

SENATE*Tuesday, March 06, 2007*

The Senate met at 1.30 p.m.

PRAYERS[MR. VICE-PRESIDENT *in the Chair*]**LEAVE OF ABSENCE**

Mr. Vice-President: Hon. Senators, I have granted leave of absence from today's sitting of the Senate to Sen. The Hon. Joan Yuille-Williams and Sen. Ato Boldon who are out of the country.

REVOCAION OF APPOINTMENT

Mr. Vice-President: Hon. Senators, I have received the following correspondence from His Excellency the President, Professor George Maxwell Richards, T.C., C.M.T., Ph.D.:

“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: SENATOR HARRY PERSAD MUNGALSINGH

WHEREAS by the provisions of paragraph (e) of subsection (2) of section 43 of the Constitution of the Republic of Trinidad and Tobago, the President acting in accordance with the advice of the Leader of the Opposition, is empowered to declare the seat of a Senator to be vacant:

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 the said paragraph (e) of subsection (2) of section 43 of the Constitution, do hereby declare the seat of you, HARRY PERSAD MUNGALSINGH, to be vacant.

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 5th day of March, 2007.”

SENATORS' APPOINTMENT

Mr. Vice-President: Hon. Senators, I have received the following correspondence from His Excellency the President, Professor George Maxwell Richards, T.C., C.M.T., Ph.D:

“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 Joan Yuille-Williams is incapable of performing her duties as a Senator by reason of her absence from Trinidad and Tobago:

NOW, THEREFORE, I, GEORGE MAXWELL RICHARDS, President as aforesaid, acting in accordance with the advice of the Prime Minister, in exercise of the power vested in me by section 44 of the Constitution of the Republic of Trinidad and Tobago, do hereby appoint you, JOAN HACKSHAW-MARSLIN, to be temporarily a member of the Senate, with effect from 6th March, 2007 and continuing during the absence from Trinidad and Tobago of the said Senator Joan Yuille-Williams.

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 2nd day of March, 2007.”

“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.

Senators' Appointment

Tuesday, March 06, 2007

TO: MR. ANIL JUTERAM

WHEREAS Senator Ato Boldon 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, ANIL JUTERAM, to be temporarily a member of the Senate, with effect from 6th March, 2007 and continuing during the absence from Trinidad and Tobago of the said Senator Ato Boldon.

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 5th day of March, 2007."

OATH OF ALLEGIANCE

Senators Joan Hackshaw-Marshlin and Anil Juteram took and subscribed the Oath of Allegiance as required by law.

PAPERS LAID

1. Annual financial statement of the Tourism Development Company Limited for the year ended September 30, 2005. [*The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill)*]
2. Annual financial statement of the Tourism Development Company Limited for the year ended September 30, 2006. [*Sen. The Hon. C. Enill*]

**DEOXYRIBONUCLEIC ACID (DNA) BILL
Joint Select Committee Report
(Presentation)**

The Minister in the Ministry of Finance (Sen. The Hon. Christine Kangaloo):
Mr. Vice-President, I have the honour to lay on the Table the First Interim Report of the Joint Select Committee appointed to consider and report on a Bill entitled the Deoxyribonucleic Acid (DNA) Bill, 2006.

ORAL ANSWERS TO QUESTIONS

BWIA

(Restructuring—Report on)

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

With respect to the restructuring report which addressed the various options and concerns with regard to the future of BWIA, could the Minister provide the Senate with:

- (i) the name of the firm or group of consultants that produced the said report;
- (ii) the cost to the Government of Trinidad and Tobago for producing the report; and
- (iii) copies of the report?

The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill): Mr. Vice-President, questions Nos. 25 and 26 are not now available and will be in one week's time.

Question, by leave, deferred.

The following question stood on the Order Paper in the name of Sen. Wade Mark:

Caribbean Airlines**(Information Concerning)**

26. With respect to the new company known as Caribbean Airlines, could the hon. Minister in the Ministry of Finance advise this Senate of:

- (i) the date of its incorporation;
- (ii) the names of the Chairman and Directors;
- (iii) the qualifications of the Chairman and Directors;
- (iv) the number of employees; and
- (v) the value of Government's capital injection into the new airline?

Question, by leave, deferred.

Caribbean Airlines**(Trade Union Policy)**

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

With respect to the new entity known as Caribbean Airlines Limited,

could the Minister inform the Senate:

- (i) what is Government's policy position with regard to trade union involvement and participation in the airline;
- (ii) why were the existing unions in the industry not provided with a successorship plan; and
- (iii) why were the new employees placed on contract and directed by management not to join trade unions?

The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill): Mr. Vice-President, the Government views the right to join a union as a constitutional right of every citizen of Trinidad and Tobago.

Caribbean Airlines Limited is a new company and any union or unions that existed under BWIA possesses/possess rights under the laws of Trinidad and Tobago to make an application to the Industrial Court to have a claim for successorship determined; and/or to make a claim to the Registration, Recognition and Certification Board for a certificate as the exclusive bargaining agent/s for the workers of Caribbean Airlines Limited in accordance with the provisions of the Industrial Relations Act, Chap. 88:01.

Employees were placed on contract in keeping with the practice of a start-up company. This was deemed an appropriate structure by the management, given the timing of the launch of the new airline and the start-up operational requirements, including the operation of the London route until March 2007.

Employees were never and will never be directed by management not to join trade unions.

Sen. Mark: Could the hon. Minister indicate why it is necessary for a state-owned entity that supports the rights of workers to join trade unions to insist on short-term contracts, in some instances, six-month contracts for employees? Could the hon. Minister share why the Government pursued that course and how long it intends to pursue that course?

Sen. The Hon. C. Enill: Employees were placed on short-term contracts in keeping with the practices of a start-up company. This was deemed an appropriate structure by the management, given the timing of the launch of the new airline and the start-up operational requirements, including the operation of the London route until March 2007.

We, in discussing this matter, Mr. Vice-President, indicated that this airline is going into a code-share relationship on the London route and that will take place in the period after March 2007. In the interim, we need an organization that has a different staffing requirement. After that, we will determine what the real configuration of the longer term entity is and put more permanent relationships in place. The management deems this structure more appropriate at this time and, in the passage of time, that will be regularized.

Sen. Mark: Could the hon. Minister indicate how workers belonging to a trade union would impact on the short-term transitional arrangements of this new airline and share with us any similar experiences in the region or other parts of world where this has happened?

Sen. The Hon. C. Enill: Trade unions impacting on the nature or timing of employment is not an issue. There is no issue right now with employees in Caribbean Airlines Limited being represented. The question of how it will impact does not arise. Any union can make application, in accordance with Chap. 88:01, to represent workers. That will be a right.

Sen. Mark: Mr. Vice-President, maybe the Minister is not aware of the processes involved, but it takes up to one year for a union to be recognized. When you put workers on three- to six-month contracts, how would these workers be able to join a trade union and seek proper representation when, at the Registration, Recognition and Certification Board, it takes a minimum of two years to gain recognition? Could the Minister explain how these workers would become involved in a trade union?

Sen. The Hon. C. Enill: Mr. Vice-President, the Senator is speaking about the efficiency of an organization charged with a specific responsibility under our Constitution. We are following the process; therefore the question is not one that I can answer. I cannot answer why the process takes one year. I can say that there is a process to which we have agreed and that process is available within this construct. The question of temporary or permanent employment is really a management determination at a particular point in time based on the plan that they have.

I do not expect that the organization would be, in this case, as it works through the issues, but the point is that it is a start-up operation; it is an appropriate time to do this; there is a three-month period in which you have a lag over to finalize the transaction on the London route and once you are finished, you will move to longer-term arrangement. Within that time frame, there is absolutely nothing that prevents the employees or the unions from getting involved in trade union activities.

Sen. Mark: Mr. Vice-President, I asked the hon. Minister where such a practice obtains in the Caribbean or anywhere else in the world. The view that is being expressed—and I would like the Government to respond to it—is that the Government is anti-trade union and anti-collective bargaining. What steps are they taking to speed up the particular arrangement to allow workers to join a trade union?

Sen. The Hon. C. Enill: I wish to indicate to Sen. Mark that this Government is not anti-worker and this Government is not anti-union. Again, we have set out a procedure by which the rights of the workers and the manner in which they can seek representation are prescribed and we are following that. The issues of judgment that are related to his question are a management issue and it is outside the remit of the Government.

**Ministry of Finance
(State Enterprises and Statutory Authorities)**

57. Sen. Dr. Tim Gopeesingh asked the hon. Minister of Finance:

- A. Could the Minister provide the Senate with a list of all state enterprises and statutory authorities which fall under the purview of the Ministry of Finance; and
- B. Could the Minister also inform the Senate which Minister in the Ministry of Finance has responsibility for each state enterprise and/or statutory authority?

The Minister in the Ministry of Finance (Sen. The Hon. Christine Kangaloo): Mr. Vice-President, the response is not available at this time.

Sen. Dr. Gopeesingh: Will the Minister indicate to the Senate when it will be available?

Sen. The Hon. C. Kangaloo: I would say that within a week or two it would be.

Question, by leave, deferred.

**State Enterprises and Statutory Authorities
(Names of Chairmen and Members)**

58. Sen. Dr. Tim Gopeesingh asked the hon. Minister of Finance:

Could the Minister inform the Senate of the names of all chairmen and members of the board of directors of state enterprises and statutory authorities?

The Minister in the Ministry of Finance (Sen. The Hon. C. Kangaloo): Mr. Vice-President, the response will be available next week, and on question No. 59 also.

Question, by leave, deferred.

The following question stood on the Order Paper in the name of Sen. Dr. Tim Gopeesingh:

**State Enterprises and Statutory Authorities
(Breakdown of Financial Allocations)**

- 59.** A. Could the hon. Minister of Finance provide the Senate with a detailed breakdown of the annual financial allocations made to all state enterprises and statutory authorities for the period January 01, 2002 to December 31, 2006?
- B. Could the Minister also provide the Senate with a detailed breakdown of the profits/losses for these state enterprises and statutory authorities over the same period?

Question, by leave, deferred.

WRITTEN ANSWERS TO QUESTIONS

Sen. Wade Mark: Mr. Vice-President, I crave your indulgence. I would like to get an up-to-date report, through you, from the hon. Leader of Government Business as to where the answers to the questions at Appendix I are, especially to my question which has been there for a little while. All the answers are due at this time. We are now on March 06 and all were due on March 01. We would like a status report on all the questions outstanding, particularly the one that has been outstanding for three years.

Sen. Dr. Saith: Mr. Vice-President, from my documentation, two questions from Sen. Mark, questions Nos. 20 and 21, have today been answered. Question 42, which was filed by his former colleague, Sen. Mungalsingh, has also been replied to.

Three questions have been replied to today and I continue to pursue with the relevant Ministers answers to the other questions.

Sen. Mark: Seeing that we have the Acting Minister of Planning and Development here with us, Sen. The Hon. Christine Sahadeo, can she tell us when this particular question that has been on the Order Paper for some time now, question No. 4—

Mr. Vice-President: You have to be careful. You asked whether I could find out through the Leader of Government Business. He responded. Now you are asking something else.

Sen. W. Mark: I would like him to ask Sen. The Hon. Christine Sahadeo to bring us up-to-date with respect to question No. 4.

Sen. Dr. Saith: Mr. Vice-President, I brought the Senator up-to-date. We are looking at the answers and I shall pursue it with the relevant Ministers to ensure that the written answers are provided as quickly as possible. I do not think Sen. The Hon. Christine Sahadeo can add any more to that.

**Caribbean Airlines Limited
(Business Plan)**

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

Could the Minister provide the Senate with copies of the business plan for Caribbean Airlines Limited and indicate the projected revenues and expenditure over the life of the said plan?

**Caribbean Airlines Limited
(Signed Agreement for Slots and Code-Sharing)**

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

- A. Could the Minister provide the Senate with copies of the contract signed between Caribbean Airlines Limited and British Airways in respect of the slots which were sold as well as the code-sharing agreement?
- B. Could the Minister also indicate how was the sale of the 16 slots owned by former BWIA at Heathrow Airport factored into the new company known as Caribbean Airlines Limited?

Vide end of sitting for written answers.

**STATEMENT BY MINISTER
Caroni (1975) Limited**

The Minister in the Ministry of Finance and Acting Minister of Planning and Development (Sen. The Hon. Christine Sahadeo): Mr. Vice-President, today this Government marks the achievement of yet another milestone in its national development programme. When this Government made a commitment to the former employees of Caroni (1975) Limited under the Voluntary Separation of Employment Programme (VSEP) for priority access to a residential plot of land,

Caroni (1975) Limited
[SEN. THE HON. C. SAHADEO]

Tuesday, March 06, 2007

the cynical among us doubted that this Government would deliver on its commitment. Today, it is with pride and honour that I advise the honourable Senate of the proposed schedule for delivery of these residential lots, the revised pricing policy and now a proposed financing arrangement.

You will recall that on June 22, 2004, a statement was made in Parliament where honourable Senators were updated on the commitments made by Government to the former employees of Caroni (1975) Limited. In that statement, the following steps taken by the Government were highlighted:

- the commissioning of a land use and capability survey to determine the appropriate lands for each intended use whether in housing, agriculture or industry.
- the establishment of a steering committee and an inter-agency land use planning team comprising Town and Country Planning Division; Caroni (1975) Limited; the Estate Management and Business Development Company Limited; the Ministry of Agriculture, Land and Marine Resources; the Ministry of Housing; the Ministry of Works and Transport; the Water and Sewerage Authority; Trinidad and Tobago Electricity Commission and the Environmental Management Agency.

Senators will recall being informed that lands of Caroni (1975) Limited were classified by the Inter-agency Land Use Planning Team according to the following criteria, that is, agricultural capability, proximity to existing settlements and accessibility.

Arising out of the land use and capability survey and a report of the Inter-agency Land Use Planning Team, the following sites were identified for development into residential plots: Brothers Garth Road, Orange Field Housing Development, Cedar Hill, La Fortune, Calcutta Settlement, Esperanza, Sonny Ladoo Exchange, Picton Phase II, Hermitage Phase II, Woodland, Roopsingh Road, Edinburgh, Felicity Phase II, La Romaine, Chin Chin Road, Reform Exchange Phase I, Picton Phase III and McBean.

This Government's policy for housing has been well articulated and is set out in our Vision 2020 document. The provision of houses or housing solutions to the citizens of Trinidad and Tobago is one of the top priorities of this Government. In this regard, the Government took the decision to expand four existing sites and include nine additional sites, therefore making available approximately 22,023 service plots.

Of these 22,023 service plots, 6,782 will be reserved for the former employees of Caroni (1975) Limited under the VSEP arrangement and effected by Caroni

Caroni (1975) Limited

Tuesday, March 06, 2007

(1975) Limited. The remaining 15,241 residential service plots will be delivered to the national community by the Trinidad and Tobago Housing Development Corporation.

Mr. Vice-President, additional lots will be developed at Caroni Savannah Road, Waterloo, Cedar Hill Phase II, Exchange Phase II, Felicity Phase II, Picton I, Petit Morne and Exchange III. I wish to emphasize that this Government was not prepared to deliver these residential lots without adequate infrastructure or to a standard not consistent with our national housing policy. In keeping with this Government's policy to create quality housing communities, it was necessary to ensure that all requisite infrastructure work was completed before the lots were handed over to beneficiaries.

May I remind hon. Senators that when the post Caroni (1975) Limited Comprehensive and Integrated Development Plan was laid in Parliament during the debate of the Caroni Vesting Bill, it clearly outlined that the price of residential lots was the infrastructural costs plus a percentage of market value of land to be determined by the Government.

The *Hansard* record will clearly show that this pricing policy was well articulated both here and in the other place. This Government having revised its housing policy and in the interest of fairness and equity, took the decision to absorb all the infrastructure development costs and the plots are now priced at \$20,000, \$25,000 and \$30,000 respectively for a 5,000 square-foot plot.

2.00 p.m.

This in essence, amounts to \$4.00, \$5.00 and \$6.00 per square foot. This represents a considerable subsidy to our citizens.

This Government went even further. This Government has now made financing arrangements available at subsidized interest rates, to former Caroni (1975) Limited workers. I am pleased to advise that the interest rate is 2 per cent. It is also significant to note that the subsidized financing arrangements were not of the VSEP package, which was initially offered to the former workers of Caroni (1975) Limited.

The Government also took a decision to provide designs for five pre-approved model houses. This means that recipients can commence construction almost immediately on the receipt of these lands.

Despite the high costs involved and the length of time involved with this type of modern infrastructure, Senators should note that approximately 4,850 of these

Caroni (1975) Limited
[SEN. THE HON. C. SAHADEO]

Tuesday, March 06, 2007

residential lots will be ready for delivery in the first quarter of 2007. Another 9,000 is scheduled for completion by the end of 2007 and the remaining number to be completed by the third quarter of 2008.

Those opposed to this Government have deliberately and consistently misinformed the nation on the issue of the Government's promise to former Caroni (1975) Limited workers. Let me take the opportunity to correct the gross misinformation. It is a fact that all these former employees were and are housed at this time. It is a fact that these former employees now have the opportunity to own a piece of land and, therefore, own a home. It is a fact that infrastructure development work is time-consuming and costly. It is a fact that these newly established developments meet the highest standards such as underground utility corridors. It is a fact that the expansion of this programme will now facilitate not only the former workers of Caroni (1975) Limited, but over 50,241 other citizens of Trinidad and Tobago in owning a home.

The measures just outlined demonstrate this Government's commitment, not only in honouring its promise to former employees of Caroni (1975) Limited, but also in enhancing the quality of life for its citizens.

I am pleased to say that we are now in a position, not only to expedite delivery of the residential lots to former employees of Caroni (1975) Limited on a phased basis, but to do so at prices which are affordable to a wider segment of beneficiaries, based on a generous subsidy provided by the State. We can say this is the oil dividend, that is redistributing the enhanced income from oil and gas to the people of Trinidad and Tobago.

In closing, I wish to reiterate the fact that this Government has undertaken a package of measures designed to ensure that the former employees of Caroni (1975) Limited and members of the national community will enjoy an enhanced standard of living through ownership and property. In other words, Government is empowering the people of Trinidad and Tobago through an affordable housing policy, supported by subsidized mortgage interest rates for low and middle-income persons, providing modern and efficient housing communities and above all an equitable and transparent allocation system.

Let no one be deceived on the issue of the commitments to the former Caroni (1975) Limited workers. This Government has delivered. This Government has once again demonstrated that it is committed to the welfare and development of all of the people of Trinidad and Tobago.

Mr. Vice-President, I thank you.

EVIDENCE (AMDT.) BILL**House of Representatives Amendments**

The Attorney General (Sen. The Hon. John Jeremie S.C.): Mr. Vice-President, I beg to move the following Motion in my name:

Be it resolved that the House of Representatives amendments to the Evidence (Amdt.) Bill, 2006 listed in Appendix II, be now considered.

Question proposed.

Question put and agreed to.

Clause 2.

House of Representatives amendments read as follows:

- (A) In the proposed section 15C(2)(b) delete the words “relevant person” and substitute the words “person who made the statement”;
- (B) In the proposed section 15C(3) delete the words “Subject to subsection (3), the” and substitute the word “The”;
- (C) Insert after the proposed section 15D the following new section:

“Power of court to exclude evidence	15E. It is hereby declared that in any criminal proceedings the court may exclude evidence under sections 15B, 15C (except subsection (2)) and 15D if, in the opinion of the court, the prejudicial effect of that evidence outweighs its probative value.”;
-------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------
- (D) (i) The proposed section 15E is renumbered as section 15F.;
- (ii) In the first line of renumbered 15F delete the words “and 15D” and insert the words “, 15D and 15E.”;
- (E) Insert after the renumbered 15F the following new section:

“Transitional	15G. This Act, upon commencement, shall not apply to cases where a person is charged for an offence and is already brought before any court.”;
---------------	------------------------------------------------------------------------------------------------------------------------------------------------

Sen. Jeremie S.C.: Mr. Vice-President, I beg to move that the Senate doth agree with the House of Representatives in the said amendments.

Question proposed.

Question put and agreed to.

HERITAGE AND STABILISATION FUND (NO.2) BILL.

[Second Day]

Order read for resuming adjourned debate on question. [February 13, 2007]:

That the Bill be now read a second time.

Question again proposed.

Mr. Vice-President: The persons who have already spoken on the Bill are as follows: Sen. The Hon. Conrad Enill, Minister in the Ministry of Finance; Sen. Harry Persad Mungalsingh; Sen. Basharat Ali; Sen. Raziah Ahmed; Sen. Dr. Tim Gopeesingh; and Sen. Mary King.

Sen. Wade Mark: Thank you very much, Mr. Vice-President. The hon. Minister, in his presentation on this particular Bill, remarked that he was extremely proud of our management, which is the Government's management, of the nation's economy; yet ugly blemishes continue to disfigure what the Government would otherwise define as good management of the economy, which I shall address later on in my contribution.

It was Aubrey Jones who said: "Oil, like human life, is here today, tomorrow gone." It has taken this Government almost six years to finally table in this Senate a Bill that is intended to provide for the establishment and management of a Heritage and Stabilisation Fund—somewhat late in the day. Even with some limited amendments to the original legislation, the current Bill falls far short of achieving the people's real desire and the country's ultimate objective.

We intend to submit several major amendments for the Government's consideration and acceptance. Mr. Vice-President, we must not and we cannot play fast with the interest of future generations and in the face of non-renewable natural resources, which are wasting assets, as you know.

Our economy is dominated by natural resources and it is susceptible to the often volatile swings of economic boom and recession. It is, therefore, incumbent upon any government to implement public policies that will contribute to the reduction of such volatility and to create an environment of stability and sustained prosperity for all of the citizenry of our country.

Many have argued that non-renewable resources could be transformed into renewable resources by the existence of endowment-type funds. The objective of the fund is to provide economic stability, by setting aside revenues from natural resource royalties. The purpose is to save for a time when natural resources

revenues would begin to decline. It is, therefore, hoped that during the boom period, as we are currently experiencing, the economy and the society would take the opportunity to diversify; to establish a virtual nest egg that would provide security and stability for the future of our country.

Our country experienced a boom period between 1974 and 1982, when growth in real GDP terms averaged, at the time around 6 per cent. When oil prices declined, the GDP contracted by approximately 3 per cent between 1983 and 1991. In the height of the boom in 1981, foreign reserves amounted to approximately US \$7.7 billion. By 1983, these reserves fell to approximately US \$5 billion, and by the end of 1987, these reserves stood at US \$291 million. Within a six-year period, this country's foreign exchange reserves had collapsed by approximately 94 per cent.

Having good intentions is one thing, but that is not good enough. We are all aware that 51 long-term project funds were established in 1974, with the same rationale that we are debating, to some extent, today. These long-term project funds amounted to US \$2 billion in 1980.

By the end of the oil boom in 1983, that sum was completely depleted. The experience has taught us that unless there are stringent rules and legislation for accessing the funds, there are no guarantees that these funds will survive. This is a very important matter that we are addressing today and, therefore, the only guarantee is to ensure strict rules with an oversight role being played by the Parliament, and not the Minister of Finance. I want to repeat this. We are talking about strict rules and an oversight role for the Parliament and not the Minister of Finance.

During that same period, capital expenditure rose from 6.07 per cent of GDP in 1974, to 18 per cent by the end of 1982. The collapse of this economy led to a dramatic contraction of capital expenditure, to approximately 6 per cent of GDP by the end of 1986. Do you know what happened? Foreign borrowing—we began to borrow money on the foreign market in order to fill that void. Trinidad and Tobago, under this Government, witnessed an increase in its external debt from US \$56.5 million to US \$557 million between 1976 and 1983. In other words, by the end of 1990, we had engaged in foreign borrowing to the tune of US \$2.5 billion. Our debt service ratio shot up from 2.4 per cent in 1982, to approximately 29 per cent by the end of 1986. This reckless and imprudent approach to financial and economic management brought this country virtually to its knees and painful choices ensued; a huge cost and a huge price to the people of this country, particularly the working people.

We live in an economy today, which is dominated by oil and gas, more by gas, and in this economy we have experienced huge fluctuations in income levels. Oil and natural gas continued supply as non-renewable resources cannot be guaranteed. It has been the experience that small, open economies find it extremely difficult to absorb huge income flows at too rapid a rate, without triggering, as we have experienced, high inflation, exchange rate appreciation and ultimately the erosion of our country's foreign exchange reserves and, of course, the standard of living of the people. To tell us to save some of the surplus is to do two things: to smooth out the impact of any decline in oil and gas prices and to ensure that future generations have incomes from these assets that are available to us today.

In the circumstances, and in view of the volatility of resource revenues, very strong arguments have been proffered by leading thinkers in our society. Dhanayshar Mahabir, a senior economist at UWI; Gregory McGuire, another senior energy economist at UWI; Lloyd Best and former Sen. Eric St. Cyr; these are just a few who have called on the Government for the establishment of not one fund but several funds.

I want to refer you to an article in the *Trinidad Express* of January 31, 2007 entitled:

“Separating Heritage and Stabilisation”

It is written by Driselle Ramjohn. It deals with views expressed by this senior economist attached to the University of the West Indies, Dr. Dhanayshar Mahabir, where he really established the rationale, first of all, for the Interim Revenue Stabilisation Fund as well as the Heritage Fund. In this article he explains some of the reasons for such a fund. I mentioned the volatility of the market. He talked about volume uncertainty and the oil and gas being non-renewable. We have to look out and be prepared for natural disasters. We already have one in the PNM. We have to deal with the threat of terrorist activity. All these things were outlined. What was made abundantly clear in this article is that he was arguing that we need to establish two funds, one for stabilisation and one for heritage. That is something that we support. We believe that the Government must establish two funds, one for stabilisation and one for heritage. I will define, in some detail, as I move on, the rationale for this.

There is something called intergenerational equity and intragenerational equity. What is being argued is that for intragenerational equity, we need the stabilization fund. Whenever there are slumps, rises or falls in our revenues coming from oil, there is a stabilisation fund that can deal with the day-to-day

demands and requirements of the population, whether there is infrastructure or otherwise. There is something called intergenerational equity and that deals with the future generations and the unborn children in our nation who all have a right to enjoy the natural resources of our land.

Dr. Mahabir mentioned in this article that the wealth from natural resources of this country belong to all the citizens of the country and all future generations, just as we are trustees of Maracas Bay. Sen. The Hon. Chin Lee, just as we are trustees of Maracas Bay, our wetlands and our Northern Range—things we have inherited. You did not get that. You did not bring that. We inherited that. We must see ourselves as trustees of the oil and gas of our land. In other words, the Government, the people who are in charge, must view oil and gas in the context of us being trustees, holding on and doing everything in our power to ensure future generations are able to enjoy this inheritance, whether it is oil, gas, Maracas, wetlands or the Northern Range.

