Eastern does not and those of us who look at these matters as an ongoing business understand that the real, real issue that we face is what are we going to do when that competition gets organized and starts to intervene in this place. That is really the challenge and, therefore, for us to start to

deal with that we need to elevate the discussion that is taking place within the society so that people understand what it is—and may I suggest as we go through the time that we have here that we try to assist one another in getting there. I think Sen. Mark knows exactly what I am talking about.

Sen. Mary King has expressed some concerns on the basis of the information that is available. I agree with most of what she has said. In some ways we have tried to address some of the issues. What comes up every time we start to look at doing some of these issues is that the bread and butter issues, the day-to-day issues, the issue of just trying to get things done within the system that we operate by, with all its constraints, make some of the other issues nice to do but cannot be done within the context we are talking about. In some ways we have definitional issues.

For example, when you talk about a knowledge-based economy, one of the elements for that of course is the whole question of ensuring that your human resource, at least, in some instances, has the ability to read and write and has the ability to contribute in some way.

One of the things we are finding is that as we basically look to move this economy in a different place when you look back to try and bring the group forward, you are finding that some of the things you are taking for granted do not exist. Any Senator who has had the opportunity to interact at different levels with some of our ministries, some of our agencies to get an articulation of policy, to get an articulation of direction, to get an articulation of a sense of where we are going will understand the challenge that some of us face. In a real sense, the system that we currently have based on where we want to go, has outgrown its usefulness and, therefore, as a Government, what we attempt to do is to create some structures, some vehicles to move the process forward and even as we do that, we are mindful of the issues of corruption, of the issues of transparency, of the environment in which we live which at this point in time is highly inflammatory and we are aware of that and, therefore, while we understand all of that and while we try to move forward in a particular way we still have to deal with all of these issues.

Sen. King, I think that in a real sense we have communicated, we have indicated in many instances our intent to do certain things and the more I hear you, the more I hear your frustration with our time frame, recognizing the challenges that they face. But I will tell you within the context, within what is

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available to us, within the structures that we have we are really trying to move a whole country forward and it may very well be that we need to have a lot more dialogue of that type by a lot more of us so that at least we understand what is happening. And, unfortunately, sometimes we hear too few and too far between of some of the concerns you raised. We recognize them. The IMF, the report is there. We have a team looking at how we can, in fact, deal with some of the concerns that have been expressed. There are some positives, there are some negatives. We are trying to balance it in a particular way and with the Central Bank, with the Ministry of Finance, with the Ministry of Planning and Development, and with a number of our other agencies we are, in fact, moving towards dealing with that.

A question was asked about clause 9 of the Bill that had to do with the Tourism Development Act. The Tourism Development Act, apart from the removal of the tax deduction for the equity investment, and I did not say this in my presentation, it is also proposed to discontinue the tax exemption on interest payments made to financial institutions which provide loan to tourism projects on or after January 01, 2006. The Tourism Development Act, we know will therefore need to be amended by the removal of the provisions relating to these exemptions.

Under the existing law the tax exemption would have been granted under section 38 in respect of an approved loan which is defined to mean not only loans granted upon completion of a project, but also bridging finance provided during the period that the project has not yet been given interim or final approval by the Minister of Tourism.

At clause 9 of the Bill, all reference to an approved loan or to the tax exemption of the interest income is to be removed from the legislation.

In order to preserve the expectations of tourism investors who have been granted interim approval for their projects on or before December 31, 2005, and whose finance would have been eligible to enjoy the tax exemption under section 38, a new section 38A will be inserted in the Tourism Development Act saving the tax benefits which would ordinarily be granted to banks financing these projects.

Just for information. As at December 31, 2005, 52 tourism projects have received interim approval estimated at a capital cost of approximately \$3.3 billion to propose employment of some 3,875 persons and the construction of some 2,250 rooms.