This economist argues that we must focus on two sets of funds. This legislation is “wish-wash”. It is almost—when you look at, listen to and read the Minister's statement and go to the International Monetary Fund report, some of the best practices that they have outlined are largely absent in the Bill that is before us. I would like the Minister to go back to the drawing board and do the necessary homework.

Mr. Vice-President, I have told you already, I cannot watch you all the time. I have to swing my neck, otherwise I would get a stiff neck, Sir. I have to turn to make sure that I am—

Mr. Vice-President: Sen. Mark, please. I did not say that for entertainment. *[Interruption]*

Sen. W. Mark: I did not say that for entertainment.

Mr. Vice-President: Please. You keep saying, Mr. Vice-President, and it appears as though you are addressing everyone else in the Chamber. You just spoke about focus. Your focus seems to be somewhere else. Kindly—

Sen. W. Mark: Mr. Vice-President, I have been around longer than you in this Parliament, so I can look wherever my eyes take me. I can look wherever I want to look, but I will look at you now. This was a quote, which I thought I should bring to your attention.

Concerns have been expressed in the context of the use of excess funds, in light of the country's gross public sector debt, which was projected to increase by \$37 billion, representing 52 per cent of the GDP at the end of 2004. This was distributed among central government external debt, 25.4 per cent; domestic debt, 30.7 per cent; and contingent liabilities amounting to 41 per cent. A ratio of total debt to GDP should be 14 per cent. That should be our target. Maybe the hon. Minister in his winding up will tell us where we are at the moment in terms of target.

Another concern that we have on this side is the talk about fiscal prudence. We are concerned about the rising non-oil deficit in this country. We are concerned about that. The deficit means essentially what remains when oil revenues are extracted from the overall fiscal balance. This figure has been over 10 per cent for the last five to 10 years. Even the International Monetary Fund has expressed its alarm over the widening non-oil fiscal deficit in our country. They have advised the Government that it should not be more than 5 per cent of GDP. Today, as we speak, I understand—the Minister could correct me if my figures are wrong—it is hovering around 15 per cent. That is a disaster, in the event that oil prices were to collapse in our country. I want the hon. Minister to know that we are setting up a booby trap for our nation and our future generations.

Some have argued, some real powerful economic thinkers, for the establishment of several funds, apart from the Heritage and Stabilisation Fund. Dr. Eric St. Cyr has called for the Provident Fund to be established and funded by the Government, from oil and gas and also by businesses and households. They have also called for a sterilisation fund. It is our submission to this honourable Senate that there must be a heritage fund, separate and apart from the Revenue Stabilisation Fund. There must be guidelines that should be incorporated into legislation. These guidelines would be captured under the following headings: principles of operation; the management and governance of the fund and also the question of reporting.

How do we go about reporting? We would like to submit, in the case of the heritage fund, the framework that we would like to see in the legislation. We would like to see a heritage fund, based on an estimate of the value of the known currently exploited non-renewable natural resources and an estimate of intergenerational consumption of those resources. We would like to see that.

In terms of access to the fund, it must be authorized by legislation for purposes approved by the legislation. We do not want any Minister of Finance in this country, whether under the UNC or the PNM, determining how we should manage the fund and how the fund should be accessed.

We should be operating an economy on an oil price of US \$21 and the balance should be going towards the heritage fund. Would you believe that this irresponsible, reckless and insensitive Government, conscious of the fact that oil is a non-renewable resource, in 2005/2006 projected an oil revenue of US \$35, in terms of what we would use for expenditure purposes? We are talking about heritage and stabilisation. One would have thought that in the 2006/2007 budget they would have stuck or go back to US \$30 or US \$21. They have gone to US \$45. How can this Government be serious about savings in our nation, when they have gone from US \$35 for expenditure purposes, to US \$45 and they claim that anything after US \$45, they are putting into the Stabilisation Fund? That is recklessness on the part of the Government.

We believe that this fund must be held in a sacred trust. The fund's assets must be invested for an extended duration. The investment of the heritage fund must be of a long-term nature, unlike the Revenue Stabilisation Fund.

We want to advance that the primary investment goal of the fund must be to maintain the safety and the security of the principal of that fund, whilst maximizing returns. All investments of the fund must ensure broad diversification, a high level of liquidity, competitive rates of return and must be of a high quality. The earnings of the fund must be exempt from taxes. These are some of the areas that we would like, in terms of the criteria for investment.

The Parliament, I want to make this abundantly clear, is the representative of the people and as such, the Parliament is accountable and, therefore, the Parliament must be accountable for the administration of the Heritage Fund.

We want an independent agency established to manage the fund, to insulate the fund from administrative design to finance budgeting or extra budgetary expenditure. It should be administered by a board of trustees, established by an Act of Parliament and should comprise people knowledgeable in investment and finance. We want to include a representative from the Central Bank and the Ministries of Finance and Planning and Development—no problem. The assets of the Heritage Fund should be invested in accordance with the investing guidelines, developed by the trustees of the fund, which must be included in the legislation. Therefore, the board of trustees must be accountable to Parliament, through the Ministry of Finance, for financing and administrating this Heritage Fund.

Mr. Vice-President, we believe that the report of this fund must be produced on a quarterly and annual basis. The fund's annual report must be published and released by June of each year, for distribution to the Parliament and the public. I

Heritage and Stabilisation Bill
[SEN. MARK]

Tuesday, March 06, 2007

am astonished that the Minister of Finance could put in legislation—he has not incorporated any provision for annual reports to this Parliament. He will get the annual reports, but we who are the representatives of the people in the Parliament, will get the Auditor General's report on this matter. No, that cannot be right. We want the annual report published, tabled in the Parliament and circulated to the national community.

The annual report would contain the following elements: we will have the externally audited financial statements contained in that report for the period being covered; a statement of the investment of our funds, including an appraisal at the market value; and a description of the fund investment activity during the period covered by the said report.

We are asking the Minister of Finance to consider several recommendations for a revision of what we have before us. You know why? This fund is not about PNM or UNC. It is about the Republic of Trinidad and Tobago and the future of our country and our children. We need to have what we can call, Sen. Dr. Saith, a more bipartisan approach in ensuring that this piece of legislation is so organized, in terms of consensus and so approved on a consensual basis that all of us would be happy with the final document.

I would like to deal with some other proposals. I want to go to the Bill in this instance. The purpose of the Bill, we believe, is too narrow. We would like the hon. Minister to expand on the purpose of this Bill. That is an area we would like him to look at. We have some recommendations, in terms of expanding that particular aspect of the legislation. We would like to see, as I have said, a separation of the funds. In terms of the definitions, take for example “petroleum taxation revenue”, we believe that is too narrow and ought to be expanded. If you look at what is proposed as petroleum taxation revenues, you will see how it is more or less confined.

We would like to suggest to the hon. Minister that taxation revenues from petroleum include taxes collected from downstream natural gas-based plants. We want those taxes to be part of the revenue stream. We want taxes collected from the processing of LNG and natural gas to be included. We want dividends collected by the Government from its equity holdings in the energy sector to be incorporated under petroleum revenue taxation. Right now, they are not incorporated and we want signature bonuses incorporated under petroleum revenue taxation. We are asking for fundamental alterations to this present legislation that is before us.

When you go to the question of governance and management, you can see that under clause 8 of the Bill on page 10—Let me make it very clear that the fund belongs to the people. The Heritage and Stabilisation Fund belongs to the people. Therefore, all appointments cannot be made by the Cabinet. When they talk about the President, they are talking about the Cabinet, not the President of the Republic. We are of the view that parliamentary oversight is critical for this piece of legislation to work.

We also believe that there should be the involvement of civil society in this piece of legislation, in terms of participation. We want to make it very clear that the Government should incorporate into the legislation investment rules. We want the investment rules too as part of the legislation.

Mechanisms for estimating revenues leave a lot of room for manipulation on the part of any administration, therefore the length of the forecast period induces speculation and we are advancing that the forecast period should not exceed three years.

How do we go about determining gas prices? That is problematic and that is something that we need to address. We would like to see a rolling average of no more than five years. We would like to see a limit placed on Government's non-energy fiscal deficit. We want, as I said, to delink heritage from stabilisation both in terms of accrual and withdrawal. We also want to make it clear that heritage deposits should not be related to the price of gas and oil; it should be well defined as the value of the percentage of the production of oil and gas.

Rules for withdrawal are something that we also have to pay attention to. We should not have a situation where the Government is withdrawing from the fund simply to deal with government expenditure. That should not be the sole purpose of withdrawal. There is a danger that such expenditure may be deficit expenditure for purely political purposes. That is why we have to safeguard and put systems in place to ensure that the Government does not put its hand into that kitty, willy-nilly, hence the need to tie both deposits and withdrawals to the government deficit. We must be very careful.

Another area that we would like to share with you and call on the Minister to consider is that under no circumstances this fund should be used for debt servicing or as collateral. We do not think that is the purpose that the fund should be put to. We believe that the Government, as I have said, has a duty and responsibility to address this matter in the interest of the population, yet unborn.

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

Motion made, That the hon. Senator's speaking time be extended by 15 minutes. [*Sen. Dr. T. Gopeesingh*]

Question put and agreed to.

Sen. W. Mark: Thank you very much. It was not only Dr. Dhanayshar Mahabir who expressed concern over the heritage legislation. There is an article in the *Guardian* of Friday, February 09, 2007 headlined:

“Economist slams Heritage Fund legislation”

I am talking about Gregory McGuire, an energy economist. He faulted the withdrawal and deposit rules of the Government's proposed revenue stabilisation and heritage legislation. I would like the hon. Minister of Finance to pay attention to how we go about withdrawing funds from the Heritage and Stabilisation Fund and how we go about the deposit rules of the Fund.

This Fund today stands at approximately \$89.6 billion. That is almost shameful. We have, over the last five and one-half years, had a cumulative budget of over \$140 billion. We have recently spent \$1.6 billion on CEPEP. Eighty per cent of the money was stolen. We cannot account for that. Do you know how much waste we have in this country? If this Government was serious about savings in our land, we should have had a Heritage and Stabilisation Fund of approximately US \$10 billion already. This Government has had so much money at its disposal and all this Government has been doing is spending in a wild and reckless way. The economy is yet to be transformed. We are still going through a process where today, this is still a one-legged economy.

One of the aims of public sector spending is to translate planning initiatives into operations, but not so much to foster growth as to promote transformation. That is not coming from the Government. The Government is not really engaging in the transformation process, what Lloyd Best calls the ensure economy. Where is that ensure economy? Where is the creation of this ensure economy? Where is the mechanism and dynamics of reconstruction to propel some degree of stability and sustainability in our economic development and drive? Where is it? Today, in the energy sector—do you know what this energy sector accounts for? Ninety per cent of our exports come from the energy sector; 41.5 per cent of GDP comes from this sector and over 50 per cent of government revenues are derived from the energy sector.

3.00 p.m.

Mr. Vice-President, that sector contributes less than 4 per cent of employment to our country's citizens. This whole drive is being intensified. That is why in Alaska, there is this permanent fund, and to really get into that fund, in a serious way, they have legislated that a referendum has to take place in Alaska. Every citizen gets a dividend in the form of a cheque, at the end of each financial year, as a participant and as a citizen of that country. What we have here is what the *Guardian* described as "Ugly blemishes on Trinidad and Tobago's Chinese face". That is dated February 11, 2007 in the *Sunday Guardian*. We were told by the hon. Minister of Labour, Small and Micro Enterprise Development—I must compliment him because he has changed, as his time is coming nearer for his exit.

The Minister is claiming, in this article, and according to the Consumer Affairs Division, that a CEPEP worker—a worker on minimum wages—gets about \$1,500 to \$1,600 a month, and just to have a nutritionally balanced diet on a monthly basis, we were told that you need \$1,700.

Sen. Montano: For a family of four.

Sen. W. Mark: Thank you for correcting me. That is a conservative number. I would estimate, given the cost of living in this country, that you need close to about \$3,000 for a family of four to have a proper nutritionally balanced diet in this land and not \$1,700. I would say \$3,000 or even more. [*Interruption*]

Sen. Montano: They like to drink champagne and eat lobster—

Sen. W. Mark: Mr. Vice-President, he was sailing on his yacht, so he has now arrived. [*Interruption*] Cassava Minister, give me a chance. Cassava Minister, let me talk in peace. Mr. Vice-President, I seek your protection from the cassava man.

Mr. Vice-President: Sen. Mark—

Sen. W. Mark: I seek your protection.

Mr. Vice-President: Sen. Montano, please allow Sen. Mark to finish his contribution.

Sen. W. Mark: Thank you very much, Sir. Mr. Vice-President, in terms of the economic management of the economy, this Government has failed the people. I would like the acting hon. Minister of Planning and Development to get the Central Statistical Office to produce for us the state of play, as it relates to the distribution of wealth and income over the last 10 years in this country. How

much money have employers made? How much money have the workers enjoyed? I would like to tell you, based on my own research, we do not have all the statistics, but income and wealth has worsened tremendously, under this regime, in the last six years. I want to give you evidence of this.

Mr. Vice-President, hear what our good friend, the hon. Minister, said in his article. The hon. Minister of Labour, Small and Micro Enterprise Development said that 48 per cent of all workers earned less than \$3,000 a month. He said that 28 per cent made less than \$2,000. [*Interruption*] The *Guardian* is quoting the Minister. The *Guardian* is saying that he said that back in 2001 you had many more workers; I think about 63 per cent of the workers were enjoying \$3,000 a month in this country. Mr. Vice-President, six years later or five and a half years later, this figure has reduced from 63 per cent to 48 per cent. Does that not tell you that the economic mal-distribution of income and wealth in our country has worsened under the economic model of development that we have been pursuing, under this regime, for the last five years or five and a half years? This is what Sen. The Hon. Danny Montano admitted to in this article. Income distribution among the working people has worsened in this country.

Sen. Montano: Mr. Vice-President, I would like the Senator to explain that. How is that 63 per cent better than 48 per cent when in 2006 it was 41 per cent? Ask him to explain that. I just do not follow his logic. This makes no sense.

Sen. W. Mark: I would get the article for my friend, because when he speaks he does not listen to what he is saying. He said in 2001, 63 per cent of the workers of this country were getting \$3,000 a month.

Sen. Montano: No. Mr. Vice-President, I said less than \$3,000 a month.

Sen. W. Mark: Mr. Vice-President, let me continue. My submission on this matter is that the income distribution of this country, under this regime, has worsened for working people over the last five and a half years. We have what is called the working poor.

In winding down, let me tell you that one of the critical issues in confronting crime in our country, Minister of National Security, is the economics. The economic distribution of wealth and income has worsened under this PNM.

I was a bit disappointed today when I heard that there was going to be a big press conference at Balisier House, because I thought that the Prime Minister was about to announce the date for election, or he was going to announce the resignation of the Attorney General and himself. I am disappointed that the

Attorney General is yet to submit his resignation. I am disappointed that the Prime Minister is yet to do so and also Mr. Sherman McNichols. I am disappointed. Anyway, if we want to stabilize our country, these men must go.

So, Mr. Vice-President, I have submitted to you and this honourable Senate, several critical amendments for the hon. Minister's consideration. We believe that this matter is a bipartisan one; and we believe that we want a fund that is going to be well organized, managed and safeguarded so that any government that is in power would not be able to enter that fund and just withdraw money. We want rules and regulations to be established in the legislation to ensure that we do not have any kind of slipshod arrangement, as it relates to our revenues.

I hope that at the end of this debate we would be able to get some kind of agreement on these measures that we have advanced, and in the interest of our country and in the interest of the future, the Government, as I said, must not only address intergenerational equity, but it must deal with intragenerational equity.

Mr. Vice-President, I thank you very much.

The Minister of Local Government (Sen. The Hon. Rennie Dumas): Mr. Vice-President, thank you for the opportunity to join in this debate and the discussion which seems to have generated a lot of interest within the Lower House. Certainly, it is a pleasure to support the proposal of the Government and, in particular, those proposals which have been improved by the discussions of hon. Members in the Lower House, and what we are being asked to support today.

I think anyone who has been following the development of public policy, as taught in Trinidad and Tobago, would mark this debate as an innovation in the management of the State's finances, and would enjoy the fact that it is coming through the process of legislation.

In particular, the fact that this intergenerational issue is being dealt with now, has demonstrated that the Government is very sure and careful. It has explicitly placed a significant sum into the fund that we are discussing and, therefore, it demonstrates that we have moved beyond intent to actual demonstration of good faith with the country, in terms of doing what we said we would do.

Mr. Vice-President, listening to the speaker who was introduced by the Opposition to deal with this matter, in the first instance, and listening to Sen. Mark as he just ended, I think one has to ask, once again, "What exactly is the UNC's policy"? I remember that we went through a transformation of UNC representation in a very short period and, therefore, that may account for the

Heritage and Stabilisation Bill
[SEN. THE HON. R. DUMAS]

Tuesday, March 06, 2007

dissonance between his contribution today and the contribution of Sen. Mungalsingh when he presented the first attempt at refutation of the Government's purpose when this Bill was presented on the first day by the Minister of Finance.

I am wondering today whether Sen. Mark has changed his responsibility from being the Leader of the Opposition's parliamentary position, to being a writer of policy for the UNC. In demonstrating the things that he had to say, I wonder today whether he was in mourning. Sen. Mark was not dealing with the legislation. Sen. Mark was behaving as though he was creating a policy study for us to consider when we come to try to improve the laws in the next term.

The intent of this legislation is quite clear. If one has to put what is said by the provisions of the law into context, and the policy framework that informs it, and the fact that that policy is in turn informed by a certain state of affairs, then I am suggesting that the Government's position, as improved by the debate in the Lower House, is one that would recommend itself to us in this House and, therefore, we can go on to another piece of Government's business. Some things have been said and some time has passed since the discussion was discontinued, and now that it has been reopened, I think, it bears to repeat a set of things that we should remember just in case we forgot them.

Today, the country is enjoying a state of developmental and economic fortunes that has not been paralleled before. [*Desk thumping*] That is the reality. The reality is that if we measure what is happening in the economy—we are starting by that group that some people like to position that they represent and to say that we do not—it is very clear that as the PNM and a Government out of that glorious piece of political heritage in this country, when we stand today, we can say that the economy, as managed by that people's movement, has brought us to a point where our figure for unemployment is 5 per cent and declining. That is a positive part of our national heritage. [*Desk thumping*]

When we say that the growth rate of the economy, as produced by the people of Trinidad and Tobago, has averaged 8.4 per cent for the last 10 years, that is a glorious part of the heritage of Trinidad and Tobago.

Mr. Vice-President, sometimes I wonder whether there is coherence in our thoughts. I heard someone just saying to us that we should have a significant problem with what is described as the non-energy deficit. My question is, "should we repudiate, should we throw away and should we disregard the possibilities that arise from earnings from the natural endowments of oil and gas in the country?"

So, therefore, if the growth in the energy economy in Trinidad and Tobago is 13.5 per cent, and the growth in the non-energy development in Trinidad and Tobago is 6.1 per cent, I want to know, what is wrong with that. If we are developing the non-oil sector of the economy and the energy-based sector of our economy equally, and receiving a benefit because we are growing faster in the non-oil energy sector, what is wrong with that?

When a Senator says to us that we should behave in a way that seems to ignore the earnings from the energy sector and the activity from the energy sector, should we throw it away? Since we started getting into the energy-based industry—whether it is generation one, two or three—should we ignore the benefits from the investments from the people in the enterprises in energy and the industrial estates that we have created that are based on energy? Should we disregard these earnings? Somehow, I think the problem is that every critical investment in the energy sector has been made by a PNM Government, and that is the problem. [*Desk thumping*]

What we are saying today is that when the economy, as measured by all the best practices in international agreement for national accounts, management and measurements, demonstrate that the economy of Trinidad and Tobago has grown from \$51.4 billion to \$115 in the last five years; what is wrong with that?

Mr. Vice-President, some people like to blame every negative on the Government, but every positive thing that happens under the period of management of this Government somehow occurs by fluke, and the Government should derive no benefit from it in its interactions with the country and, therefore, the political transactions in this country should not result in any benefit to the PNM-led administration. [*Interruption*] That has to be untenable.

It must be that against that background, the Government's revenue, if you are counting it now as \$29.6 billion per year, and that was last year, as measured against the Government's expenditure of \$27 billion last year, if that is your average—Sen. Mark made the point that we should not use long terms as is recommended in the Bill as presented, but we should use short-term running averages of three years. He is defeating his own argument. For example, he is suggesting that we use an oil price of \$21 per barrel and oil has not been \$21 per barrel for the last five years. The oil price today, I am sure it is a little above \$65 a barrel.

Hon. Senator: It is \$61 per barrel.

Sen. The Hon. R. Dumas: So, that is almost three times Sen. Mark's recommended price. Sometime within the last period, it went up to \$65 per barrel. Again, to use Sen. Mark's argument, there is no time during the last three years

Heritage and Stabilisation Bill
[SEN. THE HON. R. DUMAS]

Tuesday, March 06, 2007

when oil was under \$21 per barrel. In fact, I think, it has been at least 50 per cent more than that at any time during the last three years. Therefore, the prices and pricing used for the Government's revenue and expenditure have been appropriate. The use of them have allowed—using the principle of the Government's revenue from oil above the Government's expenditure—a constant and constantly increasing size of the deposit to be made for the last four years. That is our reality.

Mr. Vice-President, when you take that into account, the reasonableness of concluding that the Government has been frugal to the annoyance of the Opposition—the Government has not been a spendthrift, again, to the annoyance of the Opposition; the Government has been expending its earnings across the whole gamut of human activity as carried out by the people of this nation; and it has been supporting the aspirations of the people of this country. In fact, the Government has been able to demonstrate where those expenditures have been. Again, I want to suggest that the reasonableness of the Government's position, coming today and asking the Senate to support the position it has taken, especially where that position and specific provisions in the Bill have already found the support of the Lower House, this is a time that we can come to accept that this Bill should be passed.

Mr. Vice-President, we can take the expenditure—I think there is a book here that every parliamentarian has except for some Members of the UNC who were not here last year when the budget was read and this is *The Government at our Service, Highlights of Achievements* booklet which identified for every parliamentarian what exactly has happened with the economic growth and central government fiscal operations, et cetera. I am sure that you would find in it the expenditure on human development and support. In terms of educational institutions and in terms of households they have been high, but they have been totally within the means, given the earnings of the State. You will see that money has been put away for infrastructural development; and you will find that money has been placed in the same Heritage and Stabilisation Fund.

One Senator likes to discuss health, and you will find that there was a change in the expenditure in health from \$272 million to \$1.18 billion and that is to the benefit of individuals in this country. You will find the National Social Development Programme expenditure dealing with communities across the country; you will find the energy dividend that deals with the question of the subsidy and the price the country pays for energy is \$650 million; you will find expenditure in social and cultural developments explained; and the financing of

housing for our households, which has been a neglected area over the years they were there is there. Nothing there in the statistics has suggested that the Government has been anything but very careful with its revenue and its expenditure to support communities, households and individuals.

Sen. Mark ventures down a road when he says that the Government's debt is rising. This brought me to the point where one could not help but note where in the last few minutes of his contribution, he attempted to use some statistics. When the statistics that he presented were refuted, he said: "I do not mind what you say, it is my assertion and that is the position." I think that demonstrates the problem that we have.

Sen. Mark would know, and I think all of us could check, that the Government's debt as a percentage of GDP has been falling constantly and it is the lowest that it has ever been, which is 37.7 per cent of GDP. That is the situation. This is not a Government that is using up its income; that is committing future income against present expenditure; and that is the position of the Government today. There is where we are.

When we talk about the central government debt, this has fallen from 40.4 per cent to 21.3 per cent of GDP. Is that not a demonstration of anything but frugality? When one looks at the balance of payment, you are going to see a positive picture where we have moved from a deficit of \$441 million in 2000 to a surplus of \$1.893 billion in 2005.

Our official reserves have moved from \$1.405 billion to \$4.791 billion; in other words, being able to cover 9.5 months of imports. That is if your income is zero from exports. That is a reality. Even in the face of all these positive measures of internal transactions, and the accumulative effect of them over a given year or a given period—the same measures are applied to our international transactions, and the flow of those transactions and the impact of them on the country—we still have some people who will want us to believe that we are in significant trouble.

I want to suggest to you that what we are trying to do today is to draw a relationship between the endowments of nature with which this country has been blessed—we want to match it with the endowments that we have been able to inherit and create by the culture of governance that we have. In this culture of governance, and matching these two things, we want to draw a relationship between the number of elements of concerns and they are: What is the price we are getting for this natural endowment? What is the production level that we are treating with that resource now? What is the size of the sales that we are making

Heritage and Stabilisation Bill
[SEN. THE HON. R. DUMAS]

Tuesday, March 06, 2007

or the benefit that we are getting from those sales and how we are using that sales revenue? We are suggesting that savings from the sales that we make should go into this Heritage and Stabilisation Fund to allow a reinvestment of that savings, and to allow access to that savings if we are in trouble. I am saying that it is not that we are in trouble, and it is not that there are any predictions of trouble, but because it is careful management of what Sen. Mark tried to describe as a whole intergenerational responsibility. I want to suggest that the dynamics that we are trying to create, treat primarily with this endowment of nature as against the endowment of our governance culture.

I thought that we were going to hear a celebration of the fact that our governance culture would allow us today, to agree that the Interim Heritage and Stabilisation Fund that was started, could now be transformed into something permanent, after we have demonstrated in our four years that it continues. Again, we heard some things and, I think, sometimes if you have been there, you should try to correct a few items—should I say “mishistory” rather than history—rather than let them get away with it.

We have a situation in which Sen. Mark tried to describe the conditions and situations of the economic collapse during the period 1984 to 1986. Do you know what my memory is? My memory is that the Government at that time—Sen. Mark, his leader and many prominent persons from his organization—tore the heart out of the economic activity of the poor and working class of this country—it was 10 per cent; it was 5 per cent and another 10 per cent stabilisation.

What I am suggesting is that if you are representing a group which contains that type of view, then for you to stand and suggest that this group is anti-working class, I want to suggest that is not borne out by the evidence.

During the period 1986 to 1990, the savings that were made by the State and the Government were savings from the pockets of the working class. That is the reality. I remember the Minister of Finance standing at the time and fainting into the arms of the present Leader of the Opposition. I was sitting over there as a member of the negotiating team of the Trinidad and Tobago Unified Teachers Association.

Mr. Vice-President, they said that if we can find where we can save the money, then they will pay us our salaries as workers. We identified where they could find the \$71 million and they ignored us and walked out of the negotiating room and came to this House and said that if we can find the savings, then the savings should go toward employing new people and not paying the current

workers. The history is there. The people who sat in the Cabinet and made that decision are the people who continue to provide the philosophical and ideological position of the present Opposition. That is where we are. Let us be clear of what we speak.

Mr. Vice-President, I want to suggest to you that the provision of this Bill that says, let us put some of this money away that comes out of the revenue; let us recognize that there are issues in governance; there are issues of capacity; and there are issues about the principles that guide the management of the fund, and that these principles should be used and applied.

I saw a number of changes that were occasioned by the debate in the Lower House, and I am sure that if we take our responsibility seriously, there would be propositions coming as to the kinds of amendments to be made. What I am suggesting is that in the absence of specified amendments, the Government can only say that these are the provisions; and these are the ones that were occasioned from the debate downstairs and, therefore, this is what we are asking you to support.

Mr. Vice-President, listening again to Sen. Mungalsingh when he spoke, and listening to the heat that came from Sen. Dr. Gopeesingh—very little light and clarity—there are a few things that I need to say. I want to suggest that the first thing that we have to do is to treat with the fact that a definite formula is set out as to exactly how money should be allocated to the fund, and a definite trigger is placed as to how you can access the fund. A further limit is put on the fact that you cannot take any of the funds if the bottom line of it is \$1 billion. Therefore, there is a minimum number; there is a maximum number; and there is a trigger point, and all of that serves as guidelines.

I heard a fancy model being created by Sen. Mark. He was trying to suggest that you can somehow find a value of reserves that are in the ground, and you are supposed to use that production model as the measure of determining whether you can use that as the trigger point for putting money into the fund. I want to suggest that you cannot ignore the sales and sales revenue issues, in terms of the national revenue from oil and the tax revenue to determine what goes in. Therefore, it is easy for somebody sitting in a classroom in a university to come up with some esoteric model, and then you have what is the practical application of it.

The application that you have to treat with when you are in Government is what is the level of activity and the benefit from the activity and, therefore what part of that benefit you take and what part do you spend for the people's benefit and what part do you save as the balance. Esoteric models have never worked. I

Heritage and Stabilisation Bill
[SEN. THE HON. R. DUMAS]

Tuesday, March 06, 2007

have asked economists from Trinidad and Tobago and economists from the University of the West Indies to show me a model of how the Trinidad and Tobago economy works. They have never done their jobs in developing an economic model for Trinidad and Tobago, but they advised the Government on a governmental model for Trinidad and Tobago. Do your work.

Mr. Vice-President, I want to talk about three other things. I think the UNC is a miser in Opposition, but they were a spendthrift in government. They “chop-up” everything and say that you can cut here and there—you should not spend money on the environment, and you should not spend money on fixing communities. That is on this occasion. When you come with another Bill, they would tell you all the things you should have done or that you should do so as to increase the welfare of the people. I do not have any problem with that, but you have to reconcile what you are going to cut out from the present flow of expenditure by the Government, and what you are going to replace it with, or where you plan to increase expenditure. Where are you going to source the funding? If you can bring that reconciliation, then maybe there will be a responsibility to listen and include it in the law that is being made.

Mr. Vice-President, as a parliamentarian and a Member of the Government, I am totally confused with an argument that I hear coming from the UNC Benches time and time again. I could understand it coming from the Independent Benches. When the Independents say to restrict politicians, I have no problem with that. That is why they are independent. I have a significant problem when an individual, who was a Senator, and an individual who was a Minister—I do not know if he could remember that in the documentation of the purpose of his ministry at the time, the question was consolidating authority into the government’s hands and, therefore, being able to bypass bureaucracy and to give standard and definite instructions as to how things should move. A government, when it was in authority which passed law after law. It is the most law that this country ever saw. All of them were changing practices and principles, et cetera to ensure that the government had the tightest grip that it ever had on the public affairs of this country.

I heard the leader of that team saying that the political purpose must be avoided; the principle of representing the status of the Government should be removed; the responsibility principle should be removed; the relationship between the Government raising and management of revenues as against the expenditure of it should be removed; and that you should put a board—I do not know where he will get the people from—in charge of the revenue collected from the activities

of the State, and to manage the fund that is for the long-term intergenerational benefit of the State. That is turning democracy upon its head; that is turning the principle of representativeness on its head; that is changing the responsibility status of Parliament and the Government by putting something else in its place.

Mr. Vice-President, that is going back to the days of the aristocrat from Aristotle, without reference to the hundreds of years of parliamentary democracy that have come about. I want to suggest that we think again of exactly what are the principles that manage the Parliament and a parliamentary-based Government. It cannot be that you would lead a group of people and then say to them that you cannot manage the revenue of the country, and then give it to some faceless bureaucrat somewhere to run it. That is going against the very principle of election and parliamentary governance.

Mr. Vice-President, I heard these words—and *Hansard* could check them out—that the Parliament must administrate. That is what was said. The Senator said that the Parliament must administrate this fund, and I listened in disbelief. The Parliament cannot seek to administrate, and no parliamentarian should be advocating that the Parliament administrate. Is it that we are conveniently treating with this separation of powers? If the Parliament is administrating, to whom is the Parliament accountable?

I just want to ring a bell that says you cannot make a eunuch of the Government, and then seek to hold the Government responsible for managing the country. The two things do not go together. If you are going to hold me responsible, then the authority has to be there. You could amend it or constrain it if you want, but there must be authority. For what I am responsible, if I do not have any authority? We have to be careful.

Mr. Vice-President, the Senator used some statistics and he went into the *Guardian* newspaper. I am reminded that there was an editorial in that very *Guardian* which said that the Senator is a very unreliable source of information. That was in the very *Guardian* in an editorial.

The Senator went on immediately to treat with the distribution of income and wealth in the country, and I want to join with him in doing one thing, and that is commending the Minister of Labour, Small and Micro Enterprise Development for the work done in bringing to the fore the analysis of income from wages, and the distribution of the wage opportunity across the country. The study has been long outstanding and it is quite useful. The truth is that there are more people now earning in the middle and higher levels than there were in previous time. That is

Heritage and Stabilisation Bill
[SEN. THE HON. R. DUMAS]

Tuesday, March 06, 2007

the truth. So, when Sen. Mark attempts to do certain things with these figures, he should check again. You cannot make an assertion without the benefit of statistics that the situation is worse off. I think we have to treat with that.

Where I think the contribution of the Opposition Member was totally weak, is when he turned to his favourite whipping horse and started quarrelling—CEPEP, URP and local government bodies and so forth. Should I say “whipping horse” or “whipping horses”? The reality is that the economy of Trinidad and Tobago is made. The benefits of the economy are created in the environment, and if we do not clean the environment—is anybody in Trinidad and Tobago doubting now that the environment is better kept? That is investment for the enhancement of the environment. Are the local government bodies, CEPEP and URP doing better than they used to?

I noticed that when we are seeking to blame, we know exactly how to identify the person who should be blamed. After carnival, it became noticeable, but the fact is that our environment is better kept, but somehow nobody is given credit for it. We do not credit the Port of Spain City Corporation or the Couva Regional Corporation; we do not credit CEPEP and we certainly do not credit URP. The fact is that these are the agencies that make our living better and easier. Let us say what the truth is, and that is part of the truth.

With respect to the question of the transformation process that says that you should be avoiding activity in energy and, finally, the last piece of misinformation that we cannot let pass is the argument about Alaska and the people getting a cheque at home because they are from Alaska. Let us check the basis of that. That has nothing to do with the economics; it has strictly to do with an item of governance and the ethnic heritage of the people of Alaska where the American Government treats these people a certain way, because they are original inhabitants of the land called North America. It has nothing to do with anybody else in America.

Fellow Senators, I think the Bill as proposed, lends itself in assisting us in sustainable development for Trinidad and Tobago. It lends itself to adding another facet to the system of governance that is focused on the people of Trinidad and Tobago. It is a functional part of the visionary strategy for 2020; it is a functional part for helping to develop and sustain the internal dynamics of our population, as we seek a greater social compact and mobilization of our people against our own development or toward our own development.

Mr. Vice-President, this demonstrates wise and frugal use of our earnings. It allows the possibility of continuance of investment in economic activity—investment in our people through education, investment in the sustainability of our households; it allows a reference and a continuance to the development of the social and cultural heritage of our people; it allows investment in our natural capital and the quality of that natural capital; it allows an investment in the quality of the environment; it allows for continued investment in our food security; and, above all things, it allows for the investment in the future of our people and the sustainability of our people and country in the establishment of the Heritage and Stabilisation Fund.

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

Sen. Dr. Eastlyn Mc Kenzie: Mr. Vice-President, thank you very much for allowing me to speak. Before I begin to make my contribution, let me say to the Network of NGOs of Trinidad and Tobago for the Advancement of Women, thanks for the lovely corsages that were given to the women of the Senate to mark International Women’s Day. [*Desk thumping*] May I say, on our behalf, thanks to the Parliamentary Attendants who so graciously distributed these corsages to us. Thank you very much. [*Desk thumping*]

The Government has had the benefit of a lot of expertise in the debate of this Bill. In the other place, they had the benefit and the experience of a former Governor of the Central Bank, a former Minister of Finance, and we are having here the expertise of former bank managers and people associated with the banks in the form of Sen. The Hon. Conrad Enill and Sen. The Hon. Arnold Piggott.

We have our own financial experts in the Senate like Sen. The Hon. Christine Sahadeo and Sen The Hon. Danny Montano. We have our own economist in the form of Sen. Mary King, and we have our own Sen. Raziah Ahmed with her own “money matters”.

We have the experience in the budgetary division of Sen. Bro. Noble Khan and Sen. Angela Cropper; and we have the experience in the energy sector of Sen. Basharat Ali and I can go on and on. So, this Government has been a very lucky one in terms of this Bill.

We also had the experience of the experts in the newspapers but, to me, the emphasis has been on financial management and investment. My emphasis is on the investment of human capital. If we really want to aim at sustainable development, whether it is how many generations to come, I think the investment in human capital is what is most important.

I want to also recognize and congratulate the Government on the investments that I have known of, those that I have witnessed, those that I have read about and those that I have seen, especially where our young people are taking these opportunities to help themselves like the programmes in education; the programmes in training; the assistance in financing like the GATE programme; and all of these programmes that we have assisting our young people to develop and so invest in their own human capital. I want to recognize that and congratulate the Government.

Mr. Vice-President, there is the feeling out there from people with whom I have spoken and what they have heard with respect to this Heritage and Stabilisation Bill—they are saying that the Government is saving up money for our children and our children's children. It gives the impression that they do not have to do anything for themselves, and so I want to put my emphasis on this area of human awareness so that they would also have their own heritage and stabilisation fund.

I am suggesting that we need a public education drive in communities and in our institutions of learning. Yes, I know about the Financial Literacy Programme, emanating from the Central Bank. I want to specially congratulate Mr. Clarry Benn. I know him well by coming to Tobago festivals, and I know that he is a man for the people, and he is a man on the ground. I do hope that he would copy from other persons who have gone before him in the Unit Trust Corporation, like Jerry Hospedales and the late Anthony Jacelon, who had moved out of their offices and gone into communities and preached the gospel of investment in the Unit Trust Corporation.

Mr. Vice-President, I can tell you that today one of the strongest areas in the investment in the Unit Trust Corporation is in Tobago, and this is because those people moved out of their offices and joined with us in education and, by extension, with community development, and talked to the people on a one-on-one basis by encouraging them to save. I think the success stories of some of the ordinary people who took the bait and invested should be told.

I met one gentleman in Charlotteville in Tobago three weeks ago, and he was reminding me of the two white men, as he called them. He said: "Do you remember when you brought the two white men them to Charlotteville and they talked about the Unit Trust?" He said he fight and skimp to save \$5,000, and he went down and put his money in that Unit Trust Corporation and now his \$5,000—he never did anything else but put it in and left it. He said he does not want to talk too hard to let them bandits hold him up—is worth over \$80,000. This is what I want to say to Mr. Benn and his team.

I observed that he has a committee and there is a segment of employees in the workplace that deals with that matter. He has members from the Ministry of Consumer Affairs, the Chamber of Industry and Commerce, the Manufacturers Association, insurance companies, the Bankers' Association; Employers' Consultative; YTEPP, the Institute of Chartered Accountants and the NGOs.

Mr. Vice-President, I am appealing to him and his committee to move out to the ordinary citizens. We would be surprised to know how the ordinary citizens listen, learn and act. When you write and you talk to the people who read their reviews and so forth, they would do it, but I want to say that I think we need to move into the communities with our public education. We need to encourage our ordinary people to save and invest for themselves and for the future.

I want again to congratulate the Government on a move that I see that it is taking with respect to the home mortgage plans, where they have a succession clause in it where children of homeowners can now take up the mortgage after and carry it on. I want to congratulate them on that.

I want to also say that when the Housing Development Corporation hands over keys to new homeowners, they must also tell them that in 15 years' time these houses will need minor repairs and so forth and, probably, the \$10,000 that would do it now, it will take them \$50,000 to do it later on. As a consequence, they need to make provisions for that kind of expense when the houses are older and when they would need new appliances and so forth. I do not think that the Government is doing enough in that type of education for the grassroots; the ordinary people. We need to tell them how to invest and how to invest wisely.

4.00 p.m.

Mr. Vice-President, we also need to tell our ordinary people—and I heard it some months ago from someone, I think it was the Governor of the Central Bank who actually said to the ordinary people—even though you do not find plenty money to invest, you can save, you can earn by doing things yourself. You can learn a skill, you can plant, you can sew your own clothes; those will help you to cut down on your expenses. Instead of buying food every day you can make your own or make a sandwich. These types of simple things that sound as simple, simple ordinary things to people, but which can add up to mean a lot.

We can emphasize the healthy lifestyle programmes that we have from the ministries, where they are saying, please cut down on your health problems by changing your lifestyle. So you find that the medical people would not really be taking your money from you because of your own fault. It is the same thing that

we can say as the Ministry of National Security and their agencies are saying, do not get into trouble; when you get into trouble, you help the lawyer. These are the types of ordinary things that we need to preach to ordinary people. Stay out of trouble; obey the law; lawyers are going to eat out your money.

So, Mr. Vice-President, what are my recommendations? My recommendations are: One, public education in the schools and in the community groups, in addition to the wealth of literature that we have in the newspapers. There are the people who read; there are people who will not read; there are the people who will talk to you face to face; there are the people who will listen to the slogans on the radio. I know the banks, the Unit Trust, all these people are encouraging people to invest, but they are only talking to one segment of the population. I want to say to them, get out of the offices.

I want to say to Mr. Benn, take your team out; go into the country; come to Tobago, I will set up the meetings for you, you do not have to pay me, just tell me you would come. I would set up 10 different communities and guarantee you that you would talk to thousands of people before you come back to Trinidad. I am sure he will get response. Make sure that you have that.

So, I am saying, continue the advertisements on the radio, the newspapers and television. Continue to write, those people who are writing in the newspapers. I see the investment chef, Dr. Eric St Cyr; I see Mr. McGuire; I see Mr. Dennis Pantin. I read them and I am saying to them, do more.

My second recommendation is that they draw up an itinerary of visits to communities and interest groups all over; publish your itinerary. We are going to be here to talk to ordinary people in simple language. We do not want any big highfalutin economic terms that we do not want to hear.

My next recommendation, the Housing Development Corporation, as you hand over your keys, warn the house owners, even those of us who have built our homes, that in 15 to 20 years time when we are older, when we cannot earn, when everything will cost more and therefore you need to invest and give the people ideas as to how much they could invest, where to invest; give them choices and tell them what could be their possible yield so that they will prepare themselves in addition to the preparation that the Government is making.

My next recommendation is that we use the community development officers, the sports officers and the extension officers, both in education and agriculture to spread the message of investment, savings and earnings. Let every citizen buy

into setting up his or her own heritage and stabilisation fund. We must make it clear; the Government cannot take care of all the needs of the citizens all the time. We also have a tremendous responsibility to ourselves.

Mr. Vice-President, as I said, as we get older everything needs replacements, even our limbs and organs need replacement because we are getting old and cranky, so we have to invest in our health and so on. Our appliances are getting older, our furniture is getting older, and our infrastructure that the Government is setting up will get older. We are hearing about pipelines 150 years old. When they put them down and the cost to put them down, they cannot put down one foot for that cost now, because everything is getting more expensive and I do not think that that message is going through to our ordinary people as much as the financial messages are going through to the people who can read and understand, learn, invest and all those things.

So, Mr. Vice-President, I want to congratulate the Government on this Heritage and Stabilisation Fund. I think the Government has had the expertise of several people in all walks of life, from this Senate and also from the other place, from the newspapers, from the university, from the review we have been reading and understanding and I am sure—according to the people in Tobago—the Government does not have bucket ears; they will hear.

I am saying congratulations to them for the investment in our young people, especially in education, training, development, the skills, the housing and everything else that the Government is doing. But I am saying this is not enough. I am saying we must dispel the myth that the people have, that the Government is saving for all of them, all the time and they do not have to do anything, but just sit, relax and everything will come to them when they are old and when their children grow up and so on; Government putting aside money for all of you; that is not the point. I am saying to Mr. Benn, Mr. Ewart Williams in the Central Bank and his team, get up and get out and teach our people.

Thank you very much.

WRITTEN ANSWERS TO QUESTIONS

Mr. Vice-President: Hon. Members, I would like to bring to your attention the fact that the written answers for questions 20 and 21 have been received and circulated. Did you receive these?

Hon. Senators: Yes.

Mr. Vice-President: Sen. Montano.

HERITAGE AND STABILISATION FUND (NO. 2) BILL

The Minister of Labour, Small and Micro Enterprise Development (Sen. the Hon. Danny Montano): Mr. Vice-President, thank you very much. I hope that you will indulge me for a moment before I get into the substance of my contribution.

Today is the 85th birthday of my mother. [*Desk thumping*] She was born on March 06, 1922 and I am very proud to say this. Of course, she is the one lady that I love the most in the world; she was my first love, not my only love, but my first love. As you know, my mother hails from Montreal, Canada, but she has made this country her home. You would know of the history of my father and I dare say that those of you who know, know that my dad passed away about 14 or 15 months ago, but his legacy stays with us. I am very proud to be his son and to be a member of the People's National Movement, to be a member of the Government.

I would just like to recognize my mother and the part that my mother played in all that has happened through the history since they got married in 1946 up until now. The fact that my older brother Robin, who I admire and love with all my heart is not with us in the Chamber today, but I still love him, I still admire him and I know that my mother feels the same pride and respect and deals with both of us with the same level of encouragement once we serve the country as a whole.

My mother while she supported my father, when he was a member of the People's National Movement, was a fervent nationalist insofar as she could be and certainly supported my brother when he was a member of the UNC.

I would just like to say that it is on my side, a sadness that he is not here with us this afternoon, but I know that I speak for him when we wish her the very happiest of days on her 85th birthday.

Thank you very much for your indulgence, Mr. Vice-President. [*Desk thumping*]

Mr. Vice-President, having said that, you know we are on the eve of International Women's Day and in this country women play a most important and vital role. We have just heard from a lady Senator and with respect, I hate to describe our colleagues as females; they are ladies. Our lady Senator from Tobago who spoke eloquently and well of what needs to be done in the country and I share her views and she needs to be supported for that.

The issue of a heritage and stabilisation fund, I think has been misunderstood by many persons in the community. A very simple issue is this: Any surpluses of the Government are automatically saved by definition. It does not disappear into a vacuum; it is automatically saved. The Central Bank of the Republic is the banker of the Government and therefore if there are any surpluses in the budget at the end of any year, all of the surpluses get put into the Central Bank and they are held in the Consolidated Fund. Sen. Bro. Khan, who of course, was a senior member in the Ministry of Finance would understand very well and so would Senator Basharat Ali. They would understand exactly what I am saying and that is the surpluses are held in the Central Bank. It is not as if somehow the difference between the revenue and expenditure—and expenditure I mean between the operations of Government and capital expenditure incurred in the building of whatever needs to be built. The surplus of that expenditure automatically goes into the Central Bank; it is not lost.

Mr. Vice-President, if you look at the accounts of the Central Bank you will see two figures; one on the asset side of the Central Bank, showing the investments the Central Bank has in foreign assets, and at this point the number is very, very substantial. You will see another number showing up as a liability on the Central Bank owed to the Government and the Government agencies; that is really the savings that the Government has in the Central Bank. So while on the Central Bank's accounts it may appear as a liability, it is really the savings of the country. At this point the cumulative savings of the Government over umpteen years that the Central Bank has been in operation is close to about \$25 billion.

The issue of the Heritage and Stabilisation Fund is not the only equation in terms of savings into the future. The Heritage and Stabilisation Fund as we are setting it out here today, says only that we can draw it down under certain circumstances. It will be built up under certain circumstances and we can draw it down under certain circumstances, but the money is never lost. Even if we did not do that, the money is not lost; it does not get lost. The money is saved and it is saved in the Central Bank.

Were it not for this legislation, on any given year, if the revenues of the Government were to fall short of the Government's planned expenditure, the Government could simply draw it out of the Central Bank and say, we are going to appropriate this amount of money from the Consolidated Fund to do whatever it is the Government says that they want to do with it. And I see that Sen. Bro. Khan is nodding; he understands and so does Sen. Ali. Having worked in the Ministry of Finance, he understands exactly what I am saying.

Heritage and Stabilisation Bill
[SEN. THE HON. D. MONTANO]

Tuesday, March 06, 2007

What this Bill does is this; it says you can only draw these funds down under certain circumstances at this rate. Therefore, it shelters the Government savings from future drawdowns so that you can only draw it down at a certain rate. That is what it really does. I think that from the discussions that I have had with many persons in the private sector, there has been a gross misunderstanding as to what this fund was really all about. They were assuming that this was the only savings of the Government, when in fact it is not.

In the accounts of last year, the savings as I understand it from the Minister of Finance, is about \$1.5 billion. And that is after we have put all of these funds into the Heritage and Stabilisation Fund. So that \$1.5 billion is not lost; it is in the Central Bank and the Central Bank will invest it in its own way. The only thing is, the Government has no say in how the Central Bank invests that \$1.5 billion. The Central Bank will do their own thing; they will invest it in gold or oil stocks or whatever.

Under the Heritage and Stabilisation Fund, there are certain specific rules as to how the funds can be invested. The money is not lost; the money is never lost. What we have done is sheltered this \$8 billion to say, this Government or any subsequent government can only draw it down based on these rules. But please do not forget that we have—the Government, not we, the people—at least three times what is in the Heritage Fund in the Central Bank already that we can draw down to fund deficits if there is a shortfall in the price of oil or gas or whatever it is in the future. There is a tremendous amount of savings that is in fact accessible to the Government as we go into the future and I think that point has not been made.

Mr. Vice-President, while I have not heard it in this debate, it is important to understand exactly where we are from a standpoint of savings. In terms of trying to assess the management and credential management of the resources of this economy, I just would like to give you a bit of background as to what we are talking about. Of course, at this point in 2007, our economy is based on oil and gas; that is a very significant fact. The fact that we have a gas economy is extremely important and people do not understand how it came about.

Let me just explain one or two things. One of the things that has been said is that we are drawing down on the reserves of oil and natural gas at a rate that cannot be sustained and we are going to deplete all the resources; we are spending all of the money; we are wasting everything that we are earning and so on and so forth. It needs to be put into context. Unfortunately, I have been unable to get the figures for the gas reserves worldwide, and the depletion and drawdown rate on a worldwide basis, but I do have it for oil.

It is important because the policy of this administration with regard to oil and natural gas is the same and that is, it is a commodity that must be used for the benefit of the development of the country. One of the things—and I have heard it here over the past five or six years that I have been in this Parliament—I have heard is that Norway is a comparator to Trinidad and Tobago. Let me just give you a bit of an example as to how Norway is not really a comparator, and you decide for yourself, Mr. Vice-President, as to whether we are doing a good thing or a bad thing.

Norway is a member of OPEC. Norway has proven reserves of oil of 7.7 billion barrels. We have approximately 760 million barrels, of course it varies from day to day. So we are 10 per cent of their reserves. Norway produces approximately 3.2 million barrels per day of oil, which gives them a production of 1.16 billion barrels per year. Norway at the present rate of production has 6.5 years oil left on a straight line basis. Of course, it is never a perfect equation as Sen. Bro. Khan would understand. It is not a perfect equation, but by comparison, Trinidad and Tobago with reserves of about 760 million barrels, with a production of about 140,000 barrels per day, has approximately 15 years worth oil left; assuming that nothing else is proved up. In terms of natural gas, everybody says we are running down the natural gas; we are going to deplete the natural gas; it is going to run out and so on and so forth.

Sen. Seetahal S.C.: If we have the smelter, it is.

Sen. The Hon. D. Montano: The smelters are plural, will account for about 3 per cent of production of natural gas in the country. It is not insignificant, but it is not a material number to the production of natural gas. In terms of natural gas, we have about 15 years at the present rate of consumption, based on the proven reserves, which are estimated at about 19 trillion cubic feet.

On the probable reserves we have about 41 trillion cubic feet and the possible, which is more than likely—and if you talk to the experts in the industry, it is more than likely—is about 93 trillion cubic feet of gas. There is no estimate as to when the gas is going to expire.

During the Carnival period, a senior banker from the Bank of Nova Scotia was here, I happen to know him very well. He is in the mining and extraction industry sector of the Bank of Nova Scotia and we were chatting. I was saying to him, boy, you know we have received a lot of criticism that we are drawing down the natural gas too rapidly; it is going to run out and all this kind of business. This is a banker, he does not even live here, he is a Canadian and he says to me: You have

Heritage and Stabilisation Bill
[SEN. THE HON. D. MONTANO]

Tuesday, March 06, 2007

15 years worth of proven gas reserves? I said: Yes. He said: Why would anybody want to invest now in trying to prove up reserves that you do not need for 15 years? Simple banking. Why would you need to prove it today when you do not need it for 15 or 20 years?

That is the fact; the simple fact. This is a foreigner who is visiting here and he says that we do not need to prove up the reserves as yet. He is in the mining and extraction business and understands the business. That was an education for me because that really answered it for me, as it should answer it for you.