The tax benefit under the existing section 38 is granted to the financial institution and not the owner or operator of an approved tourism project. Despite the removal of the exemption under clause 38, the owners or operators of approved tourism projects will continue to benefit from the following:

1. Tax exemption in respect of the gains or profits to be derived from the tourism approved project.
2. Tax exemptions from the gains or profits derived from the initial sale of a villa, condominium or a site for a villa or condominium that forms part of an integrated resort development.
3. A carryover from a tax exemption period of any loss arising out of the operation or renting of an approved tourism project.
4. Reduced customs duty on the importation of vehicles to be used in approved tourism projects and exemption from motor vehicle tax on such vehicles in respect of which a licence has been issued.
5. Accelerated depreciation of equipment owned by the owner and operator and used in the approved tourism project.
6. Capital allowance in respect of approved capital expenditure incurred by the owner or operator in the creation of a new tourism project or the expansion of an existing project.

Those are all the benefits that would still be available to the investor within tourism under the Tourism Development Act.

I think the Member asked the question: Why are we paying unemployment levy? Certainly, I have not thought about it but having raised it, I am sure if we could afford it, it would no longer happen. We always need revenue. Maybe, we should call it training levy.

As it relates to Sen. Seepersad-Bachan, who I always envy because there is such passion in the delivery. [*Crosstalk*] She got Sen. Dr. Saith to respond. I guess the question that was raised is: Are these incentives enough? If you took the uplift, the answer may be no, but if you took the whole package, capital allowances, accelerated depreciation, some of the other pieces within the Act itself, the producers have said to us that they consider that to be at this time sufficient to get their stock. [*Interruption*]

Madam President, through you, we have arrived at this stage based on negotiations. You would recall on the last occasion as it related to the matter of petroleum taxation the method by which we had approached this exercise bears repeating. It was as follows:

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We set up a local technical team. We looked worldwide for a consultant who works with governments only. They do not work with any multi-national and we basically did a review of our taxation regime with two objectives in mind. The first one was to ensure that we get a fair share of these depleting reserves and secondly, in order for us to maintain our competitiveness. In that analysis we found there was some room but not much because our taxation system really was in the third quarter. And, basically we came up with a set of measures and issues as we had identified for discussion. We went to the companies; they responded. Those that we could have dealt with, we dealt with internally. The rest we went internationally and found out what was happening internationally and then wherever this consultant was in the world we went to him, did a workshop session and came back with a solution which we discussed with the stakeholders and then commit it to a course of action. Through that process, therefore, we found wherever there was disagreement, we were able to articulate the positions and they in some instances disagreed but we believed that was in the best interest of Trinidad and Tobago, and, therefore, we went ahead with it.

We have committed to a review every three years because they required some stability within their arrangements but recognizing what was happening with the sector, negatively or positively, we felt that we should be reviewing energy and energy industry issues because it was so important to Trinidad and Tobago within a pre-determined time frame so that everybody knew when it is going to take place.

I think what we were able to establish finally that there is now some stability within the system and companies are now responding aggressively now that they understand where we have reached. I think that all the other energy issues, the Minister of Energy and Energy Industries will deal with them with you at the appropriate time.

As it relates to a greater share of price, one of the features of the legislation as it is now configured is the issue of the legislation defining fair market value. The law as it is now contemplated, basically allows the Board of Inland Revenue to examine contracts and to determine whether those contracts have been organized in such a way that the company receives fair market value, that being the price at which the final commodity was sold.

One of the things that we looked at in the gas review was that there really was no mechanism for us to get at the fair market value price. The law did not, up until now, allow us the opportunity to disregard artificial prices within the contract if we knew that the cargoes, for example, went into a more lucrative



market. What we have negotiated in the legislation through the definition of fair market value is a method by which we now have control over that final price. So it really does not matter to us where the thing eventually ends up. What we are going to do is to ensure that the contracts that we are basically entering into or the contracts that they are entering into provide us with as much of the resources and as much of the revenues so that when you netback you have a higher well head price from which you can get your revenue. And in so doing, we have put back in place the whole question of how the Petroleum Pricing Committee will be used and how a determination on a pricing issue or any contract issue as it relates to price will be dealt with within the context of the law.

The question was asked about the condensate. In the last Finance Act, we said that the company that was issued the licence to produce petroleum was the company that was liable for SPT and gross income derived from the disposal of condensate recovered along a natural gas pipeline. Prior to that condensate escaped the charge since it was recovered after the producers sold the petroleum as natural gas.

In view of discussions held with the tax committee, the Board of Inland Revenue (BIR) and the industry, it was agreed that payment of SPT would be levied on the company which first sells the condensate as that product. That is really what is now in place for condensate.

Are there any further changes in the tax legislation? None is contemplated for oil or gas, but we are starting to look at the other companies, the petroleum sector because we think there is some linkage inside there and we want to examine it to determine whether the way in which we are receiving revenue at this time fits with the rest of the policy position, which is that we are getting our fair share and the product remains competitive. The issue that was raised about balancing the use of export versus domestic is something we have, in fact, considered and there is a determination right now that any producer that wishes to get into the LNG market must, in fact, commit to some domestic for our own activities. That is basic policy at this time and that is what we have been pursuing in these rounds of negotiations that we are doing as we look to deal with the issue of additional gas.

Brother Khan asked the question: How much are we receiving? We have attempted through the fair market value principle to maximize what we are receiving for that product. Before it was contract driven and there was a difficulty in some of those instances.

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Who benefits? We would like to think that in many instances based on all that we are doing the poor man benefits. Sometimes though, we think about it in very lenient terms.

If one looks at what we are doing in education, in health, if one looks at the development of some communities, if one looks at what we are attempting to do in national security, if one looks at what we are even trying to do in infrastructure, if one looks at even what we are trying to do in the CEPEP, and the URP that is basically maligned in some instances—and yes there are issues—is to provide for some of our citizens, who prior to now, did not have access to some resources.

And what they do with those resources is feed their families and try to get an education and try to get a standard of living. And it is not perfect by any means but it is one of the ways as imperfect as it might be that we are using to, in fact, impact all our citizens in some way.

It may not be perfect at this time but it is the only mechanism that is available to us to try and do some of the things that we are doing. On another occasion the Minister of Local Government who has responsibility for some of the URP will talk to you a bit about our experiences trying to do this transition from URP training, into the private sector. There has to be a way in which we also get our private sector to start to recognize that it does not matter where you come from in this country, decisions should not be based on where you were born. And unfortunately, one of the experiences that we have to deal with is that there are some in the private sector firms who once they hear you are from this part of the country automatically change opportunities for unemployment to full employment in their firms.

Let me put it another way. Many of our people because they live in particular areas do not now have access to some of the jobs that we know are in some sectors that are underserved because the private sector has a particular way of thinking about some of our citizens and that is something that we basically have to deal with. We are not sure how to deal with it just yet, but it exists.

**Sen. Mark:** Equal opportunity legislation.

**Sen. The Hon. C. Enill:** We are making the point it exists. And, therefore, that is a challenge we are basically going to be looking at. We are recognizing that it is an issue and we are saying to you, that in the course of time, we would have a discussion on it and we would look for a solution.

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

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

*Question put and agreed to.*

**Sen. The Hon. C. Enill:** Thank you, Madam President. Obviously, I did not intend to be this long.

Just to conclude, Sen. Baksh raised the issue of the apprenticeship programme. I agree, however, we do not believe that it should be done through tax incentives based on the information that is available to us. We really think that if it has to be done it is to be more organized, more coordinated and be done through a different mechanism.

Madam President, today our country is enjoying a long running economic expansion and is modernizing at a rapid rate. Despite whatever might be said there are, in fact, some positives. We believe that the Government's continued capital investment programme particularly in the areas of education, national infrastructure, and community development, rural development, sporting infrastructure, tourism and urban development, are things that are right. We would soon see in Trinidad and Tobago modern Government buildings blending elegantly into architectural landscape; we would soon experience a modern transportation network with major highways, crisscrossing the country and a light rail system connecting the major population sectors; we would soon be able to benefit from an increasingly knowledge-based economy, centred principally at Tamana Intech Park and the University of Trinidad and Tobago Campus at Wallerfield and we would see major regions of the country occupied with state-of-the art petrochemicals.

Madam President, I beg to move.

*Question put and agreed to.*

*Bill accordingly read a second time.*

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

**8.15 p.m.**

*Senate in committee.*

*Clauses 1 to 5 ordered to stand part of the Bill.*

*Clause 6.*

*Question proposed*, That clause 6 stand part of the Bill.