Mr. Vice-President, the situation that we face is not unique. In the United States, in terms of oil, from now only has—again on a straight line basis, assuming that no other reserves are proven up or found or whatever and of course, it is always a moving goal post as we understand it, based on the figures—6.7 years worth left. Mexico has only 9.2 years left. Nigeria, by comparison has 39 years left. I thought I would throw that in so that you would understand exactly what was going on. Trinidad and Tobago has approximately 15 years left. Are we in a bad position or are we in a good position? I leave it to the Members of the Senate.

You know one of the things I think that is worthwhile—I have a document here that was prepared by the Baker Institute Energy Forum; Programme on Energy and Sustainable Development; Liquefied Natural Gas from Trinidad and Tobago: The Atlantic LNG Project. Mr. Vice-President, I hope that you would allow me to read extensively from this article.

Mr. Vice-President: Sen. Montano, since you are going to use that extensively and we are just two minutes away from tea, I think we should take the tea break now and allow you to continue when we come back.

The Senate will now be suspended for tea.

4.28 p.m.: *Sitting suspended.*

5.00 p.m.: *Sitting resumed.*

Sen. The Hon. D. Montano: Thank you, Mr. Vice-President. Before the tea break I was about to refer to an article from the Baker Institute Energy Forum. It is an article written by two gentlemen, Rob Shepherd and James Ball from Stanford University and the subject of the article is “Liquefied Natural Gas from Trinidad and Tobago: The Atlantic LNG Project.”

This is important in the context of what we are doing with the Heritage and Stabilisation Fund because I think that hon. Senators need to understand what the policy of the Government is and how it came about. I hope you will allow me to

read extensively from this article. It is only two pages and I do not intend to read the entire thing, but I think it is important to place this on the record. It starts:

“In 1992 Cabot LNG, a relatively small Boston-based LNG importer and owner of the Everett LNG receiving terminal just north of Boston, approached the government of Trinidad and Tobago about developing a new LNG export project. Although three attempts had been made previously to develop LNG in Trinidad, nothing had come of them and the government had largely concentrated on attracting intensive gas-based industries to the country...

This paper sets out to explore why the venture was so successful, what projects were competing and why they experienced different, often relatively less favourable fates. The question of competing projects in this case is quite complex and indeed the outcomes of competing projects appear different for different stakeholders—the buyers of LNG, the government of Trinidad and Tobago, and the project promoters.

It is necessary, however, to emphasise that wonderful as hindsight is, the project decisions must be viewed in the context of the time they were made. For LNG, the early to mid-1990s was a very different time than today. The first projects in Algeria and Libya, launched in the 1960s and 70s, had suffered a series of setbacks and market reversals, and every subsequent attempt to launch an LNG export project in the Atlantic Basin had failed. The main exporter, Algeria, had only just begun revamping its own facilities after a period of lean demand. To the LNG business, export was a Pacific affair in which the Middle East had gained a small role. The achievement of the promoters of Atlantic LNG was truly mould-breaking and for very many in the LNG business...(was completely)...unexpected. This is not to diminish the achievements of the other Atlantic Basin project developed at a similar time, Nigeria LNG, which is discussed below, for, it too broke precedents. The LNG project launched in Trinidad...however, had unique features both commercially and politically which were even more exceptional in the world as it was when the actions and decisions described in this chapter took place...

LNG projects...generally present a challenge for the host government, which is faced with balancing the long-term benefits of a successful project with the concessions and support needed...to bring a project to life. LNG projects usually require preferable tax treatment compared with oil, and often compared with gas for local use as well. Such concessions to multinational companies are bound to be politically sensitive and require skilled negotiations to steer between the Scylla of offering too much and the

Heritage and Stabilisation Bill
[SEN. THE HON. D. MONTANO]

Tuesday, March 06, 2007

Charybdis of a stillborn project. Furthermore... a local debate usually surfaces over whether this precious...resource should be wasted on foreign...(demand)...The government will have to navigate this debate, often again and again. This debate...in Trinidad was resolved in the favour of exports.”

Mr. Vice-President, this is what the footnote says:

“A more enlightened Algerian government...in the 1980s might well have preserved the position of Algerian LNG in the Atlantic market. Even if it hadn't, its new policy in the mid 1990s, which led to the plants being refurbished, came too late to prevent Nigeria and Trinidad filling the void in the market which opened up. Likewise, the various obstacles thrown in the way of NLNG...particularly in the 1990s allowed Trinidad...to catch up and find a place in the market. The Trinidad government...by contrast, gave support when it was needed and stood out as the most hospitable of the three possibly contending LNG governments to LNG investment.”

Stanford University.

Mr. Vice-President, our economy today is based very largely, not only on oil which we have had for the last hundred years but on gas, and gas has exploded exponentially with LNG. That was a decision that was taken by a former incarnation of this administration between 1991 and 1995. Not the Government that you see in front of you this afternoon, but a former incarnation of this Government headed by the Prime Minister, Mr. Patrick Manning.

I want to put on record—it is important that Senators understand and the population understand—that the decisions marked inside here were very largely, the singular decision of the Prime Minister, Mr. Patrick Manning. [*Desk thumping*] If he did not have the foresight and the courage to do what he did then, we would not, today, be talking about a Heritage and Stabilisation Fund, We simply would not be! We would not be where we are today. It is important that people understand how we got here. It did not happen by “vaps”, it did not happen by accident and it did not happen by any corrupt means. It happened because it was planned, it was understood and the decisions were made for the benefit of the country as a whole.

Mr. Vice-President, allow me to move on a bit from the topic of, specifically talking about oil and gas, to talk a bit about my own domain of labour. The hon. Sen. Wade Mark started to talk a bit about the subject, clearly, something he has no knowledge or understanding of, and started to quote some things that I had

said in another place at another time. Allow me just to put it into context, because clearly, he does not understand what I said. What I said was very simple. You need to understand that my last name is Montano. I make no apology for who I am, what I look like and where I come from. In fact, I am very proud of who I am. I joined this party for exactly the same reasons that my father joined in 1956; precisely the same reasons, because those policies that existed in 1956 subsist in 2006, some 50 years later and I am proud to be a part of that. He taught me what I needed to understand. I am his son and I am proudly his son.

Let me just tell you something, [*Interruption*] when I started to talk about wages under \$3,000 a month, that was not a benchmark which anybody had set. That benchmark had never been set by anybody in the country until I started it, because I understood what had to happen in the country. It was not just that I understood it by myself! I was not the only one who understood it! When we were in Opposition from 1995 to 2001, we, in Opposition began to talk about what we could do to help the underclasses; those who were at the lower end of the economic ladder. How could we help them? What were the things that we needed to do to rescue them? What were the social things that we could do to help? What could we do and how would we do it?

We spent many, many long hours talking about it, arguing about it and debating what we could do. What you see today, in 2007, is a result of the debate that took place behind closed doors. That was at the instance of the present Prime Minister. He said to a group of us, “Come up with some plans; what are you going to do to rescue the underclasses in this country?” That is what he said to us, what are you going to do? What can we do? Now, with the revenues that we have what should we do? With the revenues that we have what should we do? Stick it in the bank and say, well, let us save it for future generations. Mr. Vice-President, we have generations today that need to be rescued. Today! Not next year or 10 years from now. Today! [*Desk thumping*] They need to be rescued now! [*Desk thumping*] The Prime Minister understood that, and he said come up with some plans: What are you going to do now?

In 2001, when the UNC was in Government almost 70 per cent of the workers in the country earned less than \$3,000 a month. I said in 2002—because I was speaking, not trying to be political; it was not that kind of a forum—63 per cent earned less than \$3,000 a month, but in 2001 it was nearly 70 per cent. In 2006 it was 41 per cent; now it hurts me to say that, in spite of the fact that there is a radical improvement, it needs to be better. We recognize that. We understand what it is and we are not afraid to say that it takes \$1,700 a month to feed a family

Heritage and Stabilisation Bill
[SEN. THE HON. D. MONTANO]

Tuesday, March 06, 2007

of four at a competent level. We are not afraid to say that! So what does the Government do? Does the Government just say, “oh” well, we leave it there for the rest of you. No! What the Government has done is this, in every facet of the governance and administration what the Government has done is respond to the needs of the people.

In education there is a place for every child; in tertiary education over 30 per cent of students coming out of school now have a place in a university. A university! Never before! More than that—and you do not have to pay for it. You do not have to have an income to pay for that. It is for free! That is what the Government did. Furthermore, what the Government said was this, we will invest approximately \$2 billion a year in subsidized housing for those who cannot afford decent housing. The Government using the oil revenues will invest approximately \$2 billion a year to subsidize the cost of housing so that you do not need a job of \$6,000; \$7,000 or \$8,000 a month to buy a house. You can buy a house with \$2,000 a month. And that is a fact! With an income of \$2,000 a month you can go to the HDC and apply for a house and get a mortgage. That is what we did. Is that right or is that wrong? Or should we take the revenue and stick it in the bank and say, we are saving this for the future so your kids can have it at some nebulous point in the future but you have to “scrunt” now.

Mr. Vice-President, that makes no sense. From a political standpoint it makes sense to the Opposition because it means that we are satisfying the needs of the population, which is the job of the Government. That is the job of the government, whichever government there is. That is our job! So they do not want us to do that; they want us to stick it in the bank and do nothing with it and have everybody “scrunt”. In the six years that they were in Government they built 300 houses. Last year alone, 2006, we started 8,000 houses, more than at any other time in the history of this country. [*Desk thumping*]

What should we do with the surplus revenues? We are doing precisely what we should be doing, and that is using it for the benefit of the people. We are doing it for the benefit of the people, and the people are benefiting; you only have to look around. People who came here for the Carnival this year said to me they have never seen anything like it. They have never seen Trinidad so flushed with cash, prosperity, and happiness; everybody is happy and so on. Now there is one downside to it, and I will be the first to admit it. The more that we deliver the greater the expectations that we need to do more. The more houses we build—and

I am involved because I see it every week. I go into the constituency that I have been assigned to try to help and people come up to me and they say, “But my neighbour got a house, how come I cannot get a house?” [*Laughter*]

We can build only so many houses. We can only build so many at a time. You will get there in the fullness of time. Six years ago there was no hope. The people who come to me to ask me for a house had no chance to ask for any house anywhere at all. There was just no way they could get a house. [*Interruption*] Today, they can express frustration to the Government and say, “Why can't I get a house, now? Look at all the houses. All the houses, why I cannot get one?” With a database of some 80,000—if we can only build 8,000 a year—it is one in 10 that is going to get a house each year. Now, is that a bad thing or is that a good thing? It is a good thing. I tell you it is a good thing. When my father was the Minister of Housing, it was a good thing. I stand here as a former Minister of Housing and I am proud to tell you, it is a good thing! [*Desk thumping*]

The people need a government like this! The people need this Government! The people need this administration! [*Interruption*] We have done more for the people than any other government in the history of the country. That is a fact! [*Desk thumping*] Go where you want; say what you want. The facts and the numbers—and I speak as an accountant—do not lie. The numbers do not lie and that is the plain truth of it.

Sen. Mark: He said the numbers do not lie. [*Laughter*]

Sen. The Hon. D. Montano: The numbers do not lie. [*Crosstalk*]

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

Sen. Mark: Go “Danny Boy”, go “Danny Boy”.

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

Question put and agreed to.

Sen. Mark: Let him talk. [*Laughter*]

Sen. The Hon. D. Montano: Mr. Vice-President, I thank Sen. Mark, but he should know, “Danny Boy” is the name [*Laughter*] that my father gave to me. [*Laughter*] Not my mother, my father gave me that name [*Laughter*] [*Interruption*] and it was “Danny Boy” not “Danny”, but “Danny Boy”. I know you do not like the—[*Laughter*] [*Crosstalk*] so I like it and the more you call me that, the more I think fondly of my father whom I loved and admired.

Sen. Mark: Very well.

Sen. Jeremie S.C.: And Tim too.

Sen. The Hon. D. Montano: And of course, Sen. Mark.

Hon. Senator: You think fondly of him.

Sen. The Hon. D. Montano: He is my brother; what else can I do? I cannot distinguish between—well, he got less hair than I have. [*Laughter*] That is the difference, is it not? And I speak a little more sense than he does, but other than that—[*Laughter*]

Sen. Mark: Go ahead, talk. [*Laughter*]

Sen. Dr. Gopeesingh: He says we are not interrupting him today—

Sen. The Hon. D. Montano: Not today.

Sen. Dr. Gopeesingh:—even if he is irrelevant. [*Crosstalk*]

Sen. The Hon. D. Montano: They have been very generous. [*Interruption*] Mr. Vice-President, clearly I am about to get to that point. Allow me just to say that clearly, what we are doing here is in the interest of the people; not any person singularly, but the people as a whole. I support this Bill and I would encourage all Members of this honourable Senate to support this Bill.

Allow me again just a small indulgence, to once again wish my mother the happiest of birthdays. It is not often that one gets a chance to do that and I take advantage of the opportunity that I have as a Senator to stand on this platform to say that, were it not for her I would not be here.

Hon. Senator: True.

Sen. The Hon. D. Montano: And I am very grateful for the fact that [*Laughter*] at least I am alive and that she gave birth to me. She is a lady that I admire very much and I wish her the happiest of days. I know that my brother does too even though he is not here and I do miss him and I wish that he could return. I know that he wishes her the very happiest—

Sen. Dr. Gopeesingh: You want him to come right back there.

Sen. The Hon. D. Montano: He would come right back there; that is fine, as long as you serve. It does not matter where you—I served on that side too—

Sen. Dr. Gopeesingh: You know we love your brother.

Sen. The Hon. D. Montano:—and that was an honourable thing. It was an honourable thing to serve in Opposition. Most important—the fact that you guys are irrelevant is not the issue. [*Laughter*] The fact is, it is still important that you say what you have to say. It is important that you say it and that you be heard and I respect that. I do regret that my brother Robin is not here, and speaking for him and for myself, my brother and sister, I would like to wish my mom the happiest of birthdays. I thank the indulgence of all the Senators here.

Thank you very much. [*Desk thumping*]

Sen. Dr. Jennifer Kernahan: Thank you, Mr. Vice-President. I want to thank you for the opportunity to contribute to the debate on the Heritage and Stabilisation Fund and for matters related thereto. Before I get into the debate I also wish to congratulate the women of this country on the occasion of International Women's Day and also, like Sen. Dr. Mc Kenzie, to thank the network of NGOs for these beautiful corsages that we wear today.

Mr. Vice-President, when Sen. Dumas got up to speak I finally understood why this country is in the state of anarchy; why the criminal activity continues with impunity and why there is a virtual collapse of important institutions, such as the criminal justice system where the highest and most prestigious post can be dragged through the mud with no justiciable reason. I understood why institutions such as health, education and agriculture have virtually collapsed, because he said something that was instructive. He said that we should measure what is happening in the economy, and he was meticulous in his measurement of the economy. He quoted the balance of payments; he quoted the GDP figure; he quoted the budget surpluses; he quoted the official reserves figure, all of which his technocrats would have given to him. As he laboriously and lovingly measured the economy it was clear to us on this side that he had no interest in measuring what is actually happening among the people.

At this time, even as we speak here, I want to know if the Minister is aware that hundreds of cancer patients are being turned away from the St. James Medical Infirmary because there is no medication; there are no chemicals for the chemotherapy treatment. [*Interruption*] I want to know if the Minister is aware—when he so lovingly elaborated all these statistics and that we should look at what is happening in the economy; I want to know if he knows what is happening at San Fernando General Hospital even as we speak. In the San Fernando General Hospital, in the medical ward patients are lying on benches all over. There are no beds; beds are a resource that, apparently, is unknown at that institution, [*Interruption*] also at Mount Hope. The doctors are complaining that basic

Heritage and Stabilisation Bill
[SEN. DR. KERNAHAN]

Tuesday, March 06, 2007

medical equipment is not available to them to deal with their patients; heart monitors, blood pressure monitors and so on, basic equipment is not available. So when the Minister is measuring all of these statistics, why is he not measuring; why is this administration not measuring what is actually happening to the people of this country and the suffering to which they are subjected?

Mr. Vice-President, in his measurement—[*By order of the Chair, remark struck off*—in our secondary schools, while the administration turns a blind eye. Reports were made, no action was taken for months when the Minister—

Sen. Manning: Mr. Vice-President, on a point of order. What has just been said is totally untrue and I would really like the Senator to, either withdraw it or provide the evidence.

Sen. Dr. J. Kernahan: Excuse me, Mr. Vice-President—

Mr. Vice-President: Sen. Dr. Kernahan, that was really a sweeping statement—[*By order of the Chair, remark struck off*—you have to be very, very careful with statements like that. If you do not have any evidence to support that—evidence—I will ask you to withdraw the statement.

5.30 p.m.

Sen. Dr. J. Kernahan: Mr. Vice-President, with all due respect, the evidence is on every cellphone in Trinidad and Tobago right now. Images of these young girls being subjected to the most brutal activities.

Mr. Vice-President: Sen. Dr. Kernahan, to the best of my knowledge, there have been incidents and there have been investigations; action has even been taken on matters having to do with cellphone pornography, that is not the same thing as [*By order of the Chair, remark struck off*].

Sen. Dr. J. Kernahan: Mr. Vice-President, I thank you for your guidance, but my understanding is any child under 16 years cannot consent to sexual activity, therefore it is considered rape.

Mr. Vice-President: Sen. Dr. Kernahan, we are not talking about the same thing. I am saying to you, please supply the Senate with evidence in terms of the statement you made regarding [*By order of the Chair, remark struck off*] in our secondary schools. Sen. Dr. Kernahan! Sen. Dr. Kernahan, withdraw the statement if you cannot provide the evidence. Okay?

Sen. Dr. J. Kernahan: Mr. Vice-President, I have seen the evidence. I said it—I do not know if the Senators here are exposed to what is happening on the

streets, but they are on the cellphones. The evidence is there on You Tube; on the Internet. You can go on the Internet and get the evidence, everybody knows that.

Mr. Vice-President: Let me ask you to strike that from the record please and I would ask you, Sen. Dr. Kernahan to proceed without going back to that [*By order of the Chair, remark struck off*] matter.

Sen. Dr. J. Kernahan: Thank you, Mr. Vice-President. So, whilst this administration is focusing on its bogus statistics, and they fail to realize that when you put an unemployment figure of 5 per cent and you fail to realize that when you quote that figure, you have a situation where hundreds of ghost gangs in this country in URP and so on, siphoning millions of dollars out of the system, and therefore, tens of hundreds of jobs, theoretically, would be available to people in their communities and so on and not actually available because of the ghost gangs. So when you quoted a statistic of 5 per cent unemployment, you are not taking into consideration what the realities are on the ground. Who is measuring that? Then the Minister comes here to this Parliament and he asks the question, what is wrong with that? What is wrong with the 5 per cent unemployment? What is wrong with all the statistics that he quoted? What I am saying to the Minister, everything is wrong with what this Government is doing and the way in which they are handling this economy. You know how wrong it is? You will find out when you call the next general election.

Hon. Member: Very wrong.

Sen. Dr. J. Kernahan: Mr. Vice-President—[*Interruption*]

Sen. Dr. Saith: [*Inaudible*]

Sen. Dr. J. Kernahan: I am quite within my rights to reply to the Minister, please, thank you. Mr. Vice-President, the Heritage and Stabilisation Fund Bill before us this afternoon is a reincarnation of the Interim Stabilisation Fund established in 1998, for the first time in the history of this oil rich and mineral rich economy by a responsible and visionary government of the United National Congress under the leadership of the hon. Basdeo Panday.

The concept behind the Interim Stabilisation Fund and supposedly behind the Bill before us is the need to protect the economy against price shocks, and the volatility that characterizes this particular industry, and to provide some level of intergenerational and intragenerational equity that present and future generations will benefit from our economy.

Heritage and Stabilisation Bill
[SEN. DR. KERNAHAN]

Tuesday, March 06, 2007

Mr. Vice-President, I want to look at clause 3 of the Bill where the justification is set out and it says here:

- "(1) There is hereby established the Heritage and Stabilisation Fund to be denominated in the currency of the United States of America.
- (2) The purpose of the Fund is to save and invest surplus petroleum revenues derived from production business in order to—
 - (a) cushion the impact on or sustain public expenditure capacity during periods of revenue downturn whether caused by a fall in prices of crude oil or natural gas;
 - (b) generate an alternate stream of income so as to support public expenditure capacity as a result of revenue downturn caused by the depletion of non-renewable petroleum resources; and
 - (c) provide savings for future generations."

So basically, this Bill speaks to the fact that, one, you can have this volatility and revenue downturn; two, this Bill speaks to depletion of our resources, which when I come to that point I will note that the hon. Minister Montano totally denied the whole concept of depletion. He says that we are never going to be in a position where our oil and gas resources will be depleted and so on; that is a myth. But here the Bill speaks to the fact that depletion is a concern; and three, the Bill spoke to providing saving for future generations.

It will be clear to those of us who have consistently over the past five years been outraged, and we have consistently denounced Government's creative ways of diverting funds from our public purse to so-called organizations and institutions, such as CEPEP and so on and we have consistently denounced the fact that billions of dollars are being spent in this country. This Government has presided over what is literally a "spendfest" of over \$140 billion in five years and the people of this country are traumatized because the standard of living in relation to that has been totally eroded. So we want to know why is it that we have spent so much money and we have gotten so little. That is the question.

Mr. Vice-President, we understand that this Bill is only as good as the governance procedures that are brought to bear on the operation of the Bill. When we look at the Bill and we go through the clauses and so on, it does not engender the kind of confidence, one, with respect to the amount of resources that is put into the stabilization fund; and two, with respect to the checks and balances that would protect the fund from any unjustified forays by the political directorate. So,

those are the two major concerns that we have. Those are not the concerns of the UNC or of us on this side, they are the concerns of the ordinary citizens and they are also the concerns of the professionals in the field.

They are talking here about sustained public expenditure capacity during periods of revenue downturn. The first question that comes to mind is this, if public expenditure is wasteful, is unsustainable, why do we want to sustain that? Is using our savings from the Heritage and Stabilisation Fund the most productive, the most appropriate way to use our savings in maintaining a public expenditure that is wasteful, unproductive and unsustainable? So that is the first question.

The Bill spoke to depletion—and I will come back and elaborate on these things a little later on. The Bill spoke to depletion of our energy resources, but if the Bill is speaking to depletion of our energy resources—If you are going eventually, whether it is 15 or 20 years from now—and I do not know why people are stuck on the fact that we have 15 years of proven resources; 15 years is a very, very short time. Why are you taking so much comfort in the fact that you have only 15 years of proven resources? There are countries—and I will bring the statistics—that have 200 years of proven resources and they are trying to extract as much revenue and maximize their income from oil now and they are looking at alternative energy development.

Sen. Dr. Saith: Who?

Sen. Dr. J. Kernahan: Venezuela for one; Dubai—[*Interruption*]

Sen. Dr. Saith: [*Inaudible*]

Sen. Dr. J. Kernahan: Yes. Venezuela said they have 200 years of oil resources. So I am saying that unless we see Government's policy—if you are talking about depletion, unless you are, you are talking about alternative energy sources and you are talking about alternative economic clusters that will bring a revenue stream to the country when this oil and gas eventually is depleted whether it is 15, 20, 25 years from now, where is Government's policy that reflects that reality? And I am saying that based on everything that they have brought to the table; based on everything that we are seeing in this country, we are seeing no sign of any consciousness that there is need for investment in alternative energy and clean energy.

The Bill spoke to intergenerational equity, that is one of the reasons for future generations. It was third on the list. Intergenerational equity was given very low priority, but if you are going to speak to intergenerational equity then there are certain concrete things that we need to see being done now while the oil and gas is

flowing and when everybody is coming in and pumping merrily away at it and carrying it out of the country and so on. We need to see certain things as policy which will speak to intergenerational equity.

Mr. Vice-President, I would like to see a policy which will show us that we want to postpone the depletion of our gas and oil resources and Sen. Mary King has spoken to that. Why are we pumping it out of the ground as fast as we can take it out? One, we want to see more funds and more revenues being generated from the current reserves that we have because everybody is looking to maximize. In Bolivia, in Ecuador, everybody is trying to negotiate with the oil companies to maximize the returns they are getting from their oil resources. So that is one of the things that other people are trying to do and we are just merrily going along with the status quo.

Another thing, if the Bill is serious about intergenerational equity, what I mentioned before, we have to see some sort of policy with respect to the development of alternative energy resources that in 15 or 50 years from now you have depletion, we reach a peak and are going down, we can generate revenue streams from other energy sources and clean energy sources.

Mr. Vice-President, we have to look at sustainable economic alternatives to emphasize job creation, because in a document from the First Citizens Bank which I will quote from a little later on, they spoke to that problem, that one of the challenges of the oil and natural gas economy is that they are capital intensive, that they generally do not generate a lot of employment per se, and therefore, you have to invest all the revenues and windfall from oil and gas into more employment-generating sectors and jobs, so that your people can find employment, they can earn an income. And that is one of the problems that we have here. We have a very inequitable society; we have an income gap that is widening; 20 per cent of the people of this country get over 40 per cent of the income streams, the top 20 per cent, and the bottom 20 per cent earn only 5 per cent of the income. That is a wide income gap we have to deal with.

Finally, I would like to see, if this Government is serious about this intergenerational equity, some sort of protection of our environment. We have an administration here that is talking about three, four and five smelter plants which is alarming to those of us who care about our environment; who care about the future; who care about subsequent generations. So, Mr. Vice-President, based on the fact that if we look at those prerequisites for any sort of future visioning for our country and subsequent generations, and also for present generations, because these things also affect people now. We are not saying put aside all the money for

future generations, we are saying invest some of that money and give a product that people can see, feel and touch.

We are saying that the people of this country right now are suffering for basic amenities, basic facilities and they are not enjoying the benefit of the oil wealth that this country generates. We are not talking about next week, next month or next 50 years, we are talking about now also. I do not know where Minister Montano got the impression that this side was saying that we do not care about this generation and what is happening here, we care only about future generations; that is not so at all.

So, I am saying it is duplicitous and disingenuous to say the least to talk about intra and intergenerational equity if we do not deal with the issues that I have just mentioned. So therefore, the issue of preserving the capacity of our eco-systems and preserving our biodiversity is another important plank in the whole question of intergenerational equity. Why are we depleting the resources of our forests, of our lands and so on? In some statistics that I saw, at least 10 per cent of the total land mass should be under forest vegetation and so on. We have a situation where we are down to about 6 per cent and that is a problem, and at the rate we are going we have a high level—

Hon. Senator: Where is it?