**Sen. Enill:** Madam Chairman, I beg to move that clause 6 be amended as follows:

In paragraph (c):

- (i) delete the words “in section 15, by inserting after subsection (1A), the following subsections:” and substitute the words “in section 15, by deleting subsection (1A) and substituting the following subsection:  

(1A) Allowances on the capitalized expenditure referred to in subsection (1) are deductible only after the commencement of commercial production or from the year following the year in which the expenditure was actually incurred, whichever is the earlier.”
- (ii) delete the mark of parenthesis occurring immediately before the word “(1B)”.

**Sen. Mark:** The Minister has indicated why they have brought this amendment, but we have sought to get from him some reaction, and possibly an amendment, to deal with these lease operators and farm-out persons operating in the subsector. We thought that some consideration would have been given to these producers, given the fact that we have eliminated all allowances for them as you have done for the multinational corporations.

It is not an even playing field, as we are all aware, and we had made representation that this subsector generate some level of employment and contribute to economic activity in the south in particular. We were of the view that you might want to reconsider this in the elimination of allowances for this subsector.

**Sen. Enill:** Madam Chairman, that is a matter, because of the complication—I think to a very large extent some of these are subleases through Petrotrin and there is a negotiation going on. The last time I looked at this, there was an issue between Petrotrin and some of these. The amendments we have put in place are on the basis of information that we have looked at—we have asked for other information which has not come to us—and basically suggest that these allowances will in fact allow these producers to do what they are saying. There is still information that they are supposed to provide to me and I have not yet received it from that group.

When they came to see me at the level of the tax discussion, we talked about it. They said there was an issue and I said to bring it. I am still waiting on it. When they raised it on the first occasion, we sent a team to talk to them. They agreed and then they said they did not understand certain things. My position at this time is: if they can indicate to us where they require the support and demonstrate how it is affecting them negatively, we will move on it. At this time, I have no such information.

**Sen. Seepersad-Bachan:** Does this amendment Bill apply only to deepwater?

**Sen. Enill:** This is general.

**Sen. Seepersad-Bachan:** I see here that it is being applied in this section to the deepwater. Is it the intention for it to apply across the board?

**Sen. Enill:** It is not being applied there; it is being applied generally.

**Sen. Seepersad-Bachan:** Clause 6(c) deals with the deepwater. If you go back to the Explanatory Note, clause 6(c) deals only with deepwater.

**Sen. Enill:** I am being advised that this is under the parent Act and when it is inserted under the parent Act, it will be with general provisions rather than specific.

**Sen. Seepersad-Bachan:** And the capital expenditure will be for the exploration activity or for production? You are taking it out in the first year of production.

**Sen. Enill:** It is both exploration and development.

**Sen. Ali:** Madam Chairman, I have an observation on 6(1), on page 33 of the document. It says that the supplemental tax rate is set out in Column D of Part B of the Schedule. It is fine except that the schedule on the book starts with the word "land". I do not know what it means. It could be misleading.

**Sen. Enill:** It is in fact that we are applying the land rates to it.

**Sen. Ali:** It does not say that. It should say that.

**Sen. Enill:** I am being advised that the schedule refers to land.

**Sen. Ali:** But this is deepwater. This is not land.

**Sen. Enill:** It is deepwater, but they are applying the land rates that are in Column D.

**Sen. Ali:** It is a little confusing to me. A couple of words inside here would have been better.

**Sen. Enill:** Column D of Part B is currently the land rates. These are the rates that are going to be applied to this particular deepwater block.

*Question put and agreed to.*

*Clause 6, as amended, ordered to stand part of the Bill.*

*Clauses 7 to 12 ordered to stand part of the Bill.*

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

*Senate resumed.*

*Bill reported, with amendment, read the third time and passed.*

#### ADJOURNMENT

**The Minister of Public Administration and Information and Minister of Energy and Energy Industries (Sen. The Hon. Dr. Lenny Saith):** I beg to move that the Senate be now adjourned to Friday, January 27 at 1.30 p.m.

As indicated previously, we will debate the Finance (Variation of Appropriation) Bill.

**Madam President:** Hon. Senators, we are taking one matter on the adjournment and this is the motion by Sen. Carolyn Seepersad-Bachan.