Sen. Dr. J. Kernahan: I will bring the statistic later. I am just advancing the idea. So, these are the issues and I am saying that it is not we alone who are saying that; people, the economists and so on, who know about these things are also saying that. They are talking about Government's spending and the fact that it is unacceptable and that history will repeat itself with the fact that, you know we had an oil boom that other people said went through this country like a dose of salts.

Mr. Vice-President, I want to quote from the *Express*, of Thursday, September 07, 2006 and the headline is "Economists: History will repeat itself" and the article was written by Driselle Ramjohn. These are some of the things that were outlined in this article and I quote:

"Leading economists yesterday cautioned that oil revenues will fall and if Government continues on its current spending spree the boom and bust history of the 1980's will repeat itself."

We did not say that, leading economists are saying that in this country. I continue:

Heritage and Stabilisation Bill
[SEN. DR. KERNAHAN]

Tuesday, March 06, 2007

"This from ace economists speaking at an Employers' Consultative Association meeting on 'The legacy of the Energy Dollar' at the Hilton Trinidad yesterday.

Senior economist, Republic Bank, Dr. Ronald Ramkission said, 'Certainly, we need a greater saving effort, notwithstanding what we are doing with the Revenue Stabilisation/Heritage Fund, we are not doing enough. Clearly, if we don't spend as much as we do, then we have an option of increased savings.'

Mr. Vice-President, as a lay person I understand that totally because that is the first point I made. I am saying that if you are going to be having a Heritage Stabilisation Fund and savings and you are going to have these high levels of expenditure, how long would your savings last? What is going to happen when your revenue streams are down and you have to dip into your savings? They will not last because your expenditure patterns are too high and that is what the economists are saying. You do not have to be a big economist to understand that; ordinary lay people can understand that very well and we understand it when the economists tell us.

And it continues:

"Government is repeating mistakes of the past with regard to the economy."

That is not we who are saying that and I continue:

"Caribbean Money Market Brokers (CMMB) chief economist Jwala Rambarran said, 'There are a number of warning signs that we are seeing, based on the last oil boom and based on what is currently happening, that says we do have fiscal mismanagement taking place'."

This is what the economists are saying, we do have fiscal management taking place and that we are going to repeat all the mistakes of the past. And it continues:

"The economist said if Government does not employ corrective measures such as an increase in savings and a reduction of expenditure immediately, the country is likely 'to return to zero'."

So, Mr. Vice-President, this is one of the things; several economists got together and that was the consensus. On Thursday, February 15, 2007 a more recent article, bankers now, Mr. Vice-President. The headline is, "Bankers: Govt still needs to check spending." Dulal Whiteway, a senior banker in this country from Republic Bank said and I quote:

"One still needs to look at government spending'. Observing that the size of the national budget has increased from approximately \$12 billion to \$40 billion over the last five years... it was debatable whether these monies were being spent in a manner which would properly address the burning social issues facing the country today."

So, Mr. Vice-President, that is the consensus, that this Government is fiscally imprudent; it is not managing our economy, and therefore, our oil and gas heritage is being frittered away.

A question was asked about statistics and so on. I have a document dated March 2005, Vol. 8, No 1, it is called First Citizens Bank newsletter and the headline is, "Managing Hydrocarbon Wealth, A look at Natural Resource Funds". So this article spoke directly to the managing of our hydrocarbon wealth, our heritage stabilization funds and so on. The article started off by looking at the different challenges of heritage stabilization funds, what they are designed to do, and it spoke about depletion which this Government totally, apparently ignores, saying that that is a myth. It spoke about the volatility. The third thing, what I found interesting, one of the challenges it said here and I quote:

"The third challenge arises from the fact that natural resource-based industries (particularly oil and gas) are highly capital intensive."

This is the statistic I was asked for and I continue:

"While these industries are major sources of wealth, they cannot by themselves provide employment opportunities to absorb a significant portion of the labour force. In such situations the onus often falls on the Government to use its current resources to expand state-funded employment and social security. The result is often a ballooning of today's outlays and the concomitant reduction in savings."

Therefore, the challenge is to invest these funds, these revenues, not in unsustainable government supported projects and programmes, CEPEP, HYPE, MuST and whatever, it is to create sustainable employment opportunities—clusters as they said—economic clusters that without government's support, that without oil revenue support will continue to provide and generate employment. That is the challenge. This Government seems to have no idea how to meet that challenge. They are content to just use the windfall from the oil to create a lot of supported projects and so on that will disappear with the wind and leave thousands of people breadless, homeless and totally destitute overnight. That is what they are setting

up this country for. This is the danger of what they are doing because overnight this can evaporate like a mist in the wind, if this Government continues on this reckless path.

Mr. Vice-President, one of the important and interesting things that this document said and I would like to quote these funds, National Resource Funds:

"NRFs are not permanent solutions to the development challenge of countries that are natural resource dependent. However, they do, in fact provide some intermediary relief in times of falling resource prices and also address one of the key issues of inter and intra generational equity. In essence, if the fund is to be effective, then it must be accompanied by strong fiscal and macro-economic policies by the government, which would lead to more efficient and effective use of resources and revenue derived from these resources. This would not only lead to greater equity within this generation and future generations but facilitate overall growth and development of the economy."

So what they are saying here is that you do not use these heritage and stabilization funds as a panacea for all evils—you know you have a lot of money there that you can spend and you can prop up this project and that project and the other project. It cannot be used like that because that is not sustainable. And this is exactly what this document, the First Citizens Bank economic article is saying and that is exactly what this Government is doing, unfortunately.

We can compare what is happening here to what other countries are doing, for example, in Kuwait, they maintain two funds and I think Sen. Mark spoke to that. He spoke to the fact that we need to separate these funds in our minds, in our concepts, in how we operate, because they speak to two totally different objectives. If we mix this thing up as other people have said, at the end of the day what is going to happen, when you really need the funds for the intergenerational equity, they are not going to be there, because you would have used it up because of your reckless pattern of high expenditure. They simply will not be there, you would have used it up. That is why Kuwait, for example, maintains two funds: the general reserve fund and the reserve fund for future generations; the second is a pure savings fund established in 1976. Each year the fund receives an allocation equivalent to 10 per cent of Government revenue and they went on to explain what that means.

In 1998, for example, in Oman, the fund received a mandatory allocation equivalent to market value of 15,000 barrels per day, per year, at an average oil price of \$36 per barrel for the year 2004; the projected allocation into the fund

could amount to \$200 billion. It goes on to say in Venezuela, allocations are equivalent to 50 per cent of the oil revenue above some reference value set by decree in 1998. So, other countries with a lot more foresight, with a lot more vision than this Government can ever expect to have are looking at the reality of it. Do not tell me that you are going to establish a heritage and stabilization fund and so on, when you know very well the rate of the expenditure that you have, that you are going to use up that fund practicably in a couple years and you would no longer have anything for future generations.

This Government's alleged concern for the depletion of mineral resources and for intergenerational equity rings hollow, given the rate of depletion of our resources. I do not want to go ahead with this unless I give you—what is the rate of depletion of resources we are taking about? I know Minister Saith likes to have his statistics and I have all the statistics here. I want to make the point also that the depletion of which the Bills speaks to—depletion of our oil and natural gas resources—is also linked inextricably to how you dispose of the waste from the oil and gas industry, especially carbon dioxide emissions. This is an important problem that the world is facing right now and we have to look at the rate that we are using our energy resources in the context of the waste that we are also generating; what is happening in the atmosphere; what is happening with the ability of our finite land space to regenerate itself and to absorb and deal with that waste. From the statistics that I have seen we are galloping along at an unsustainable rate.

This document is called, "Environment at a glance 2004 Trinidad and Tobago" and it is produced by the World Bank. This is a World Bank document; Environmental Department World Bank, November 2004. I spoke about depletion and I spoke about how it links to what is happening in the environment and there are certain key indicators that are letting us know that we are on an unsustainable path. So if we are talking about intergenerational equity, nothing like that is happening because we are going to bequeath to our subsequent generations a Trinidad and Tobago very different from the one we know right now; and very different, bad, not very different, good.

Mr. Vice-President, these are some of the statistics that I pulled out from that document. Our energy depletion as a percentage of the gross national income, in 1995 is 16.4; in 2002 is 21.9; and they compared this to the Latin American and Caribbean average which is 5.2; 21.9 is our rate of energy depletion as opposed to 5.2 for the Latin American and Caribbean average. So this is where we are. Carbon dioxide emissions measured in metric tons per capita, in 1995, it was 16;

2000, 20.5 as opposed to the Latin American and Caribbean average of 2.7. You know, we are way ahead of the average for Latin America and Caribbean in carbon dioxide emission, in energy depletion.

6.00 p.m.

Mr. Vice-President, biodiversity in the nationally protected areas—I spoke to that just now. In 2003 we had 6 per cent in the nationally protected areas, where the target is about 10 per cent. In Latin America in 2003 their nationally protected areas is 11.2; they are above what the target is and we are way below what it should be. We are continuing to cut down our forests. We have demolished hundreds of acres in Union Estate; we have created an environmental disaster there. We are thinking of cutting down hundreds of acres more in Chatham. We are just going merrily along, without a thought as to what is going to happen to the environment; without a thought of what is going to happen to future generations; without a thought to all the conventions that we have signed to the contrary.

The electric power consumption, kilowatt hours per capita; in 1996 it was 2,875; in 2001, it was 3,850; as compared to the Latin America average in 2001 of 1,493. With respect to our forest area, in 1990 we had 2,000 square kilometres, 2,810; in 2000 it was down to 2,590. As a percentage, in 1990 we had 54.8 per cent of our land mass covered by forest and in 2000 we were down to 50.5 per cent; as compared to the Latin American average of 47.1 per cent. To conclude, our annual deforestation percentage, in 2000 it was .81, which is a high index, a high percentage as compared to the Latin American and Caribbean average of .47.

What picture does this paint of this very caring Government that looks at all the economic statistics and so lovingly nurtures these statistics? We are consuming more energy than our Latin American neighbours. We are producing more dangerous emissions which are responsible for global warming. We are depleting our resources. We are depleting our forest areas, which would mean serious implications for water for the future, our watersheds, our ability to have water in this country, our ability to absorb the waste that we generate from all these gas-based industries that we have and are planning to have. I have a whole list of gas-based industries which the Government is planning to introduce in the future.

This picture, as dismal as it is after this Government, if we do not stop them in their tracks in 2007, it is going to be 10 times worst, because they are going to introduce all these other industries; cut down thousands of acres and introduce their three smelters. This Government is actually going to ensure that our children

will have no future in this country. They will have nothing to eat. The air would be poisoned. There will be no fish. In the Otaheite Bay, which is one of the last reserves of sheltered reefs where fish come to spawn, they want to put an island there and mash up the whole reef, that whole bay. Because of global warming, scientists are predicting that by 2040, because of the rise in temperature of the oceans and the dysfunctional nature of the ecosystems that support the food chain, there will be no fish. [*Crosstalk*]

What is happening here is that we want to ensure that we do not have any fish here before 2040; we are going to mash up Otaheite Bay. We are going to take away a serious source of livelihood for hundreds of farmers, gardeners and so on; we are going to mash it up. We are going to ensure that we are ahead of the world. We are ahead of the world in every instance here; in energy consumption, in carbon emissions, loss of forest areas and so on. We want to be ahead in the loss of the fishing industry as well. This Government is going ahead full tilt to ensure that happens. [*Crosstalk*]

This is a World Bank document. Do you want me to read it again? They are questioning my research.

Sen. Jeremie S.C.: No, no, no.

Sen. Dr. J. Kernahan: It is from the Environmental Department, World Bank, November 2004. So this is no bogus document, and all this talk about bogus figures; this is serious business here. [*Desk thumping*] [*Crosstalk*]

I have a document written by a Canadian entitled "To Sow the Oil, or Give it Away?" by Jonah Gindin; Alberta Views; December 04, 2006. He made some very interesting points. I spoke about what other countries were doing to preserve their patrimony and heritage to ensure that they maximize the revenues and resources. He quoted a number of things that other countries were doing. He spoke about Venezuela. I will tell you what he said about Venezuela:

"Royalties for conventional oil extraction were raised in 2001. Of greater long-term importance, however, was the increase in royalties on the extraction of Venezuela's unconventional reserves from 1 to 33.3 per cent. A petroleum export tax, phased out in the early 1990s, has been reinstated, and the corporate tax rate for projects in the Orinoco tar belt have been raised from 34 to 50 per cent. Crucially, the government has actually begun collecting these taxes, and demanding payment of back taxes—for the Orinoco tar belt alone, back taxes currently owed are estimated at \$2 billion US."

Heritage and Stabilisation Bill
[SEN. DR. KERNAHAN]

Tuesday, March 06, 2007

Venezuela's share of oil extraction has also increased through the legislation of joint ventures.

"All operating agreements negotiated since 2001 limit private companies to a maximum total share of 49 per cent, and all operating agreements negotiated previously have been renegotiated. As a result, PDVSA projects savings of \$3-billion for the fiscal year 2006."

This is a matter of interest to us. [*Crosstalk*] Persons are saying that we have 15 years, therefore, we have no cause for concern. These are people who have vast lakes of oil; they are sitting on a lake of oil and this is what they are doing to maximize their returns now; not only for future generations, but for present generations. A large percentage of these increased oil earnings go into massive social programmes in Venezuela, which is lifting the quality of life of the people of Venezuela, as we speak.

Later on he compared what Venezuela was doing to what Alberta was doing as an oil producing State in Canada. He asked the question:

"Why isn't Alberta investing a portion of current oil profits in developing an alternative energy industry that could establish itself as a leader once fossil fuels are exhausted...?"

People all over the world are looking at this project and these problems, but we are here, "la di da di da"; we are not worrying about anything outside of 15 years. Maybe they expect to live only 15 years, Mr. Vice-President; "dey doh care who living after dat".

The article goes on:

"By taking the lead in alternative energy, protection of the environment and equitable partnership with indigenous communities, Canada could establish itself as a model for constructive, socially just development."

This is what we want here. We want constructive, socially just development that has its eye on what is going to happen in the future.

We have looked at what China was doing. It is so strange that we are taking Alutrint. We are going to China for their technology, bringing in all these Chinese labourers and immersing ourselves in their technology for heavy industries and so on. Do you know what China is doing? They have a goal that by 2020, 15 per cent of their energy needs will be met from renewal resources. What is our policy on that? We are taking all their technology based on heavy industrialization—
[*Interruption*]

Sen. Dr. Saith: Mr. Vice-President, I understand the need for the Senator to talk about China, Alberta and elsewhere. I am assuming that it is because she does not know what is happening here. I assure the hon. Senator that right now there are two demonstration projects taking place in this country for alternative energy; one is wind in Tobago, the other is a pilot project to use methanol as an input to generate electricity. I assure the Senator that this Government, two years ago, and I announced it here, reviewed our whole taxation policy in respect of additional taxation for the country. This Government does not get royalties; it gets a share of production, therefore, there is no need to raise royalty rates. In fact at some fields, we are getting almost 70 per cent. So all the things you are talking about, you are so proud to tell us what other people are doing, it is obvious you have not done your research on what is happening here. [*Desk thumping*]

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

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

Question put and agreed to.

Sen. Dr. J. Kernahan: Mr. Vice-President, when you come here and talk, you actually have to pry things out of these people. [*Crosstalk*] When I made the point about what Venezuela and Ecuador were doing, I did it to show that other people were moving ahead to maximize their oil revenues. We are not satisfied that this Government is, one, maximizing its oil revenue and two, using it wisely. I quoted extensively from economists to show that they are not using it wisely. So there is no point in trying to extract more, if you are going to throw it down the drain and give it to all the CEPEP contractors and URP ghost gangs. It is better you leave it where it is. If you are going to extract more, please, use it wisely; invest it in social projects that actually bear fruit, that persons can get beds at the hospital and that when cancer patients go to St. James, they can get chemotherapy treatments. Why stand and fool people about your doing this and that and on the ground persons are suffering and cannot get basic things. [*Desk thumping*] [*Crosstalk*] Leave the oil companies with it, if that is what you are going to do.

I just want to look at some of the clauses in this Bill that are also of concern; for example, clause 4(1):

"The President on the advice of the Minister shall appoint a Board of Governors to manage the Fund.

- (2) The Board shall comprise of five members, to be selected from among persons of proven competence...
- (a) two members, one each nominated by the Central Bank or the Ministry...and
 - (b) three others members."

It was surprising to us that it went on to say:

"5.(5) Three members or their alternates shall constitute a quorum."

It is disturbing to me and I am looking at it as a layperson. At the end of the day, three persons are going to be able to make major decisions on the whole fund, on the \$8.6 billion. It was kind of strange to me, because I wondered whether that was something acceptable. I do not know.

The First Citizens Bank economic document that I quoted from earlier had given us natural resource funds, selected countries and all the parameters like the country, the name of the fund, the objectives, the date established, the rules for accumulation and the rules for withdrawal and management. It struck me that we have a whole different set of rules for accumulation and withdrawals, but management is an important aspect. We had at least two countries, Venezuela and Alberta—that probably would shock Sen. Dumas; he was totally appalled at the idea of Parliament having anything to do with the management of these funds.

Sen. Dumas: Did I say that?

Sen. Dr. J. Kernahan: It says here that in Alberta concerning management, Members of Parliament and the Provincial Treasurer—This is an advanced and developed country, the oil-producing State of Alberta. It says here that the management consists of Members of Parliament and the Provincial Treasurer. In Venezuela their management is Parliament and the Executive. So there is a precedent. There are countries that actually have that sort of input; therefore, Sen. Dumas should be a little less shocked. [*Interruption*] [*Sen. R. Dumas rises*]

Sen. Dumas: Just a correction.

Mr. Vice-President: Will you give way?

Sen. Dumas: Senator, my position was quite clear. The argument coming from Sen. Mark was that Parliament must administrate.

Sen. Mark: Oversight.

Sen. Dumas: You did not say oversight; you said administrate.

Sen. Dr. J. Kernahan: The hon. Ministers are in the habit of misquoting and then rebutting the misquoted view. That is what the Minister is doing now. Sen. Mark would never say anything like administrate; he said oversight. Sen. King and other Senators also made the point that we needed oversight. [*Sen. Dumas rises*]

I am not giving way. I just have a few minutes left; I will like to make my contribution. Sen. Dumas had his turn.

Sen. Dumas: We are just trying to keep it decent.

Sen. Dr. J. Kernahan: With respect to the rules for withdrawal, you have discretionary transfers to the budget with approval in different countries; you have transfer to the budget to finance non-oil deficits with approval. So there are a number of ways in which these things can be operated and there are a number of organizations and institutions which would govern it, but I am concerned that we have boiled down to three persons overseeing this fund of billions of dollars, in clause 4. [*Crosstalk*]

Sen. Dr. Saith: How many persons do you want, about 10?

Sen. Dr. J. Kernahan: Clause 15 states:

"Where petroleum revenues collected in any financial year fall below the estimated petroleum revenues for that financial year by at least ten per cent, withdrawals may be made from the Fund as follows, whichever is the lesser amount:

- (a) either sixty per cent of the amount of the shortfall of petroleum revenues...
- (b) twenty-five per cent of the balance..."

My concern is why we should just rush and take out moneys from the Fund when revenues fall by 10 per cent. As a layman, my analysis of this is that we are setting up this Fund, but we project ourselves to be totally dependent on it for revenue streams. If you have other economic clusters and other things such as investments in different, sustainable and productive enterprises, then you project to increase your revenue streams and tax collection systems.

If you are talking about intergenerational equity, you want to desist, as much as possible, from taking moneys from this Fund. This is why you have set it up. You have a shortfall of 10 per cent and you are going to rush to the Fund? To me, in my humble opinion, that does not make sense. It means that we are overly

Heritage and Stabilisation Bill
[SEN. DR. KERNAHAN]

Tuesday, March 06, 2007

dependent on these funds for ordinary, everyday expenditures. We should be visioning a far greater impact on the economy which would justify rushing off to the Fund and taking out moneys. As a housewife, if you are saving for a rainy day, a little 10 per cent drop in your income would make you rush to your savings and pull out money? "Dat doh make sense." You are not taking your savings seriously. That is the concern I have with clause 15. [*Desk thumping*] [*Interruption*]

PROCEDURAL MOTION

The Minister of Public Administration and Information and Minister of Energy and Energy Resources (Sen. The Hon. Dr. Lenny Saith): Mr. Vice-President, I beg to move that the Senate continue to sit until the completion of debate on this Bill.

Question put and agreed to.

HERITAGE AND STABILISATION FUND (NO. 2) BILL

Sen. Dr. J. Kernahan: Clause 20 says:

"The Board shall submit to the Minister—

- (a) a quarterly investment report;
- (b) an annual investment report; and
- (c) a report, within one month of a request made by him on the operation and performance by the Fund."

Clause 21 it states:

"Within four months of the end of the financial year, the Minister shall cause the audited financial statements in respect of the Fund to be laid in Parliament."

I have the same concerns as Sen. Mark. Why is Parliament left out of the whole question of what is happening with these funds? This is our heritage; this is our children's money. This is the intergenerational equity that we are talking about. Why are we in the dark?

When we get up and ask questions we are met with, "Oh, you do not know what is going on in the country; you do not know anything." Because they keep everything under wraps. Parliament, which is supposed to be the highest body in the land, they do not give us any information. This Bill purports to do the same thing; all we would get are the audited financial statements and not reports, which

are so important to the future of the country. We will be asked to look at the question of revenue downturns and going into the Fund. We are not even going to be asked that; they will just run and take it out, because I do not see anything here about Parliament having to approve these things. So they will just dip in and out as the fancy takes them and we are not going to even know what they are doing, because we are not going to get any of these quarterly reports, the annual investment report and so on. That is totally untenable. It is totally unacceptable. We are parliamentarians; we represent the people of this country and we must be in the know with respect to what is happening with our heritage funds. [*Desk thumping*] [*Crosstalk*]

In this Bill before us, the provisions are unacceptable to Parliament. Parliament needs to have proper oversight of the Heritage and Stabilisation Fund; we need to get the reports and we need to have an input in what is happening.

The Central Bank is going to give the management of this huge amount of money to some financial entity and we are supposed to relax; you know, go home every night and sleep soundly, because billions of our money is in the hands of a financial entity. We will not know who they are; what their track record is; what they are doing with the funds, because we will not get the reports.

Before I forget, Sen. Montano said, "Oh you know, we have 15 years of oil reserves, so why do you want to prove up more resources?" Something struck me, as I spoke about this financial entity. I want to know whether the banker he spoke to was a banker for Enron. That could be the only explanation why that banker would be so lax, because we all know what happened to Enron a couple years ago; they collapsed. That was the sort of banker he was speaking to; that is not the sort of banker we are speaking to. I know that he cannot fool anybody here. For you to set up an industry for 30, 40 and 50 years, you must have proven resources to deal with that industry; everybody knows that.

This financial entity they are talking about here, which will not be before Parliament, and we will not have any of the reports, we are concerned about that. We know what happens on the international markets. We know about the scams that take place there. We know about the massive collapse of huge international corporations that can very well take all of our money and leave us stranded. There is no financial entity that is any sacred cow. Out there you have to monitor them; you have to know what is happening; you have to have reports and you have to follow them up. So this colonial concept that it is a financial entity and we are supposed to be happy with that; we are not happy with it. We are concerned about that. [*Crosstalk*]

Sen. Dr. Saith: Put her in the Ministry of Finance.

Sen. Dr. J. Kernahan: The problem we face in this country with respect to intergenerational equity is that there is too wide an income gap and people are suffering in spite of the \$140 billion spent since this Government has governed our country. The fact that you are using so much money now and that you profess to want to take care of generations to come, does not compute. People are suffering too much; it does not compute. A UNC government will ensure that the revenues from our oil and gas heritage are used wisely now and in the future. We are looking at visioning for a future without oil and gas; a future with alternative sources of energy that will not kill our planet.

I thank you.

Sen. Prof. Kenneth Ramchand: Mr. Vice-President, if you ever decide that the speaking time of Senators should be restricted to half an hour, I will back you up on that. [*Desk thumping*] [*Laughter*] That does not mean that I am about to embark on unilateral action and restrict myself to 30 minutes. If everybody decides to go for 30 minutes, I could live with that. [*Laughter*] [*Crosstalk*]

I have a number of concerns with the Heritage and Stabilisation Fund (No. 2) Bill, but my greatest concern, which I am going to spend most of my time on, is with the formula by which the Minister proposes to settle on a price of oil for the purpose of calculating revenue. Before I go there, I want to broach the four or five other concerns that I have.

The word “heritage” appears in the title of the Bill and clause 3(2)(c) promises that one of the purposes of the Bill is to provide a heritage for future generations of citizens of Trinidad and Tobago out of savings and investment income derived from the excess of petroleum revenues. So it is there in the title of the Bill and it is there in this clause, but there is nothing more in the Bill itself, and there was not anything in the Minister's presentation to suggest that there was a concept of heritage operating.

There is no discussion of what the word “heritage” refers to and why it is necessary to address the question of heritage in very special ways, when you are talking about activities that deplete the resources, degrade the environment and impact so devastatingly on biodiversity. There is no thought in the Bill about making good the damage and loss attendant upon exploitation of the resource. The concept of heritage seems to be restricted to passing money benefits on to the next generation.

In some countries they actually give people money. The Bill does not even make the usual empty promises about supporting culture and defending the man made environment. The Bill does not see a connection between heritage and the kind of tourism that might help us to develop the onshore economy and thus contribute to stabilization. That is one of my concerns. I wish the Bill had been more explicit and had amplified a bit more on heritage, showing us that a concern with heritage is also a concern with revenue stabilization and transforming the economy.

The second concern I have, and it is disturbing in view of the fact that so many other things are not being done, is that in other circumstances the way in which revenue stabilization is conceived would be okay, but in the present Bill I have to complain that revenue stabilization is narrowly and politically conceived. To use terms by Dr. Eric St. Cyr, a former Independent Senator, there is no notion here of transforming our externally propelled economy to ensure that when the traditional source of revenue begins to fail, there is human capacity: practical training, imagination, skills, infrastructure production and entrepreneurship, to generate revenue from within. Revenue stabilization cannot simply be with topping up the expenditure budget from the Fund.

Revenue stabilization has to do with transforming the economy and changing it from being what it is now, an externally propelled one, to one that works with its own inner dynamism and works from within. At least, let us get a balance between the external propulsion and the internal dynamics.