#### **Failure of Government to Fund Adequately Assisted Schools**

**Sen. Carolyn Seepersad-Bachan:** Madam President, the Motion is the failure of the Government of Trinidad and Tobago to fund adequately the educational needs of the nation's children at assisted primary and secondary schools, on par with government-run schools.

I come here with this matter from the perspective of a parent who has served one year on a PTA and one who is the parent of a five-year-old. Page 34 of the *Statistical Digest* on the education system, which was distributed by the Ministry of Education, indicates that out of a total of 136,374 primary school children, it appears that the government-assisted schools educate 96,000, while the government schools educate just 40,000. Therefore, the denominational schools educate 70.5 per cent of this nation's primary school children.

The denominational boards include the Catholics, the Anglicans, the Presbyterians, the Maha Sabha, the ASJA, the Pentecostals and SWAHA. The current arrangement, in accordance with the Concordat, the agreement between the denominational boards and the Government of Trinidad and Tobago, allows for, in the primary schools, capital expenditure of 33 1/3 per cent by the board and 66 2/3 per cent by Government; and, for maintenance activity, 75 per cent by the Government and 25 per cent by the school board.

This type of arrangement, while being appropriate 30 years ago, since the church, through its fund-raising activities would have had the financial capacity to execute one-third of the capital expenditure and one-quarter of its maintenance, today that is no longer possible. Given the escalating costs—the high cost of building materials due to the accelerated housing projects, the high inflation at this time, most or all of the denominational school boards are having problems meeting one-third of its capital expenditure and the 25 per cent of its maintenance expenditure.

We must also be cognizant that there has been population growth and, therefore, most of these schools, built at a particular point in time, now have a serious overcrowding problem. If I take the school which my own five-year-old son attends, the Curepe Presbyterian School, it was built for 400—500 children and is now housing over 800 children. This is unacceptable.

The emerging demands of our educational system through the audio-visual, the computer laboratory, the pan theatre, the gym, et cetera, are placing that extra burden on the church. However, the church does not have the capacity. So, guess who foots the bill? It is the parents of the school who now foot the bill. We wonder now whether we have free education. It is now the PTA's business to pick up the day-to-day operations of the school.

Let me give an example of some of the data that I have collected. The Presbyterian school boards; let me take the primary school board. There are 72 schools, three of which are now run 100 per cent by the Government. Out of the 69, they receive an average of \$2 million three times a year which is used to defray the cost of running the school.

Let us look at what that means. There are different classes and if you talk about a Class A school, which will be over 800 students, you will be talking about 800 to 1,000 children.

**8.30 p.m.**

Madam President, they would receive \$1,800, three times a year. Do you know how much that works out to? That is \$450 per month. Can you imagine \$450 a month in a school with 1,000 children? You have to fix a door, a lock, toilet tanks, pipes, broken lines and repair a fax machine with \$450. Now we understand why we have so many broken doors, broken furniture and doors that do not lock in the schools. Obviously, that level of expenditure, \$450 could never cover the cost of maintaining a school.

Let me turn to the issue of timing of payment to these schools. For example, we have contract workers who are janitors. Normally they are paid by October 01. The Ministry, of course, is always untimely and tardy in its payment so the contract workers suffer. They do not get pension. They do not have NIS or health benefits. They are paid a mere \$2,000 per month. With an untimely payment that comes in three months later, these people are without any salary for that period of time. They have their bills to pay. They have to face the grocery store and they also have to face their own health bills, because they do not have any NIS or any of the other benefits. When these janitors were not paid on time they stayed without salaries. They had their obligations, loans and medical bills. The Ministry of Education has so much staff. It is probably one of the highest, in terms of allocation, and we cannot have timely payments to these schools.

Let me take a quick look at the draft estimates of expenditure on page 193, under the Ministry of Education and look at the allocations for primary schools. This is just to take a look at the trickle down effect. There is approximately \$27,360,000 allocated out of \$3.2 billion. This is 0.845 per cent. Imagine less than 1 per cent of your budgetary allocation for education goes towards the maintenance of schools that educate 75 per cent of the primary school children in the country. Do we understand the trickle down effect? It is time that the Government looks at revising these figures and consider allocating more funds for these schools. The last time there was any revision, to my understanding it was under the UNC and those figures would have been based on an application 10 years before. Mrs. Kamla Persad-Bissessar and her colleague, Dr. Nanan, decided that was high-class nonsense and they approved it. At that time when they approved that increase, it was based on estimates 10 years before. We are way out of time.