May I refer the Minister to an article in a recent issue of the *Trinidad and Tobago Review*, March 05, 2007, pages 6 and 8, entitled "Modeling the Economy" by Dr. Eric St. Cyr. Among other things he proposes, if not four funds, at least four functions that should be clearly allocated within the Fund. I will not go into them, but they are heritage, strict revenue stabilization, a provident fund for current use and long-term investment and a stabilization fund where you salt away money which nobody could touch and which is not subject to any kind of negative impact from what happens to your money here. You just put it away like an old Indian man or bury it under your bed or something, but it will get some interest this time, so it is not exactly like the old Indian man; but salted away and nobody can touch it. I do commend that article to the Minister.

I have to call this one a minor concern, compared to my concern about the formula; my third minor concern is with the implications of 4(1) which states:

"The President on the advice of the Minister shall appoint a Board of Governors to manage the Fund."

Heritage and Stabilisation Bill
[SEN. PROF. RAMCHAND]

Tuesday, March 06, 2007

I am an ancient enemy of the notion that service commissions should be controlled by the political directorate. I think we do need to have commissions and boards, et cetera, that are not directly under the control of any politician. Therefore, by default position, I do not approve of the board being appointed by the President on the advice of the Minister. To me it is too much power. I have great suspicions of this; I will not go too far with that, but this provision would appear to be in keeping with the Bill's tendency and, perhaps, even what one might say is its real purpose, which appears to be to give the Government infinite discretion to carry on with its current programmes of public expenditure while seeming to offer us the comfort that provision is being made for the future. That will become clearer later on.

My fourth concern is that I would have liked to see guidelines coming to the Parliament to be discussed about reinvesting, how you reinvest the Fund. I really would have liked to see those guidelines here and be part of a discussion about that. I would also have liked to see some rules indicating what could be taken out of the Fund, under what conditions, by what process and for what purposes. As it is, the only withdrawals that are referred to in the Bill are the withdrawals in clause 15 which have to do with maintaining public expenditure. I would really have liked to see something in here about money being taken out of the Fund to develop solar energy.

Year after year I come in here and beg about solar energy. I do not understand why a country like this is not even a quarter of the way that Barbados is with solar energy. The Government with all its mega building projects has a wonderful opportunity to solarize all the buildings; at least we would get that if we do not get anything. We do not have to import or outsource sun and we have the expertise.

Those are what I consider my minor concerns.

I call them minor, because my serious cause, the formula, underpins the whole thing. If the formula is no good, then it negates everything else in the Bill. In the first place, I doubt very much whether a formula is possible. When I look at it, I think that the present formula will have the effect of watering down the notion of revenue stabilization. When I look at it, the suspicion grows on me that the formula has been devised, at least in part, to give the Government the discretion to maintain whatever levels of public expenditure it chooses.

It is significant that in the Bill itself when the purpose is being described, clause 2(a) speaks about sustaining public expenditure capacity; 2(b) speaks about supporting public expenditure capacity. Public expenditure capacity is a good

thing; I really feel that they are telling us public expenditure capacity, but the real intention is sustained public expenditure. In other words: you see how money is being spent now? They just want to be able to continue spending it like that. I think that there is a very serious crisis in the offing. When I discuss the formula itself, what I mean will become clearer.

This formula will aggravate capacity constraints and will further fuel inflation. I do not see how with a formula like this, whose only certain effect is to maintain and even increase the present range of public expenditure, can pretend to be part of a goal of putting money away for even two years, much less for future generations. There is an open sesame in this formula that will permit more and more public expenditure and which will control the amount of money and limit the amount of money that goes into the Fund.

Mr. Vice-President, I hope I do not make a fool of myself while I try to explain how I understand the formula. If I am wrong, I would really like the Minister to tell me to sit and he would explain. *[Interruption]* You will explain it to me? The formula, as I understand it, is called an 11-year moving average, and it seems to work like this. You take the average for the five years before the current year; then you take the average for the five years to come, down in the future, after the current year; sheer prophesy, but you take that average; then you take the figure for the current year. After that, you add them up and then you divide by 11 and the answer is the 11-year moving average. It is called moving, because every year you carry out the exercise again. That is how I understand it; if the Minister thinks I have it wrong, I would like it to be explained. *[Crosstalk]* *[Laughter]*

Sen. Enill: The 11-year moving average was developed taking into account sustainability issues; that is to say, you wanted to peg the price at which you will save money—remember this is the price at which you say that this is how you would transfer money into the Fund—you wanted to do that without dealing with the short-term nature of the price fluctuations. In other words, you tried as much as possible to get a period of time when you can smooth out the expenditure so that you can, in fact, plan for sustainability issues, because one of the real problems you have to manage here is that you have an expenditure profile.

Today, for example, you have 50,000 people that you are paying for, for education; with just a shift in your revenue, you do not want to destroy their future almost immediately; you want to smooth it out. The formula seeks to always allow us to understand what the projections are so that we can, in fact, understand what our expenditure constraints are over the longer term period. This we think does it better than any others and that is why it is so.

Sen. Prof. K. Ramchand: So the way I am working out the sums is—
[*Interruption*]

Hon. Senator: Wrong. [*Crosstalk*] [*Laughter*]

Sen. Prof. K. Ramchand: I do not think that is wrong.

Sen. Enill: The principle is right.

Sen. Prof. K. Ramchand: You all are telling me I am wrong and the Minister told me that the principle is right. He is my friend; he does not want to tell me I am wrong. [*Crosstalk*]

Sen. Enill: I want to hear where you are going. [*Crosstalk*]

Sen. Prof. K. Ramchand: When you look at the last five years, you are looking at a period where oil prices have been about the highest in our history. I have done some bad mathematics maybe, looking at 2002 to 2006. I have assumed, as I am sure the Government is assuming, that 2007 would be between \$50 and \$60. If you add up all of that, the average you would get is between \$41 and \$43. Let us say that Part I of the formula gives us a yield of an average of between \$41 and \$43. The second part of the formula, in my opinion, is really problematic.

Local experts, including the Minister, have been reluctant to hazard a projection. People have referred me to Bloomberg's two-year energy outlook, which is riddled with disclaimers.

Sen. Enill: The International Monetary Fund (IMF) does one for us.

Sen. Prof. K. Ramchand: I do not think that many people dare to predict the price for more than a few months down the line. My argument is that they will turn out to be wrong if they tried. I have said in this place before that it is almost impossible to predict the price of oil. Everybody knows that in 1986 the price of oil fell to around \$9 per barrel. In the years following the last OPEC induced oil price boom of the early 1980s there had been a structural shift in the market and the oil fell from \$30 to \$15 to \$9. Everyone knows this and after the event, everyone could explain it.

I wish social scientists would just regard their function as trying to explain what happened, instead of trying to predict what is going to happen, because they are always wrong, and when it turns out to be wrong, they come and tell you why they were wrong. They have a good excuse for why they were wrong. Afterwards everybody can understand it and explain it. The oil experts at the time never

predicted any of this. In 1972, oil was cheap and everyone presumed it would be cheap forever. In 1973, the price quadrupled. It doubled again in 1979 and in 1985 it was \$30 and everyone thought it would remain around that price for at least the next decade; one year later "zoop", \$9.

A friend told me this, I do not know if it is true: of the big oil companies, only one, Royal Dutch Shell, had even bothered to plan for a scenario in which the price fell from \$30 to \$15. The other companies had all budgeted between \$30 and \$40. Shell did not expect oil to reach \$15, far less \$9, but they incorporated the prospect of \$15 just in case. The point I am making is that the oil experts themselves never foresaw the plunge in the price of oil. I am really arguing very strongly against the formula; that you cannot predict the price of oil. So that second five years you are bringing in, you could do what you like with it. [*Crosstalk*] The whole futures market is built on sand and air. [*Interruption*]

Sen. Enill: The question that you raised in the first instance when you were doing the calculations came to a conclusion that the price you worked out was \$41. On the basis of our actual resources, we are collecting \$52; so it means that whatever you project in the future, your estimate is as good as anybody's, but it would give you an indication of a long-term price. That is really where you want to peg your expenditure over the long-term. You are right about the predictions that you had made, because there are various ways you could do it. What the formula seeks to do is to focus the Government's spending, which is as much a part of this as anything, over a long period, recognizing that public expenditure takes time to come down and, therefore, you have to plan for the eventuality that if this occurs you must have a plan.

The easiest thing to do is to cut expenditure, but that could hurt people and one does not want to do that, because that is what you did in the past. Therefore, the long-term price focuses everybody on trying to come up with the best set of numbers for your spending. That is what the formula is seeking to do. The real struggle for us is that by doing this we have, in fact, boxed ourselves into certain constraints, which is not something that any good government should do. We are, in fact, putting ourselves into a situation where, on the basis of agreeing to this, we are also agreeing to a level of expenditure that is controlled by somebody except ourselves, but we are prepared to do that in these circumstances, if it will achieve the objective that we have set. I do not like it.

Sen. Prof. K. Ramchand: Thank you, hon. Minister. I am putting these things as strongly as I can. I really appreciate the dialogue, because I really want to understand what is going on. It is not that I am an erratic man; I just have my opinions.

Sen. Enill: I will not interrupt you again.

Sen. Prof. K. Ramchand: "I does play dead, yuh know." I would like you to interrupt me whenever we can have a real exchange. Again, that is one of my fanaticisms; I think that Parliament is a place where we can dialogue like that across the space here. I do not even like the space; I wish we could be sitting in a circle.

I am pressing on. In the last budget presentation, the Minister advised that his advisors had projected an average oil price of US \$60 for 2007. But look at this. I am moving now to talk about the difficulty of predicting, about the artificiality in the thing, about the random quality in it and about how unpredictable it is. For the first two months of this year, the price had not hit \$60, and winter looked like it was ending. In January, the price, in fact, dipped below \$50. Rumbblings about Iran then caused the price of Brent crude to creep up to \$60. The US President said that he was going to double the US stockpiles over the next few years. Instant market reaction: more oil would have to be brought, so oil was saved from the embarrassment of sinking below \$50. Then there was a cold spell and the price edged up a bit more. Then OPEC said it would not try to curb production and the price fell down a bit more. So just for that short period, all kinds of things started to happen. All of this emphasizes, first of all, that there are all kinds of factors, including unpredictable and speculative ones, influencing the price of oil.

Secondly, what I think cannot be denied is that the price of oil is no longer straightforwardly a function of supply and demand. Today's oil prices are artificial and almost random and quixotic. In my budget contribution I spoke about this oil market. I hope you will allow me the pleasure of quoting myself:

"...oil is no different from any other asset traded on international financial markets. A bubble can develop based on unrealistic expectations which never materialize, and when the truth sinks in, the bubble bursts. The oil market, it seems to me, now meets all the requirements of what is called a bubble. The market psychology is there. The psychology is that the world will remain unstable; that the US administration will continue to taunt Iran into withholding oil supply; that insurgents in Iraq will continue to sabotage oil production; that hurricanes will continue to disrupt oil platforms in the Gulf of Mexico, and, of course, what has become quite a cliché now, that China will continue to consume."

The oil market is governed now, not strictly by considerations of demand and supply, but by negative expectations about the world by the financial speculator industry. That is why at that time I spoke about hedge fund investment in energy,

which was US \$90 billion and was only \$3 billion six years before that. It jumped from \$3 million to \$90 million. In short, financial speculation is playing a great part now in governing the price of oil. Among the oil traders, there is both euphoria and a dramatic over-valuation of market price, compared to fundamental value.

At the time, one or two Senators advised me that the amount of hedge fund investment in oil I was citing was too small to affect the oil market. "The oil market is over a trillion US dollars; why are you talking about a little \$90 billion." Just the other day when the oil dipped below \$50, the headline in the Bloomberg financial press was, "Oil price slides on hedge fund sell off". We really have to think bravely about these things.

An article in the *Economist* of January 13, titled "Oil is not well" does a neat job of identifying the effect of investment flows into the oil related asset classes as being the primary motivator of high oil prices and investment outflows as being the primary motivator of sinking oil prices. One reason why a hedge fund investment of a mere \$90 billion can cause and has caused wild and sustained swings in a trillion dollar market is that oil price, as I have said, is not a function of supply and demand. It is a function of the supply and demand of the financial instruments that are based on oil.

I am trying to show, Madam President—[*Interruption*]—Mr. Vice-President; how could a distinguished gentleman like you be a madam? [*Laughter*]

I am trying to show, Mr. Vice-President, that one of the bases of the Minister's formula, the assumption that it is possible to predict the price of oil, is not borne out by experience, history or current circumstances. Even an analysis of the past, which would allow us to discern patterns, cannot give us any certainty of predicting the price in the future.

I am about to enter a very unfamiliar piece of ground, where I just sat there and worked this out. I could be very wrong, but I am suggesting that it is a gamble to predict the petroleum price. I feel that it is dangerous to predict a price and then decide on an expenditure budget price on the basis of that guesswork. In the last few years, we moved from \$25 to \$35, last year \$45. Sometimes I look at it and say, "You know what they are really saying"? They are saying, not that we need \$45, but we are getting \$60, so we could blow \$45. The amount you cater for in the expenditure budget should not come from saying, "Well we are getting \$60, so we could afford to blow \$45." [*Crosstalk*]

Heritage and Stabilisation Bill
[SEN. PROF. RAMCHAND]

Tuesday, March 06, 2007

Mr. Vice-President, when the hon. Minister is heckling, you could hear him so clearly, but when he gets up to speak, you cannot hear him at all. [*Laughter*] Have you ever noticed that? [*Crosstalk*]

I want to talk about how one might arrive at expenditure. [*Interruption*] "Half hour pass." [*Crosstalk*] I did not say that I was going to take unilateral action.

I want to make a suggestion about how we can arrive at the expenditure budget price. You should decide how much capacity you have to do the things you want to do. You should decide you have a building industry that can do "x", I have raw material that is enough for this, I have the resources to spend this amount of money and if I try to spend more, I will have to outsource material, labour and so and so.

7.00 p.m.

So to decide on the expenditure budget, you set out a development plan for 10 years and say you are doing it on \$35 but it is unlikely that the price will plummet so much over the 10 years and if it does, you have enough inside to maintain \$35 for the next 10 years. That is how I will use the fund, as my banker to ensure the \$35 or whatever figure on which I settle can be kept there for 10 years. So for 10 years I know I am working with \$35 and all my projects will be based upon that. If the price rises, well more money in the kitty, if it turns out that there are certain unexpected things to be done I come to Parliament and say that I need more money, there is a new project that came up, and I explain why the project has to be done.

Even on the expenditure side, you will have stability, progress, and logical progression. A benchmark of \$35—forget what you are getting for the oil—is decided upon by calculation of your capacity and needs, what you can handle comfortably. That amount seems to offer enough public expenditure capacity. It will prevent us from over-extending ourselves and provoking shortages, shortfalls, incompletions, failure to deliver, and so on; a benchmark of \$35 will put an end to inflation, it will ensure that we can maintain an average of \$35 for at least 10 years, it will make possible an authentic Heritage and Stabilisation Fund.

Let me remind you, Mr. Vice-President, of what I am sure you know only too well. While we talk about putting aside money for future generations, there is no end to inflation caused by Government's expenditure on mega construction projects, social re-engineering, massive welfare handouts and so forth. Some of these projects have been characterized as investment, but we neglect to say that it

is at the cost of gargantuan inefficiency and capacity exhaustion, and at the expense of the ordinary salaried working man. Since Parliament has had no control or influence on the levels of this kind of expenditure, I can only plead that we begin to focus on what accountants call capital maintenance.

Mr. Vice-President, a few months ago in this Chamber, I pointed out that the fundamental value of oil was closer to \$45, that the figure has presumably decreased since then for a number of reasons and if you still believe in experts after what I have said, it will not bring you comfort to hear that most experts agree that the world is seeing the tail end of the super cycle which accounted for the last two years of high energy prices. So my suggestion about caution and the modesty of a \$35 average is supported by any analysis of the supply side in Trinidad and Tobago.

Some people say that oil is running out globally, or at least is becoming harder and more expensive to find and this will keep the price up, this may well turn out to be true for the world over the long-term, but it does not help us here in Trinidad and Tobago for two reasons. The thing is that the price of oil will still go down in the short term. I read in the *New York Times* yesterday that several large companies have now made technological breakthroughs that they are going back to old wells which were said to have been exhausted and they are revitalizing them, and doubling and quadrupling the number of barrels.

I will pass the clipping to the Minister because he will be able to judge whether that is good information. Nevertheless, I do not think we can assume that the price is going to go up, I think it is more likely that it will go down.

The second reason I have is that global scarcity of oil will not help us because our reserves are declining and even if it causes a rise in price, we would not have enough oil to sell because our production is going down. My colleagues may have spoken about the complete failure of the Deep Ibis well, of the paltry 4,000 barrels per day find by BHP a few months ago, the total failure of the last deep water bid round, the uninspiring seismic data, the soon to be seen migration of exploration northwards into Barbadian territorial waters and the contraction in personnel from over 100 to less than 20 in one major oil company and so forth.

Nevertheless, Mr. Vice-President, the Prime Minister says we are in an oil province and oil will always be found. He said he would increase the incentives to oil companies if the bidding rounds did not go well. I do not think it is advisable to make such statements the week before a bidding round is to be closed. If I were an oil company, I would wait for the further incentives. The use of the term "oil province" which many of us hold in our heads does not add much to our understanding of the present reality.

Oil companies need to satisfy their shareholders that their performance is sustainable. The industry benchmark for giving such comfort is that the amount of oil they extract in a given year is replenished at a rate of 120 per cent. This means that they try to prove that at the end of a year they have more proven reserves than they had at the beginning of the year. In the case of Trinidad and Tobago, we have not achieved this benchmark for a number of years. There has been little movement from probable reserves to proven reserves. The impact of the failure of Deep Ibis has been underplayed in public, but within the industry the shockwaves have not ceased reverberating.

All of this is my attempt to show that we should be conservative in the average value that we use to build our expenditure budgets. So I come back with a kind of summary on this Heritage and Revenue Stabilisation Fund. I have to say that I think the way it is set out, the next-generation aspect of the fund is a fiction. We cannot have it all. There is a simple equation; current rates of public expenditure can only be maintained if both high energy prices prevail and new discoveries continue to be made. That is not happening. The price is—

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

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

Question put and agreed to.

Sen. Prof. K. Ramchand: Thank you, Mr. Vice-President. I only have about two minutes to go so.

Sen. Dumas: Mr. Vice-President, on a point of order. Do we not have a custom that if you are quoting from an article or a piece of writing from somebody else that we get a statement from where the information is coming? I was just wondering if the Senator is in fact quoting and whether he wants to indulge us by telling us from where the quotation of the equation came.

Sen. Prof. K. Ramchand: I beg your pardon, which equation?

Sen. Dumas: The equation, where did it come from?

Sen. Dr. Mc Kenzie: "Is he own."

Sen. Prof. K. Ramchand: I said we cannot have it all, there is a simple equation; current rates of public expenditure can only be maintained if both high energy prices prevail and new discoveries continue to be made. You are asking if that is a quotation. No, it is not.

Sen. Dumas: So I misquote you then; I can quote you now.

Sen. Prof. K. Ramchand: Yes.

Sen. Dr. Mc Kenzie: “Yes, tha’s what I telling yuh, is he own.”

Sen. Prof. K. Ramchand: “Yuh mean ah make it, ah getting fame, yuh go quote meh? What!”

Mr. Vice-President, to end aggressively—[*Laughter*] This Bill is constructing the illusion that there is a lot more money for future generations than there really is, it is a formula for fiscal indiscipline. I have shown you that in the next five years oil prices—[*Interruption*]

Mr. Vice-President, I am not an economist, why do they get vex when I am talking? I know nothing about this, I read and get headache, pester people and get answers and so forth and construct my thing and when I come here I say: “Let me hear what they will say, let me see what they will think about that.” I have fun, you know. Really sometimes I sound aggressive because I am not too sure and I have to make the point forcefully. [*Laughter*]

I have shown you that in the next five years oil prices cannot be predicted. I am suggesting, set a benchmark of \$35 today and have it reviewed every five years. The Government should not capture for itself, or for any institution the power to project five years of oil prices. Any Government that has that power is very likely to abuse it in order to service short-term goals which would defeat the purported objectives of the Bill.

Thank you.

Sen. Brother Noble S. A. Khan: Thank you, Mr. Vice-President, for allowing me to share some thoughts on this matter which is before us; the Bill to provide for the establishment and management of the Heritage and Stabilisation Fund and for matters related thereto.

Before I continue into the meat of what I will say, will you permit me, Sir, to join with Minister Danny Montano—though he is not here—in extending congratulations to our womenfolk in celebrating International Women’s Day? As you know, all of us are connected with a lady, who is our mothers, and I too would like to extend to Mrs. Montano greetings and God’s blessings on the celebration and commemoration of her 85th birthday which very few of us will reach to that age. We know too that she had contributed substantially as all women do when attached to their husbands in what they become and their children too.

I would also like to express my appreciation to the hon. Minister in the Ministry of Finance for his presentation and to all our colleagues for their contributions and I anticipate contributions that will be coming after I make my slight inputs.

I too think that what is before us is signature legislation. It opens before us a whole vista even before now and after when we think in terms of heritage and what it is supposed to mean. Our colleague, Sen. Prof. Ramchand has touched substantially on that, so allow me to sidestep some of the comments which I would have liked to make on it.

My mind runs to what had propelled the coming into being of this legislation. I suspect some may say it is way behind time, possibly long after the horses have left the gates when we think in terms of the 70s, the 80s and this new millennium in which we are, and as we have heard there are even some concerns that the “fortunate position” in which we are, when we think in terms of much of the wealth and what we are catering for emanates out of the oil and gas that are our natural heritage. For that purpose, if we think in terms of how soon will this dry up, or evaporate what then is the position, and hence we have what is before us.

The question of monetizing the country's natural gas because it is not inexhaustible as we say is very relevant, but some points come to my mind when we think in terms of that and it does have a bearing. We are thinking in terms of inflows coming in as against expenditure anticipated and we have heard much too on the basis upon which this expenditure is premised. I too from a very simple way would think: How could you spend what you do not have? This is a question I know is being asked out there. “In the meantime when molasses running we would take a lick, but we also know that very often when the flies go by the molasses their foot get stick.” I am sure, you as a culturalist of long-standing and respect will understand what I am saying when I refer to our old folklore expressions. So this is what we are in at the moment. At least, it could be a position which we have heard today.

Let us revert to what we have. It is a trust, and this whole world is a trust unto us human beings, given to us as believers by the Creator and when we think in terms of that trust how well we manage it. It is a great responsibility too, because it carries with it accountability. Some have said that trust is love unsaid, and you know how important love is; it is the greatest. Some would say too sometimes, even after what we have discussed here, that to stand still is better than asking pardon. “I think you may find a reflection in that, that after de horse gone, yuh looking to close gate.”

Let us look at what is before us in my own simple way. The question of the importance of heritage as I have said, involves what we have now, what we inherit, and what we carry forward and this is very important when we think in terms of what our Constitution has established for us because it raises questions of rule of law and civility, of peace, of unity of mind and body, of harmony. These are some of the things I think a State is about, and when we think of heritage we think of building a civilization that is sustained. We can think of tolerance and understanding of art and culture, of health and happiness, and of achievement, these are some of the ideal goals we can put before ourselves, but the big question is, what is the present position now as we launch forward? How close are we to some of these ideals?

Here we are with this fund hoping either to maintain, sustain and continue to pass on the baton, so to speak. I am sorry Sen. Ato Boldon is not here today, but we have a youthful representative too, but in using running terms, what is the baton we will be leaving? Of course, the role of the budget in all this is very important and this is where from one angle of it we can look, and while we are thinking in terms of inflows, how do we control the outflows and the extent to which these outflows are achieving the aims and objectives they are supposed to meet. I address these questions because it is not having this dealt with properly by having proper controls and when I speak of controls I am not speaking in terms of not letting it go as very often we can be fooled into thinking, but thinking in terms of control as setting goals, objectives and achieving them in the way that is best as far as effectiveness and efficiency are concerned. This may appear to be very simple, but obviously when we look around at what is taking place—and I would not like to burden us with what is taking place now—in all areas of governance, it seems to be very elusive.

The funds, of course, have to be used in an area where it has been projected and this is my simple understanding of it, that when situations derive in a certain way, that we shift to meet a block or a shortfall so to speak, and when the position is in a better state we carry forward. There is a margin, I think it is \$1 billion which we are not supposed to fall under and I guess more decisions will be made at that time.

Then we think in terms of countries which are “far better than ourselves”, in the way as far as inflows from these unplanned income flows. We did not plan to receive it, we did not set up any machinery to generate it, and what are we doing now as we have these things coming. We have heard much about 2020, a good objective, a good goal, visioning is always good and we credit ourselves for that,

Heritage and Stabilisation Bill
[SEN. BRO. KHAN]

Tuesday, March 06, 2007

but the question too is the participation and visioning and how we are about to achieve it. One would think in terms of the planning process that we should have plans which are achievable, approved, and also when it comes to implementing we can definitely do it within a scope of how we see things that we should do, if not, and I strongly suspect that we may be in a position as I suspect now that very often we are doing things for which we never planned or anticipated.

To use a simple expression which we can possibly understand, it is like you give a little child some money and tell him we are going in the sweetie shop and he just starts to buy. I strongly suspect now that we say buy as we have plenty we pack up, but how good are we into that? I refer back to this expression when the money first started—this is not the first time, and I guess it will not be the last, neither will it be the one to come because they will have it—we heard expressions that it is coming to hit the downward turn.

I think I had mentioned it before, but it may be worthy to refer to it. It was the Venezuelan Minister of oil at that time in the OPEC State who wondered if bringing this inflow would put us in a position of dealing with the devil's excrement and we have heard it and seen it. This is philosophical talk, I assume in his inimical Spanish way, but we have seen countries on the mother African Continent and even next door—I do not want to mention the names—have had substantial inflows but the economy questions where it went. What is definitely a fact is that there were mass of poverty and wants still in existence despite the substantial inflows.

I wonder if the establishment of this fund is meant to hedge off that. In my humble opinion, I do not think it is too small. I have tried to understand the concept of it too and it may not have been sufficiently wide to encompass dealing with that. Even in our planning process, I have heard it mentioned to change around the economy—and I think it might be good to shift there, this has been there since the 50s—but we still continue to be a mono-economy.

We close down sugar now, or it will soon be closed so we have moved from the historical mono-economy back into a sort of mono-economy of gas and oil and we could have still recycled the land to produce another crop, but we still have the land and I do not know what crop we would go into, because I have heard it from 15 years to 40 years and that is the end of that.