Who picks up the bill? It is the PTA. The PTA has to pay the increased cost of fax machines, computers and electricity bills because the allocations are no longer enough to pay for the electricity bills, given air conditioning in computer laboratories.

The PTA must pay for the librarian, and the computer teacher because the Ministry of Education does not pay for a computer teacher. We have a computer laboratory. The Ministry of Education says we must have libraries, but we do not have a librarian. The PTA must find the money to pay for it.

Tomorrow, my colleague, Sen. Ramroop would know, we have to run a Bar-B-Que for St. Augustine Girls' High School because at the end of January we would have no money to pay the substitute teachers for next month and also the bills. Can you imagine the headache on parents? We want to understand why people are so stressed out in this country? These people will not be paid next month if we do not run a Bar-B-Que tomorrow to raise funds to pay for substitute teachers. We have to pay for chairs and buy desks. Always, when we approach the Ministry there is not enough. We had to find the desks and pay for them.

We have to pay a security cost annually. Now, with the wage increases, we now have to find the extra money to pay for security. This is the same Ministry that subscribes to the semi-specialization at schools, the computers, audio-visual, music, et cetera. What is the purpose of it? What is the purpose of all these special units to plan and design extra-curricular activities if it is frowned upon? The Ministry is not providing the resources for these extra-curricular activities. The PTA must now find that money for these extra-curricular activities.

Do not get me wrong, there are many disadvantages to the fundraising. It is disruptive to the schools. Every term, when we have to run a bazaar, the school must shut down for two weeks and children are not educated during that time. Principals now spend all of their time in financial management, instead of curriculum development.

There is no time for the PTA to engage in developing the relationship and looking at how parents must complement the education process. We wanted to do a parenting workshop very recently, in the St. Augustine Girls' High School but we have to focus on how to raise funds. There is no time for that in the PTA. We are not against that in the PTA. Do not get me wrong. There is a benefit of fundraising. All schools must be involved in some form of fund-raising because it builds team effort. It allows the parents and teachers to come together. It allows for the community-based effort. When there is a school in a community and they adopt the school this brings the community together. It then builds that pride and ownership, but it is now at a ridiculous level and it cannot continue.

In the secondary schools and the assisted schools there is the whole issue of non-graduate teachers. The Government continues to allocate for these non-graduate teachers. In the government-run schools we do not have the issue of these graduate teachers. Why are we encouraging that? We should not be encouraging this issue anymore.

It is my understanding that the Ministry of Education is trying to smoke out all the denominational boards. They are attempting to dismantle the Concordat. I do not understand. What works right now, do not change it. Let us change what is not working and leave what is working in place. The irony of this is that in spite of all of this, these are the schools that produce the best. These are the over-performers. Can you imagine if we had the extra resources, how much further these schools could go forward. I am making the case for all denominational schools. This is being done with prejudice against 70 per cent of the primary school population. We must appreciate that.

Let us hope that the denominational boards do not get “fed up”. Some of them have started getting “fed up” and are handing over schools to the Ministry of Education. When they walk out of the system—In the United Kingdom they decided that their dollar is better spent in furthering their religion. They get more value, instead of worrying with running and managing schools.

The Government needs to understand that right now these schools are doing a service. Right now the Government does not have to pay for project management services. They do not have to pay for supervision. The time taken by board members and the interest shown by churches are invaluable to this country and we should not attempt to lose that. That is why I am here pleading with the Government to address this situation because you do not want those denominational boards to walk and say: “Yuh see this, I have had enough of this headache. I do not want to have to spend money. I do not have to set up my own primary school board for teachers I have to pay. I do not have to worry about where we are finding the money.” The day they do that, God help us. I thank you.

**The Minister of Education (Sen. The Hon. Hazel Manning):** Madam President, I am most amazed to hear what I have just heard, based on one parent and one five-year-old child. I am most amazed to hear 15 or 20 minutes of how badly-run these denominational and government-assisted schools are because the Government has not been giving them money.