We have also heard that with respect to the demand for oil and gas, Mr. Bush has said that America has to start looking for something other than that and I assume this will definitely have a negative effect when technology takes off and

that is no longer as viable to us as it appears at the moment. I do not know if this fund will deal with that because the impression I get from what is said in the law, is that given a certain platform area and it moves up, we shift out, and if it moves down, we bring in, but with \$8 billion it is still small when we think in terms of a budget exclusive of the extra spending that might be taking place, how many holes it can really fill. Remember I had mentioned that if we are acting too late, or after it has gone, possibly some would say it is better to act late than never. These are some of the areas where scepticism may appear to be and what is before us.

Our traditions when we think in terms of heritage, because with this inflow, our traditions and cultural heritage have taken quite a beating, because of the influences from the north. You know how it is our children, and even we have adopted new values that take us away from our souls. I do not think it might have touched our sister island as much and I know it is close to you. Forgive me, Sir, to remind ourselves that possibly in Tobago we have a Heritage Festival which we still keep in name and spirit to ensure these qualities of the heritage.

So though we are thinking in terms very much of finance, economy and what have you, the question of where our soul and our culture rest, though it is not even mentioned in this Heritage and Stabilisation Fund of which we are speaking, but when we think in terms of where we can seek this wellspring that will lead all of us to a situation of harmony, peace, and joy.

7.30 p.m.

As leaders of our people, are we setting the platform for this? These are questions that this law that is before us now, evoke within me and I do not think I am unique in this. We have this now; what is the situation? The concept of the Fund seems to me to be just a shift within an area but it has not addressed these questions. Of course, we know we could establish policies, and what have you, out of the Fund, and very often policy changes. I remember as a little boy they would always tell us: Honesty is the best policy. And as I said before, policy is subject to change and very often the policies might not be the best for those whom it may affect.

We know, historically, the question of exploitation; supply and demand; who sets aside, who controls—because this ultimately, as I have inferred before, the question of how we spend; how we set up our profile or projection for spending—I do not want to sound too socialist or further back left, but the spending profiles or what have you—and I guess you would tell me that the Central Bank is there for that—but how close are we keeping this towards the major national goals which are expressed maybe in wider terms, in philosophical terms, et cetera, but still filtering down into the implemental areas?

Heritage and Stabilisation Bill
[SEN. BRO. KHAN]

Tuesday, March 06, 2007

Money is not development. We just have to step outside and go up maybe two or three hundred yards from here, if so far, and we will know that money is not development, in spite of the big buildings going up. But the next question is: Who are the big buildings for and what for? We have to wait and see. We do not know if this is all a fallacy, because the question will arise: What heritage; whose heritage, for whom? Saving, obviously, is for the present and I think we may be guided by that, but what we are seeing here in the mechanism is just off this super flow that is coming.

Sometimes when you speak to young people there is a little capsule that I always give them. I tell them that: "You are not working now; you are still at home; you start to work and you are getting some money, put aside." Let that be a goal and an aim. Put aside for the rainy day, as the older folk would say. So using that old philosophy that came down through generations, through heritage, which is part of our legacy, one wonders if we are really doing this within the framework of what is before us.

These are some of the thoughts, you know, if we do not deal with them and share with them—the question of knowledge, wisdom and understanding, which we know. Our great traditions have ensured that this is available. So whatever we receive, be it a gift from the Creator or the Supreme Spirit, it is how we develop that. If the goals are clear and our development, as complicated as it may appear to be, I am sure that in our country blessed with so many things: wise people, people with knowledge; people with understanding, this all comes through our connectivity with our Creator. It is important. If we do not hold that close, what will we have—a void? These are questions even today in the philosophical field, the question of what is taking place in Europe and the North; these are big questions that they have not been able to face. We are fortunate that we still have our spiritual base in spite of our heritage. I am not saying they do not have it, but it is a challenge for them. How could we draw on that?

These are some of the things I would like to share with you, with your permission. This expenditure pattern that we are setting up here, or this saving pattern, the question of justice—and when I speak about justice, I speak in terms of what comes, because within each of us there is a conscience and drawing on that conscience will guide us to what is just against a value system. How far are we using this innate quality within ourselves and we allow it to spread?

We have heard talks about the natural environment. It is said that when we start to lose contact with the earth we start to lose contact with ourselves. How much are we catering for this within the framework we are in? If we do not blend

it together within ourselves, it means to say we are outside the pale and we start to drift away. That has a cost to ourselves. So the importance of heritage is very, very important.

I wish our Minister of Finance God speed in what he hopes to achieve, but keep that element of consciousness, because what I am speaking about it might extend but if we establish that connectivity, that consciousness, which might be beyond a rationalism based on either discursive thought or even what emerges as an unshakeable faith; if we listen to ourselves, I think He will whisper to us or speak to us in a way which will guide us. When I say, us, I speak to everyone in our country including ourselves in the Senate. I have always stressed the point; I would like to say it again, as time goes, less time will come in which you have the opportunity of the element of cooperation, participation, implementation and partnership.

Thank you, Mr. Vice-President.

Sen. Angela Cropper: [*Desk thumping*] Mr. Vice-President, I think we are debating a very important Bill this evening, of large significance, I consider, for the management of our economy now and for the future; for the management of our natural resources and providing also for some measure of equity for future generations. I think that the Bill reflects an attempt at good stewardship of the revenues of the country. It seeks to provide for a rainy day. It recognizes that we are monetizing non-renewable resources of the country, the patrimony of the people and, therefore, it seeks to set something aside that would contribute to meeting their needs in the future.

I think the Bill and its underlying philosophy are very much in keeping with one of the central tenets of sustainable development: meeting the needs of the present generation without impairing the ability of future generations to meet their needs. Naturally, securing sustainable well-being of citizens of the future will not be achieved by a single bill. That will depend on a host of other things, including the entire approach to development planning and management, including our industrial model, our monetary and fiscal policies and arrangements, as well as, I would say, the cultural endowment of ourselves as a nation and even our own consumer behaviour as citizens. All of these and many more things will determine whether we can sustain our level of well-being into the future.

However, this Bill, I think, is clearly intended to make a contribution to concerns for economic stability on behalf of the present generation, as well as to assure some degree of sustained well-being for future generations. As such, I wish

Heritage and Stabilisation Bill
[SEN. CROPPER]

Tuesday, March 06, 2007

to say that I am strongly in support of this Bill, in principle, and I wish to congratulate the Minister for bringing the Bill to Parliament. We have waited a long time for a bill that is so important. But I also wish to congratulate one of his predecessors in office who introduced the Interim Revenue Stabilisation Fund on which this legislation builds.

It is because I am so much in favour of this Bill, in principle, that I will make the following comments, as I am very anxious that the provisions of the Bill are commensurate with its very important purposes. I consider that overall there is much room for improvement in the provisions of the Bill, that would make sure that those purposes are better served and especially that the heritage purpose of the Bill is protected. I also know that the hour is very late so I will try to make my contribution in about five or six, hopefully, quick points that I offer for consideration of the Minister and of the Parliament.

First I would like to comment on clause 3(2) which provides for the definition of the base from which contributions to the Fund will be made. It provides that:

“The purpose of the Fund is to save and invest surplus petroleum revenues derived from production business....”

And “petroleum taxation revenues” is defined to include: supplemental petroleum tax, petroleum profits tax and royalties. I notice that the definition of petroleum revenues there specifically excludes signature bonuses and I wonder whether the base for contributions to the Fund is too narrowly defined. It seems to me that signature bonuses, as well as, I would add dividends from state holdings in the energy sector and also returns from production-sharing contracts, both of which are not mentioned in the Bill at all, are precisely relevant to the underlying notion of stewardship of the benefits of the energy resources of the country, and perhaps the Minister, in his winding up, might explain why the base has been so narrowly defined and why these other possible sources are left out. I note, however, that in clause 11(c), assets from investments are also indicated as potential contributors to the Fund and perhaps that would include dividends from state holdings in the energy sector. So perhaps that is a clarification that might be made.

The base sources for the Fund provided for in clause 3(2) are further limited by the provision in that same clause that the petroleum revenues are to be derived from production business and in clause 2, production business is defined and specifically excludes the liquefaction of natural gas. Given our understanding that LNG has emerged as the main source of energy revenues for the country, why, I ask, is this excluded? Why would we exclude the most lucrative and expanding aspect of the energy sector as a source of contribution to the Fund?

The second point I wish to make is to comment on the provisions for accrual to the Fund. This invites me to talk a little about the formula that Sen. Prof. Ramchand has now made famous. The proposed oil price estimating period of 11 years includes a five-year prospective period for which oil prices will be forecast; part of the whole 11-year rolling average formula. I wonder if this is not too long a forecast period to be included, given the volatility in oil prices that we know so well and the fact that they are determined by events and organizations and policies over which we have no influence, as Sen. Prof. Ramchand has extensively discussed for us.

In these circumstances, the longer the forecast period, I think the more speculative the pricing would become and the more scope for manipulation of the average price for oil for a given year. So given those circumstances governing oil price determination and out of an abundance of caution, I wonder whether, say, a three-year period for the forecast period of the rolling average period would not be more appropriate in determining the average price. So perhaps we might consider whether the rolling average period of 11 years might not be better served by a forecast period of, say, three years and still satisfy the considerations of long-term budgeting and planning that the Minister has explained.

Paradoxically, it seems to me that the better we get at forecasting, the less divergence we could expect between average and actual prices and, therefore, the less scope for surpluses to accrue to the Fund. I think figures have been given already by Sen. Ali when he made his contribution, taking actual figures for the previous five years and looking at how the average might come out and showing that for the year 2007 we are likely, with that formula, to have a budgeted oil price very close to what might be the actual and, therefore, the scope there for contributing to the Fund is very narrow indeed.

So, hypothetically, in a year when the calculated average price might be equal to the actual price of oil, there will be no contribution to the Fund. So I ask: Why do we wish to make the basis for accrual so residual? It seems to me that we should positively seek to grow this Fund as fast and as large as possible, consistent with the present levels of budgetary expenditures that we now have if it is to serve its purposes to stabilize in times when there is price volatility and revenue shortfall, especially, as I think Sen. Bro. Noble Khan has implied, when we are getting off to such a late start in this country in providing for heritage and stabilization in the future. It seems to me that that fact should encourage us to accelerate the rate at which the Fund accrues and therefore to expand the base as well as make the formula less residual.

Surely, we could derive a more positive and determinate formula. One model, for example, that is used in such a fund is to take a given percentage off the top of the revenues in any given year irrespective of the difference between estimated and actual prices for that year. That commends itself to me because I think that we should routinely provide for future stabilization and for heritage purposes, not just in years when there is a windfall. I also feel that the heritage part of the deposits should be unrelated to price. I think that would be more in keeping with the philosophy about providing for inter-generational equity in the sharing of the benefits from our resources. Let us make it independent of the fluctuations of price and let us simply carve out a reserved portion of whatever we earn now for setting aside for the future.

Then in clause 14(1), it provides that a minimum of 60 per cent of the aggregate of the excess revenues shall be deposited to the Fund during a financial year. I ask: Why not a higher percentage, especially where the base is already so narrowly defined? Excess revenue means that the budgetary requirements for that year, as budgeted, would have been secured. So why not save most of the excess in the heritage part of the Fund? Why not say 80 per cent? This, it seems to me, would accelerate the rate of savings in the Fund and this, I think, should be an objective that we should have in this legislation, given the late start that we are making here and given the size of the reserves that we need to accumulate for us to provide both for stabilization as well as for heritage.

The third comment I would like to make is on the provision for withdrawal from the Fund, and here I note that clause 15(3) of the Bill provides that the floor of the Fund should not be allowed to go below US \$1 billion. In effect, again here, hypothetically, this means that the heritage part of the fund, after creaming off for stabilization, could be limited to just US \$1 billion. That is awfully low in relation to the size of our annual budget in recent years. For example, I recall that in the period of the second oil boom during 1974—1981, Trinidad and Tobago accumulated foreign reserves in the order of US \$2.3 billion, but by 1987 that sum was exhausted. We had accumulated that sum without even having a set aside Fund such as this. But by 1987 that sum was exhausted in addition to another US \$1 billion that had been borrowed before 1987.

With this low floor for the Fund of US \$1 billion, it seems to me that the heritage purpose of the Fund stands as hostage to the stabilization purpose.

Sen. Sahadeo: Mr. Vice-President, thanks for giving way. I just thought I should mention here that we put, in the first instance, US \$1 billion as the minimum amount that remains in the Fund because at this point in time this will

be reviewed every five years in the first instance. So after five years it will be reviewed. It was really setting a quota at this point in time and, therefore, it is not the intent to leave it at US \$1 billion.

Sen. A. Cropper: Thank you for the explanation of that rationale but it seems a little curious to me that the floor would be set at a level that is lower than where the Interim Stabilisation Fund now stands, which is to be the first increment of contribution to the Heritage and Stabilisation Fund. That seems to me a little curious. Why knowingly put the floor so low with the intention that it be reviewed in five years' time? Perhaps that intention, therefore, might be disclosed within the body of the Bill.

So because of this prospect, I think that any withdrawal from the Fund should require parliamentary approval with the purposes for drawdown to be specified and separately accounted for. I think this would allow for some degree of transparency in the use of the Fund, for accountability for its use and for the public interest and the public policy intent to be secured.

I also think that the Bill should stipulate what the Fund should not be used for. In my view, I think it should not be used for debt servicing, deficit financing or for special projects. I recall here, for example, that the dollar-for-dollar education financing scheme had drawn down against the Interim Stabilisation Fund. Such uses as debt financing, deficit financing and special projects of that nature, in my view, will contradict the purposes of mitigating price volatility and revenue fluctuations, as well as the purpose of providing a heritage for future generations.

We should note here, in passing, that the non-energy fiscal deficit has been growing, from 3 per cent in 2001 to about 13 per cent or more in the year 2006; and the less transformation we make of the economy as we go along, the more we can expect that non-energy deficit to grow. I think that should be cause for caution and one part of that caution may be to stipulate in the Bill the purposes for which the Fund shall not be used.

Clause 15(1), however, does limit the amount of withdrawal from the Fund in any one year. Yet it is still possible that up to 25 per cent of the balance at the beginning of a year could be withdrawn in that year. I think that this is awfully high. I think it is possible, therefore, for the Fund to be whittled down in a few short years and I do not think that that is consistent with satisfying the long-term heritage purpose. I think also that the Bill should explicitly provide that it is the income yield that will be used for stabilization, not the principal. That way I think you would be better able to secure the principal and have that endure as a subsisting capital reserve to satisfy the intergenerational needs.

The fourth comment that I wish to make is this. I really question the wisdom of combining the purposes of stabilization and heritage in the same Fund. I support this point already made by Sen. Mark. Why do I say that? I say that because the stabilization purpose is of a contingency and a short to medium term nature, while the heritage purpose is to satisfy long-term intergenerational equity considerations and it is foreseeable that they will be subject to different and competing pressures.

The higher the levels of current budgetary expenditure, the greater will be the need for stabilization if/when oil prices and oil revenue decline. The more funds required for stabilization, the less remains for heritage. They are somewhat mutually exclusive purposes. Since the heritage part of the Fund could be allowed to go as low as US \$1 billion, subject to revision, this, it seems to me, exacerbates the competition between the two purposes and I think that the heritage and stabilization purposes should be de-linked for both accrual and withdrawal in the Bill.

Perhaps the Minister, in his winding up, would explain why these two purposes are combined in the same Fund. One way, I think, to manage the duality if we do have them in the same Fund, would be to provide that two distinct accounts are held in the Fund with different and distinct regulations for investment and withdrawal from each account. That way, I think we can protect the longer term reserve from the needs for short and medium term stabilization.

The fifth observation is on the governance arrangements for the Fund. I think that the size of the board is too small given the scope of the relevant considerations that need to be taken in making the regulations and the investment decisions for this Fund. There is also no provision for parliamentary oversight except as provided in clause 22 where the Minister is required to submit a report to Parliament after the five-yearly review is taken. I think that period is too long to bring to the attention of Parliament, issues relating to the governance of this Fund, its investment portfolio and other decisions that need to be taken, especially decisions about withdrawal.

8.00 p.m.

Finally, I recall that when Sen. Basharat Ali spoke a few weeks ago, he questioned if this Bill is regarded and would be treated as a normal money Bill, thus precluding committee debate. I am of the view that given the policy intent of this Bill it should not be treated as a normal Appropriation Bill for current expenditures. It warrants very close scrutiny and the widest possible contributions to its provisions. It is evident to me that it merits redrafting. Given

all the comments being made by Parliament and learned citizens outside, that seems to be the case. I note the extent of changes that have been made to the draft of the Bill in the House of Representatives. This indicates to me that what is a very good policy intent has not been well translated into legislative provisions.

In summary, this Bill is entirely correct in principle and I support it, but its purposes of stabilization and heritage should not be combined in the same fund. Alternatively, they should be managed with a separate account in the same fund with different provisions. The provisions for the base sources for the fund and for accrual are simply too stingy, in relation to the overall purposes of the Bill especially as we are late in the day with this policy and legislation. The floor of the fund is too low given our present expenditure level and experience that I cited before in the last oil boom, especially as the floor could be the extent of the reserve for the heritage part of the Bill.

The Bill should specify the purposes for which the fund may and may not be used and the withdrawals should have parliamentary approval. Given the public policy intent at the heart of this Bill it should not be classified as a money Bill and adequate opportunity should be made for scrutiny of its provisions and a wide range of inputs into that discussion. It does need some better thought-out provisions and more strictures in the arrangements within the Bill. Given all the points made in the Senate and elsewhere, while this Bill is correct in principle and policy, it needs a thorough redraft of its provisions in order to do justice to the policy intent behind it.

In closing, I applaud the Government for bringing this Bill to Parliament, but I exhort it to take the opportunity and the steps to make it better and more consistent with the very noble purposes that lie behind it.

Thank you. [*Desk thumping*]

The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill): Mr. Vice-President, let me associate myself with the remarks relative to Sen. Montano's mother, women and International Women's Day. On behalf of the men on this side and that side and all the other men who exist in this place to continue to wish for our women the best there is; the best there will be and the best, the best, the best. [*Desk thumping*]

Today, if we were doing this Bill for the first time and basically starting an expenditure programme, much of what has been said would be relevant. The facts though cannot support some of what is being said. Let me give you an example. This Heritage and Stabilisation Bill has to be looked at in the context of

Heritage and Stabilisation Bill
[SEN. THE HON. C. ENILL]

Tuesday, March 06, 2007

the budgeting exercise. For many years, Trinidad and Tobago did not have the level of revenue to do most of the things that it wanted to do, relative to creating for the citizens of Trinidad and Tobago a better way of life. Our economy is petroleum based and in the past, we have had some challenges in trying to manage that economy in a particular way. We have seen in the past where the vulnerabilities that we faced in the way the economy was structured created some issues that also created some hardships for some parts of the population.

When we found ourselves in circumstances where our revenues were a little better—let me make the point about those who talk about revenues and the revenues that the Government has been able to achieve. In the first year of the administration with high oil prices we got less revenue. This administration took the steps to renegotiate supplemental petroleum tax; [*Desk thumping*] PPT; royalty on gas. That changed the tax regime from operating in an environment when you needed producers to come here to one in which we sought to get the best value for the citizens, while at the same time maintaining our competitiveness within the international community. That is the reason we were able to achieve the kinds of revenue that we have. We took some investment decisions which paid off.

The economy that we are dealing with today is significantly different from that of the 1980s when this country went through a boom and bust situation. If we were to examine our hydrocarbon production today and understand it in the context of barrel of oil equivalent converted, you would see emerging, an economy that in simple terms has a structure of something like this. Our production is about 120,000 barrels of oil per day and if you convert the gas part of the business it would be 500,000 or 600,000 barrels of oil equivalent per day. If you look at the total volume of production, 600 gas, 120 oil, it is a significantly different profile of the risks that we face as we move forward.

While you are correct about the pricing mechanisms for oil, gas is slightly different. Some of the risks that we face with gas would—if the United States of America could find a way not to have winter in any year, I would be very concerned about our gas issues, but as long as they continue to have winter on the basis of the information available to us, we would have a stream of revenue that is more consistent than oil revenue for a period of time. It is an understanding that we have developed a programme of expenditure that we believe is sustainable, based on our objective of creating for ourselves—in the shortest possible time and certainly by 2020—a country on the basis of the statistics that we do not like to talk about. If you examine those against a developed country you would see little or no difference. That is the policy of this administration.

Within that context and now and then, we have an opportunity to do a number of things which we could not do before and we have to look at the construct of this Bill. I would be the first to admit that there are many shortcomings in the Bill. For that reason we have put a mechanism in the Bill that requires the Minister of Finance to come back to Parliament at least within five years, when we would have a history of the understanding of this particular fund; how it works and how it does not work and change what needs to be changed. For those who are saying that it is too long, they have not read the provision which says that we have to do it at least once in five years. It means that we can choose to do it next week; at the end of one or two years or any time we have to come back. In our view, based on what needs to happen to operationalize this—remember there are many things of a technical nature that we need to do to operationalize this that nobody here has the expertise to do. Nobody here has the expertise to tell us about the international global management of this kind of fund. This is a global fund. What is before us will give us the opportunity to get those things in place and move forward.

There is much old talk and misinformation about this economy, statistics and information. Quite frankly, the way we do this evaluation is through an Article Four (IV) Consultation which is done by an international impartial team of competent individuals, who come here once a year to evaluate the economy of Trinidad and Tobago, as they do for 180 other countries and put the information outside in the world. They stand by the information they put there because that is the basis on which the country is evaluated internationally. The IMF comes here on an ongoing basis and they do a technical analysis of the state of play and look at among other things, development in the energy and petrochemical industries, in manufacturing, construction, agriculture, tourism, inflation, recent developments in wages, employment, lead in productivity, competitiveness in the non energy sector and the outlook for the years 2006 and 2007. They do that by looking at the sectors that make up the economy as the external, fiscal and monetary sectors. They do an examination and at the end of it the directors do an assessment which basically determines whether we are on track; if there are things we need to change or we disagree with.

Let me place on record for the information of the Parliament that there are things that they do not agree with us on. An example of something that they did not agree with us on is the reduction in the rate of income tax. For a very long time there are those who read the literature and talk about the notion of the widening gap of the non energy deficit. If those who look at it decided to

Heritage and Stabilisation Bill
[SEN. THE HON. C. ENILL]

Tuesday, March 06, 2007

examine the underlying issues relative to this they would find that the relationship or gap improved dramatically in one year, but the Government took the decision to reduce the marginal rate of tax to 25 per cent. That took \$1.6 billion of the energy revenue and gave it to the working class because they pay taxes. The impact was that the energy revenue was being used to support the non energy part of the economy, the citizens of this country. The IMF told us not to do that. Today, where the Government continues its policy of dealing with external information by absorbing the difference in the price of petroleum products that you should pay—because we believe that if we pass that on to the population it would impact significantly in the society—we decided that we would continue to spend \$1.2 billion a year to subsidize petroleum products, once again improving or adding to the non-energy deficit. That \$2.6 billion created a percentage increase in the non-energy deficit.

If the Government is wrong by taking two policy decisions that impact the ordinary citizens and as a consequence of that academics and economists tell us that we are managing the economy wrong because the non-energy deficit is growing, then we have no difficulty with that. At the end of the day the purpose of a government is to improve the lives of the ordinary citizens. [*Desk thumping*] The economic circumstances in which we find ourselves are an appropriate policy status.

As we look around the world we have seen a number of countries that have been wrecked by taking wrong policy advice. We do not intend to find ourselves in those circumstances and in a situation where we put our citizens at risk on the basis of certain statistics.

Let me deal with the question of energy and non-energy. Our economy is growing on the energy sector side at about 20 per cent and the non-energy sector continues to grow at about 6 to 8 per cent. There is growth in the non-energy sector. If you listen to some of the commentators you would believe that nothing is happening in the non-energy sector. We have an objective in Government in which we are putting measures in place and working on a particular statistic that says that we would be able to fund our expenditure from non-energy revenues. We are working on that. We believe that it is in our interest as it relates to our sustainability in the future that we need to balance the revenue issues a little different from how they are today.

When we indicated to the IMF that we were pursuing legislation as it relates to the Heritage and Stabilisation Fund they made a number of comments to which we agreed. They said that it makes no sense attempting to put in place a fund

without understanding the discipline required as it related to expenditure. For that reason for a number of years the Government indicated that it intended as far as practical to have a revenue price and an expenditure price. The expenditure price is always lower than the revenue price. In this Bill what seemed to have confused some of us is that when we looked at the price at which we are estimating revenues that is not necessarily the expenditure price of the Government. It sets a mark by which we would determine the revenues. For example, on the last occasion when we looked at revenues we knew that our actual receipts were somewhere in the vicinity of \$55, we set the expenditure at \$45. We have said that 60 per cent of that \$10 differential in terms of oil goes directly to the fund and the other 40 per cent can go into the fund or be used for infrastructural development.

Every year when we are involved in the budgeting exercise we find ourselves in a situation where the requirement for money is more than we have. Last year in the investment programme we had a request for \$32 billion whereas we had an allocation of \$3 billion. Those are some of the realities that you have to deal with in the context of making choices about what can or cannot be done. If you wanted to understand the reality of that you needed to look in the society and see that even as we try to do a number of things, there is still quite a lot that needs to be done and has to be done over time.

One of the interesting things that this debate brought to my attention is the question of Parliament and the Executive and the view held by some that the way Parliament gets involved in its responsibility is by getting involved in executive activity. Under the Constitution of Trinidad and Tobago there are rules that relate to the Consolidated Fund and those who have the responsibility for accounting to Parliament on these issues. From some of the argument it would seem to me that if the Parliament is taking an executive responsibility unto itself, to whom does Parliament account in this sense? One of the challenges that we face is that we trust those that we elect to govern in such a way that they look at the interest of Trinidad and Tobago. Until such time that that has changed in the Constitution we are prepared to go only by what is in the Constitution.

In that regard, the Constitution provides that the Executive will deal with issues relative to finance. That comes forward in this particular Bill. The notion of Parliament being involved in administering is not one that we support. We support the constitutional arrangement that exists currently which says that we will report to Parliament through its processes as the joint select committee; its ability to call chairmen and organizations to get information and have us account

Heritage and Stabilisation Bill
[SEN. THE HON. C. ENILL]

Tuesday, March 06, 2007

to Parliament on our stewardship. That is a model we support. If that is how we view what is supposed to happen, we cannot support the view that the appointment of the board of directors to the institution must be done by anybody else but the Executive.