**Sen. Seepersad-Bachan:** Badly run?

**Sen. The Hon. H. Manning:** That is what you are saying: we have not been giving them money so, therefore, they are not properly run.

The Government of Trinidad and Tobago has ranked education as the top national priority. The Government sees Vision 2020 and that at the end of that time Trinidad and Tobago will become a fully-developed nation. Because that is what we are aiming at, we have used education as the key to ensure our human development and, therefore, to ensure that at the end of the time our goals are achieved through Vision 2020.

Our main objective is to improve the quality of education, equity and access to education by training at all levels in the education system. The goals of the Education Policy Paper 1993—2003 have also influenced how we plan in the education system. Therefore, we have done four things. We identified accessibility to educational opportunities. We have identified sustainable policies, a policy development that facilitates a sustainable education sector. We have also identified a continuous alignment between the national policy and the education policy and we are ensuring that we deliver quality education to citizens at all levels from early childhood care, right through to tertiary education.

Based on that, the Ministry of Education has developed a financing policy, which is employed by the Ministry of Education for schools which fall under its purview and we place heavy emphasis on equity in every school in the country. Public schools under the purview of the Ministry of Education are either primary or secondary. We categorize them as either government, denominational or government-assisted.

There are 87 government secondary schools, 38 government-assisted or denominational secondary schools, a total of 125 schools. There are 124 government primary schools, 321 assisted or denominational primary schools, a total of 445 schools. There are also private schools. In the Ministry of Education we have been placing students in these private schools and vocational schools, based on the SEA.

There has been a fairly recent introduction in 2001 where funding has been made available to these schools. This was done by the former government. We are paying to these schools a fee of \$1,200 per student, per term. The estimated cost to Government is approximately—this year we have carried it out—\$43 million. We are adequately funding our education needs for our children.

The funding mechanism employed by the Ministry of Education for the government and denominational schools falls into three categories: personnel costs, operating costs and capital costs. Personnel costs are incurred for payment of salaries, COLA, employers' contribution to the NIS for government schools, all teaching, all clerical, all technical and ancillary staff and they are paid directly by the Ministry of Education.

The Ministry of Education pays all staff with the exception of the ancillary staff. We give the schools a grant. The schools then have to manage that grant. The principals and the boards are paid the grant and they have to manage that grant. If the workers are not getting the money, I have to find out what the principals and the boards are doing.

Operating costs in this area are for maintenance, books, materials, services, repairs to equipment and buildings and the purchase of furniture and equipment for replacement. Apart from the utilities, the funding mechanism in this area is similar for both government and government-assisted schools. I want to go through the operating costs.

I will start with the Water and Sewerage Authority. All WASA bills are fully funded by Government for government and government-assisted schools. Payments are made directly to WASA by the Ministry of Education. The Senator on the other side looked at one item of \$20 million and assumed that one item is to pay for everything, and that is not so. Payments are made directly to WASA by the Ministry of Education. If however, the secondary schools pay the bill directly to WASA, the school is refunded the full cost.

Telephone bills are fully funded by the Government for government secondary schools. With respect to the assisted schools, a grant is again paid to the schools to cover the cost of telephone per year. The average cost for telephone at a government secondary school is approximately \$20,000 per year.

With respect to primary schools, government and government-assisted, the Internet bills are paid for by the Government.

Electricity bills in respect of both government and government-assisted schools are paid for by the Government. We are not discriminating. We are paying for all schools.

With respect to the primary schools, the Ministry pays bills for the government schools and several assisted primary schools constructed under the terms and conditions of the World Bank and the Government of Trinidad and Tobago for its basic education programme.

The other assisted primary schools receive a grant to cover the cost of electricity per year. The average cost of electricity bills at government primary schools is as follows: in a category A school, the Government pays \$50,000 per year; in a category B school, the Government pays \$30,000 per year and in a category C school, the Government pays \$15,000 per year.

School transportation is fully funded again by the Government and is available to students. It does not matter what school they come from, as long as the principal calls or writes us and states that they need transportation for their students, they get it. We do not ask what school they come from. This is available to students on request, for both Government and denominational schools. Last fiscal year the Government spent over \$21 million on school transportation. We provided more than 10 million seats for all the children in this country. Fiscal 2006, we are providing approximately \$50 million.

Upkeep of premises and grounds, maintenance and janitorial services in government schools is performed by ancillary staff attached to the schools. In the government and assisted schools, a grant is paid to the schools based on the category of the school. The Maintenance Training and Security Company upkeeps the premises and grounds and a large number of schools are supported by MTS. Last year we paid more than \$63 million to MTS for janitorial services and approximately \$124 million for security. School equipment, materials, services and books for children are all fully funded by the Government for all schools, whether they are government or denominational secondary or primary schools.

Equipment for practical subjects is fully funded by the Government at the existing rate. With the introduction of CAPE, we provided for all sixth form schools CAPE equipment for the last fiscal year and it was a sizeable amount of money.

More than \$200 million was paid in the last fiscal year for textbooks alone. The Government intends to continue the provision of school equipment, materials, services and books for schools. Last week the Cabinet approved an extensive programme for fiscal 2006, of more than \$160 million.

School meals are fully funded by the Government for all schools: government and denominational schools. They are funded when the need is expressed. In certain selected denominational, government and assisted schools, this fund is made available on request. The Government fully funds any requests made. Meals are available at all assisted primary schools and students and principals make the request. More than 130,000 students received meals at a cost of \$126 million in the last fiscal year. In this academic year, we estimate that we are going to pay approximately \$136 million for providing meals again this year.

With respect to capital cost, the funding mechanism in this area for construction, refurbishment, improvement and the extension is shared between the government and denominational boards for the assisted schools and the Government fully funds the construction of government schools. For assisted-early childhood centres, the board is expected to pay 20 per cent and the Government to pay 80 per cent. What the Senator on the other side does not know is that we have been meeting the denominational boards for more than one year. We have just taken to Cabinet and got approval for a memorandum of understanding, as we have begun to implement the Concordat. For the first time in the history of this country, since 1962, the Concordat is now an 18-page document—line by line, sentence by sentence, word by word negotiated with the boards.

Last week the Presbyterian Board and the Catholic were at the Ministry negotiating the Concordat for primary and secondary. Next week the Anglican Board, SWAHA and the Maha Sabha would be coming into the Ministry as we rework the Concordat into a MOU; a comprehensive document to cover the issues that we deal with in primary and secondary schools.

For the assisted primary schools, the board pays 25 per cent and the Government pays 75 per cent of the cost of construction and repairs. We do not know what the negotiations would bring at the end of the day.

For early childhood centres we have gone up to 80 per cent for government and 20 per cent for the boards. For the assisted secondary schools, the board pays 33 $\frac{1}{3}$  per cent and the Government pays 66 $\frac{2}{3}$  of the cost of construction and repairs.

There is an exception with respect to works of a sanitary nature, where the Government pays full cost of 100 per cent. Denominational and assisted schools, which were in the main constructed over 50 years ago—some of them are 50 to 100 years old—have benefited from the 100 per cent as we change sewer systems, lightings and many other works in those schools. Those schools, more than the government schools, are being repaired in the vacation period. In the last vacation period we repaired more than 200 schools. At this point in time we have repaired approximately 400 schools. Every vacation period we go into those schools and repair them. The denominational schools are the ones that are benefiting from this programme.

With respect to security, the construction of guard booths is being done in all our schools. Over 386 schools have been secured at this point in time. School upgrade is fully funded by the Government for both government and government-assisted schools. The Government has provided clerical officers for all 445 primary schools and these clerical officers have assisted the principals in record keeping. All these schools have computers.

We on this side take the matter of education very seriously. We are so committed that it does not matter what the geography is, whether rural or urban or in-between. It does not matter what your ethnicity is. It does not matter your class. It surely does not matter what your religion is, but we then deal with every school.

Our aim is to ensure that there is equity in the delivery of a quality education to all. I want to repeat it: equity in the delivery of quality education to all our children in Trinidad and Tobago. [*Desk thumping*]

*Question put and agreed to.*

*Senate adjourned accordingly.*

*Adjourned at 8.55 p.m.*