In looking at the comments made on this particular Bill, I want to deal with a couple issues. Let me start with Sen. Wade Mark. He made the point in which he said that income and wealth have worsened and he gave the statistic that the average wage of an individual was \$1,500 per month and clearly, something was wrong with that. We agree with him but there is another side to the story. In recognition of that activity, the Government has created the circumstances by which this particular individual can get free health through the Chronic Disease Assistance Programme (CDAP); education paid for by the Government in spite of the income issues; subsidized gas; low cost housing and as a consequence of where we are today in the job market, he has the ability through one of the programmes from the Ministry of Science, Technology and Tertiary Education to retrain himself and move to a different level job should he so choose. Insofar as the economy is concerned, in talking about any individual you cannot talk about the individual's income; you also have to talk about what is available to the individual today, in circumstances where it was not available before. That is a significant difference in the policy of this administration as opposed to those before us.

I support the comments made by Sen. Dr. Mc Kenzie. I think that much of what she has said we are doing, except for one element. I told her what to do. In many instances we need to get to the areas in which we have not gone traditionally. That is certainly a recommendation that requires us to work with NGOs that are able and willing to assist in this particular area. That is something the Governor of the Central Bank will take on board because one of the agencies we believe can fit this requirement is certainly the credit union system. I know that he is having some discussion with them with a view to dealing with that.

Sen. Dr. Kernahan raised the issue about bogus statistics and intergenerational—I must tell you that Sen. Dr. Kernahan is somebody that I actually like very much because she brings to the discussion a point of view that I do not hear very often, but is one to which I think we must respond. I think that we are not doing enough to assist in some of the concerns that Sen. Dr. Kernahan has. I mean that seriously because I believe that our work is not done until we are in a position to ensure that the language she speaks and the experiences she has are more improved than they are today. I want to deal quickly with two issues that she raised. She criticized or commented on the purposes of the Bill that had to do with sustaining expenditure.

She made the point that if your revenue dropped—I certainly understood it this way—then what you basically needed to do was to reduce your expenditure.

8.30 p.m.

One of the challenges that we face in taking that approach is that when one understands how one's expenditure profile is made, and one looks at recurrent and at capital, for example, one would see that as we got up on January 01, 2007, there is a level of hardcore expenditure made up of public debt repayment and wages and salaries that do not go anywhere. If one adds those two numbers I think it is somewhere in the vicinity of \$16 billion to \$17 billion and, therefore, those are fixed expenditures that you have to pay even if your expenditure drops. And, therefore, in the context of what we are doing, we are very much aware of the fact that those expenditures that are fixed even as part of the recurrent expenditure and in whatever you do, you have to programme that to ensure that you can continue to pay your debt, because it is a charge on the public account and, of course, the question of employees, where you have a responsibility.

The Bill is seeking in a sense to provide you with the opportunity to transition those situations and deal with that kind of activity. History will repeat itself, boom and bust. We are doing everything that we can to make sure that does not happen but to the extent that we are not in control of many issues, like everything else, we can simply put measures in place to deal with the activity should it occur.

I had a most interesting thesis from Sen. Prof. Kenneth Ramchand who, in a sense, made the case for us in that he really talked about the difficulty of trying to forecast your revenue on the basis of the commodities that we are involved in and about the complex nature of the commodities that we are involved in. We go to the individuals whom we believe have some expertise in this matter. In fact, it is the same group we have been using for years, to tell us the prices that we should use in our own budgeting exercise. And, of course, there is a unit at the IMF that does economic modelling and takes into account all the things that we are talking about and this is the group that we are going to use in order to try and get the five-year price.

I disagree with those who say you should use three years, two years, whatever. As far as I am concerned, the Government in its Vision 2020 quest basically is looking at implementing three five-year strategic plans and in that context therefore the planning period for us is five years. You add one, you drop one and therefore we need to know to deal with the sustainable expenditure issue, what the future looks like and this allows us a way by which annually we have to be focusing on it and it will not be right and it does not have to be right but it gives us an indication of planning long term.

One of the challenges we can face is that we basically operate on a year-to-year basis. Vision 2020 Operational Plan has taken away that from us in that we can no longer operate on a year-to-year basis. We now have to operate on a longer term horizon with a longer view, and I think that when we do that, we have a longer view of what we have to treat with. We will be able to make better decisions. Within the construct though, of the pricing issue is the question of gas as well, because we did say in the budget that the benchmark that we are using for gas was US \$3.25, I think it was, and there were going to be some significant amounts that would be available on that side of the equation as it related to gas resources.

A benchmark of \$35 therefore is not sustainable in two areas. Firstly, I do not think that you can put a price and then try to trim the expenditure. What is more appropriate is that you look at your expenditure, you look at what your fixed costs are, what your variable costs are and on the basis of what the prices are, you determine how much of your variable expenses you can accommodate and you make a judgment in the context of what you had promised to the population. In our case, for example, we made promises and said that we would focus on education, health, housing, national security, social services and it is that, that drives the agenda and the expenditure profile.

And it is on those bases that we seek first to deal with those issues and thereafter we make the assumption that we must save some for a rainy day. For those who are concerned about Government's capital expenditure programme, we have factored that into the process. What we have set up specifically for capital and infrastructure development is the Infrastructure Development Fund and we are dedicating the Infrastructure Development Fund to simply that, infrastructure development, while we are dedicating the Heritage and Stabilisation Fund for stabilization and heritage.

Those who have commented on the fact that we do not have rules for heritage, they are right because at this time we believe that all the money inside there should really be for heritage. We do not see as we stand now the question of using that fund for stabilization. And even if that were to occur, there are other things that are available to us that do not allow us to do that. Therefore, we thought we would give ourselves the opportunity to put this legislation in place to get those individuals who are involved with the management of the rules for the Fund to sit and constitute themselves to get an opportunity to work out the modalities, to put in place whatever one needs to make it operational and then, on the basis of that, to change the legislation appropriately to what we have discovered on what we have to do. This is a lot of work to be done. This is not the end of it from where we sit. This is the starting point.

We started with an Interim Heritage Stabilisation Fund and while we did not have legislation, it was this Government that consistently every year put in the same Fund without anybody having to say that, and we were under no obligation. There was no law. We moved the Fund from what it was to where it is today and in many instances we put more than the 60 per cent that was the established position on the last occasion.

This Government is not going to act irresponsibly and interfere with the future of our children because that has not been its position, that has not been our policy. But we believe that legislation must be put in place so that any administration, this one, the next one, the other one, must be guided by a philosophy of how we intend to manage the economy, manage our expenses and at the same time achieve the objectives that we had set.

I wish that Sen. Bro. Khan could have been a little more specific in some of the things he said. What I understood him to say is that many of the things that we talk about are really based on how we see ourselves and our own search to find within ourselves the ability and the capacity to do these things which we may not have done in the past. If that is what he meant, I commend him for saying that.

As I listened to some of the debate I wondered how we had gotten to the point where we believed that all of us do not have the ability to do this thing properly and in the interest of Trinidad and Tobago.

We are here today, you are there, in the event that the circumstances change, you would have the opportunity to manage these resources for the benefit of Trinidad and Tobago. And if we are to hold you at your word and what you are saying, I think we have to allow the process and what institutions we have in place and the law we have in place to work for us. Therefore, in that particular regard, it is our view that we must deal with what is before us. If we do not want it we change it, and I think we have an opportunity for that.

The comments made by Sen. Cropper on the heritage purposes of the Bill are very relevant. The fact that we should save more and we have started late, are all relevant, but the issue that faces us as it faces any country like us, is how much do we spend today and how much do we save for future generations. What is one doing today, because some of the money we are spending today and some of the things we are doing today, is really an investment in the future. Infrastructure for example, is an investment in the future. When we educate all our children regardless of where they come from, regardless of income levels, we are contributing to the eradication of poverty. We are, in fact, creating a human

resource base that will allow us to participate in the knowledge-based economy that we are, in fact, building which in itself will create for us the diversification that we talk about. But you cannot diversify into a knowledge-based economy unless you have knowledge-based people and the way you get that is by making sure that you have available to you the cadre of individuals who can in fact meet the particular requirement.

When Sen. Dr. Gopeesingh spoke he really spoke about comments to the effect that the board of the Fund will manage \$10 million, \$12 million and we are using the Central Bank. He made some statements about the Central Bank which sought to give the impression that the Central Bank is not under the control or does not report or account to the Parliament. I am aware that last month or the month before the Central Bank and its directors were called before, I think it was Sen. King's Committee, and had to answer all the questions that were relevant to the conduct of their affairs as related to their annual reports and so forth. So the impression that is given that the Central Bank is not under the control of the Parliament is not true. And with respect to the Freedom of Information Act, we are giving consideration at this time to looking at whether there is any merit in the suggestion that has been made for us to remove them from that. There was a very specific reason at the particular point in time why we did what we did. We had to do it because not doing it would have impacted on the financial services sector at that time because of where some of the issues were going. But I think we have passed that now and we are looking at that. This model we have selected here is superior to the Norway model because in the Norway model it is the Ministry of Finance that makes all the decisions and not another entity. We have sought to move the Ministry from it and put something between ourselves and the Fund in the form of a board and have the board as an entity use the expertise that is available to them to deal with the management of the Fund.

We did look extensively at the model of Norway and there are some things in the Norway model that we may have to do in the future as they relate to how we do the budgeting process and how we use the Fund. The Fund in the budgeting process in Norway is slightly differently used. What happens in a sense is that all the revenues go into the Fund and whatever is required you take it out of the Fund. But all the things we have talked about as they relate to the benchmark for the fund, the choice of the owner, the considerations of returns, and the responsibilities for the management.

The governance structure of the Fund talks about the legislator, the principal and the manager. The legislator is the Parliament and the Parliament passes the Act and the Parliament gets performance reports and strategic changes which are reported in the national budget and the national accounts and the Fund. The Fund is audited by the office of the Auditor General. The principal is the Ministry of Finance that sets out the regulations and the management agreement. In this case, we had said no, we are not doing that. We preferred to put it into a board and the board has as the manager the Central Bank as does Norway. So that in a sense we have moved the regulations slightly differently in that we did not think we wanted the Ministry of Finance to have the direct responsibility. We put a board in place there and we believe that board will have the ability to deal with some of the technical issues that it must deal with so that it can, in fact, develop the requirements for the management of the funds.

Mr. Vice-President, during the course of the discussion I got the distinct impression from some Senators that they believe this Fund should have gone one step further and be used as a mechanism for the diversification of the economy and dealing with issues of change to the economy. We did not propose to do that in this Fund. In fact, the way we are dealing with that right now is within the expenditure profile in the current budget process. We believe, for example, that transforming the economy has to do with issues of today and, therefore, we are funding it from the resources that we have today. The resources we are using in savings are really the surplus to that requirement and they are being used for the specific purpose for which they have been identified.

Sen. Ali talked about the issue of whether gas goes into the Fund. The way the revenues are collected today is from producer companies and through the Petroleum Taxes Act. This is what we are using as the receipts in order to determine whether there is excess revenue as a result of pricing issues. So that the definition we have as it relates to revenue is really straight out of the legislation and encompasses everything that is part of the Petroleum Taxes Act. In terms of the Bill itself, the Bill seeks to do three things: it seeks to cushion the impact on our sustained expenditure where there are downturns in revenue whether it is caused by a price, a fall in price of oil or natural gas. If that does not occur over time and you build up a set of assets, at the end of a period of 15 years, if there are no price issues, you are going to have a fund that will generate for you income. So one of the purposes of the fund as well is to be able to get this pool of fund outside there. The capital will stay and that will generate for you a stream of income which you can possibly use to replace the income that you would have lost as a consequence of no longer having revenue from gas and oil. And in that

Heritage and Stabilisation Bill
[SEN. THE HON. C. ENILL]

Tuesday, March 06, 2007

construct, we have also said that our future generation of citizens need to be able to have available to them savings and investment income so that in a sense there are two elements of how the income earned from that pool of funds will, in fact, be distributed.

The appointment of the board of governors on the advice of the Minister is appropriate in the context of our constitutional arrangement. That is not something we believe can be dealt with in this manner. We think that if that has to change, it has to change on the basis of constitutionality because there are issues with responsibility and who is, in fact, going to be held accountable and so forth.

Mr. Vice-President, I believe if there are any other issues that I may need to address during the Committee stage, and this is a Bill that goes to the Committee. It is not a money Bill in the sense that we discussed. In the Committee stage I will attempt to explain it. Other than that, and on the basis of advice available to me from my colleagues, I beg to move.

Question put and agreed to.

Bill accordingly read a second time.

Bill committed to a committee of the whole Senate.

Senate in committee.

Clauses 1 to 7.

[Interruption]

Sen. Mark: We do not operate like that. It is too big a jump.

Sen. Dr. Gopeesingh: We do not want clauses 1 to 7. *[Discussing]*

Sen. Cropper: Mr. Vice-President, we cannot hear a word up here.

Sen. Dr. Gopeesingh: Say clauses 1 to 7 and then suddenly we have a problem with clause 2 or 3.

Sen. Jeremie S.C.: We will go back to that.

Sen. Dr. Gopeesingh: Let us say clauses 1 to 4, about 5 occasions.

Sen. Jeremie S.C.: Okay, whatever.

Clauses 1 to 4 ordered to stand part of the Bill.

Question proposed.

Sen. Ali: Mr. Chairman, in clause 2 I have a problem with the definition of petroleum revenues on page 7 of the Bill. I had spoken to the hon. Minister about

it. I think there is an omission of one item of petroleum revenue and that is, share of profits from oil companies under production sharing contracts which is a line item in our revenue budget.

Sen. Cropper: Mr. Chairman, on the same provision that Sen. Ali has raised, I would like to ask, and I raised it in my contributions, why were signature bonuses excluded? Perhaps, the Minister would explain.

Mr. Chairman: Sen. Cropper has a point that is connected.

Sen. Jeremie S.C.: The CPC is pointing out that this is a money Bill. If you look at the last page you would see that there is an attestation clause for the Speaker which certifies it as a money Bill.

Sen. Mark: This is a policy matter you are dealing with here. This is not any money Bill. Where is the evidence of this being a money Bill? Where is the basis?

Sen. Jeremie S.C.: If you look at page 17, the money Bill is a Bill which is so certified by the Speaker of the House under the Constitution which is, I am sure you know, section 66(1). It says:

“...‘Money Bill’ means a public Bill which, in the opinion of the Speaker, contains only provisions dealing with all or any of the following matters, namely:

- (a) the imposition, repeal, remission, alteration or regulation of taxation;
- (b) the imposition, for the payment of debt or other financial purposes, of charges on public money or the variation or repeal of any such charges;
- (c) the grant of money to the State or to any authority or person, or the revocation of any such grant;
- (d) the appropriation, receipt, custody, investment, issue or audit of accounts of public money;
- (e) the raising or guarantee of any loan or the repayment thereof, or the establishment, alteration, administration or abolition of any sinking fund provided in connection with any such loan; or
- (f) subordinate matters incidental to any of the matters referred to in this subsection.”

So that the Bill is certified by the Speaker of the House as being a “Money Bill” within the terms of section 66 of our Constitution.

9.00 p.m.

Sen. Dr. Gopeesingh: Where have you read from? In what area does this Bill fit? Will you lead us to that area?

Sen. Jeremie S.C.: Let the Minister of Finance answer that question. I know, but I think he can answer it.

Sen. Enill: Section 66(1)(d):

“the appropriation, receipt, custody, investment, issue or audit of accounts of public money;”

Sen. Jeremie S.C.: There was an error and we apologize for that. The Minister ought to have said that it was a money Bill in the normal course of things. He said he did not get speaking notes.

Sen. Ali: Mr. Chairman, why are we having a committee then, if we cannot propose any amendments?

Sen. Jeremie S.C.: We are saying that the Minister cannot bring us to committee.

Sen. Mark: Before we send it back, let us understand what we are dealing with. This is a policy measure that the Government is pursuing. We know that contained in this document would be certain decisions, but strictly speaking could this be described as a money Bill? Even if you can categorize it as such, this is the Senate. We can sit and discuss in an effort to enhance the Bill. I have seen it happen even in the budget under Mr. Kuei Tung and with Sen. Diana Mahabir-Wyatt. We made many proposals and they accepted them.

Sen. Jeremie S.C.: I prefer to be guided by the Constitution. There is a certificate by the Speaker at the back, duly authenticated in the way the Constitution said it should be. The Minister has provided the explanation that he had the wrong procedure given him by the Senate.

Sen. Dr. Gopeesingh: I am sure that the Minister in his quiet moments will reflect on the importance of this Bill. There are certain fundamental issues which the society would want us to discuss.

Sen. Jeremie S.C.: We have a Constitution of Trinidad and Tobago.

Sen. Dr. Gopeesingh: So the whole reason for bringing this for debate in the Upper House is futile.

Sen. Jeremie S.C.: We do it every year with a budget.

Sen. Dr. Gopeesingh: That does not mean to say that a fundamental thing like this where you have—

Sen. Jeremie S.C.: A budget is the most fundamental—

Sen. Dr. Gopeesingh: This is \$10 million. You want to come to the Senate, have it presented and let it pass? So all our contributions are meaningless and futile? If you feel that is the way to go, it is unfortunate that we have spent almost two days discussing this.

Mr. Chairman: Members.

Sen. Dr. Gopeesingh: There are fundamental issues, Mr. Chairman.

Mr. Chairman: You do not stop me, please!

Sen. Dr. Gopeesingh: I am not stopping you. I was just saying that there are key fundamental issues.

Mr. Chairman: I think we need to bring this back to order. This is a money Bill, in which case there has been a procedural error. If this is a money Bill, the Minister should not have requested that it be committed to a committee of the Senate to be examined clause by clause. This is where we are. In terms of whether we are going to argue whether it is should be discussed or debated will not be in order.

Sen. Prof. Ramchand wanted to make a point for the longest while.

Sen. Prof. Ramchand: I just wanted to know what kind of difficulties we would be putting ourselves in if, the Speaker having said it was a money Bill, we get on as if it is not a money Bill? What kind of crisis would we be creating?

Sen. Jeremie S.C.: It is ultra vires the Constitution.

Mr. Chairman: Fundamentally that will be wrong.

Sen. Jeremie S.C.: And the Standing Orders. I do not want to discuss what—

Sen. Prof. Ramchand: Then we cannot really discuss the issue. If the Speaker has certified that it is a money Bill, that is it.

Sen. Jeremie S.C.: It is like a budget, which is important, but it is a money Bill. The point is that the Minister was provided with speaking notes by the Senate and those speaking notes were deficient. Someone will have to guide him along.

Sen. Prof. Ramchand: I just want to know now, in theory, if amendments had been submitted, would they have been able to be taken.

Hon. Senators: No.

Sen. Dumas: That is the point I was making when I was speaking to Sen. Mark.

Mr. Chairman: Sen. Dumas, was that the contribution you wanted to make?

Sen. Dumas: I was suggesting that Sen. Mark's policy position is for the next review of this Bill.

Sen. Ahmed: [*Inaudible*]

Sen. Mark: Mr. Chairman, I just want to be guided. When the Speaker certifies that the Bill is a money Bill, does it necessarily follow that he has to append his signature? All we see here—[*Interruption*] I am just asking because of the importance of the debate in which we have been engaged. If, for instance, you have “I certify so, so, so” and because of the importance of this measure, would it necessarily follow that the Speaker ought to have appended his signature to the Bill? It came to the Senate and we should have been able to see the Speaker's signature.

Sen. Jeremie S.C.: Mr. Chairman, may I answer that because I deal with these Bills. The only time Bills are signed is when they go to His Excellency The President for his signature. What you see there is all that you will see while the Bills are in this House. Any Member of this Senate will be able to tell you that. Sen. Mark has been here 17 years; I am sure he has never seen a Bill signed before the President signs it.

Sen. Dr. Gopeesingh: I wonder whether there is really a mishap. We see the Chief Parliamentary Counsel here probably anticipating that changes will have to be made to the Bill.

Sen. Jeremie S.C.: The Chief Parliamentary Counsel is the one who pointed out that it was a money Bill. Whenever Parliament is in session, they sit.

Sen. Enill: Mr. Chairman, I apologize to the Senate. I did not get the procedure consistent with a money Bill.

I beg to move that the Senate do not now resolve itself into committee.

Mr. Chairman: You cannot do that.

Sen. Enill: What do I have to do?

Mr. Chairman: You will have to wait.

Hon. Senators, in view of the fact there was this very unfortunate mix up with the procedural development, I suggest we continue with the sitting that was suspended and allow the Minister to revert to the correct procedure.

Senate resumed.

Sen. The Hon. C. Enill: Mr. Vice-President, in accordance with Standing Order 63(1), I wish to advise that the Bill not be committed to a committee of the whole Senate.

Question put and agreed to.

Bill accordingly read the third time and passed.

Mr. Vice-President: Before I ask Sen. The Hon. Christine Kangaloo to make her presentation, I ask that such an error does not occur again, please. These are serious matters and must be taken like that. The administration should definitely have noted that this was a money Bill. It was discussed earlier, but there was this unfortunate error in the procedure. I would like to see that it does not happen again.

DEOXYRIBONUCLEIC ACID (DNA) BILL

Joint Select Committee Report (Adoption)

The Minister in the Ministry of Finance (Sen. The Hon. Christine Kangaloo): Mr. Vice-President, I beg to move,

Be it resolved that the Senate adopt the First Interim Report of the Joint Select Committee appointed to consider and report on a Bill entitled the Deoxyribonucleic Acid (DNA) Bill.

Mr. Vice-President, the First Interim Report of the joint select committee has been circulated and we are asking that the report be accepted. We are asking for a further two weeks for the committee to complete its consideration of the Bill.

Question proposed.

Question put and agreed to.

Report adopted.

Adjournment

Tuesday, March 06, 2007

ADJOURNMENT

The Minister of Public Administration and Information and Minister of Energy and Energy Industries (Sen. The Hon. Dr. Lenny Saith): Mr. Vice-President, I beg to move that the Senate be now adjourned to Tuesday, March 13, 2007, at 1.30 p.m., at which time we will debate three Bills which are to be circulated tomorrow to Members of the Senate. They are the Security Assistance (Caricom) Bill, 2007, the Visiting Police Forces Bill, 2007 and the Visiting Forces Bill, 2007.

**Barbados
(Fishing Rights and Oil Exploration)**

Sen. Wade Mark: Mr. Vice-President, the matter deals with another failure of the Attorney General to take the necessary steps to ensure that the Government of Barbados desist from oil exploration and associated activities in the maritime waters of the Republic of Trinidad and Tobago.

It was on April 11, 2006, in this honourable Senate, when the Attorney General stated, and I quote:

“The Tribunal today rejected each and every claim made by Barbados on all counts, including the attempt by the Barbados government to secure all of the area south of the median line, which they regarded as their traditional fishing ground, that is, the area just off the coast of Tobago. The Tribunal also agreed to a request by Trinidad and Tobago to extend our maritime boundary which was in counter claim to the continental shelf beyond the 200 mile Exclusive Economic Zone of Barbados.”

The hon. Attorney General continued:

“While we were always confident of the outcome of these proceedings, the mere referral of this dispute was a significant threat not just to the exploitation of our oil and gas resources, but to the livelihood of our fisherfolk especially in Tobago, and the proceedings threatened to compromise the very integrity of the unitary state of Trinidad and Tobago.”

He goes on:

“You would recall that letters were written by the government of Barbados to the international energy companies interested in exploring what our Caricom neighbour considered to be a disputed area. That matter has now been conclusively put to rest.”

Barbados (Fishing Rights)

Tuesday, March 06, 2007

Mr. Vice-President, I was shocked and somewhat flabbergasted to have read in the *Guardian* of Saturday, December 09, 2006, the following:

“Barbados gets ready for oil drilling.

Barbados has a crucial step towards launching a major offshore oil-drilling programme, the Barbados Nation reported yesterday.

It is to be conducted in waters once claimed by T&T but recently awarded to the island by an international arbitral tribunal, the paper said.

A report by Tony Best said, The island's Minister of Energy and the Environment Liz Thompson told the Nation in New York that the Arthur Administration has awarded a contract to a British firm of experts to prepare what she called the ‘bid blocks’ that would be auctioned to a foreign company or companies interested in drilling for oil or natural gas or both in waters off Barbados.”

It goes on:

“...‘The British company actually prepares...the terms of reference for the companies which will be involved in the bidding process and they will look at the offshore area that is available, apply a technological interpretation to the space and then determine based on that, how you carve out the bid blocks.

‘They would be responsible for helping with the bidding process.’

Thompson said that the British company would be looking at some of the new areas awarded to Barbados by the arbitration panel.”

This is the Minister of Energy and the Environment in Barbados:

“She said, ‘Barbados’ territorial water, our territorial space, is now much larger as a result of the arbitral tribunal’s decision. We have a larger marine space than we did before and it is part of that area that is going to be involved in a bid block.”

This is the lady in charge of energy being quoted in the *Nation*. She goes on:

““So, without that decision our offshore drilling options would not be as large as they are now. The bid blocks would be closest to Trinidad where oil has already been discovered. So, I imagine it would be one of the areas that would be most highly sought after by major international oil companies.

Exxon-Mobil, one of the world’s largest oil companies, has already indicated to Barbados an interest in negotiating an exclusive oil drilling arrangement

Barbados (Fishing Rights)
[SEN. MARK]

Tuesday, March 06, 2007

with the island to search for oil in the country's waters, including the new areas awarded to it by the tribunal, the Nation said.

Thompson said other foreign oil companies were also knocking on Barbados' doors now that the boundaries of the country's territorial waters had been clearly and legally settled..."

This is the Minister I am quoting, therefore you can understand my shock. I was horrified. I could not believe what I was reading that is why I am calling on the hon. Attorney General to tell this Parliament whether he read this article. This lady is quoted extensively in the *Nation* newspaper as saying that they have more territory now than before.

I have never heard a denial from the Attorney General of the Republic of Trinidad and Tobago. This has gone far and wide saying that we did not win; Barbados won. If that statement turns out to be false, I want to give the Attorney General the benefit of the doubt. [*Interruption*] I am saying I am not too sure. I brought the information because I believe it is in the interest of Trinidad and Tobago for the Attorney General to clear the air.

I was shocked when I read it and I have not seen or read any denial or any statement coming from the Attorney General's office refuting this particular statement. If it is true, I would like the Attorney General to take immediate steps to injunct Barbados against any oil exploration in the waters of Trinidad and Tobago. They have already indicated that they have given a contract to a British firm to explore for oil. If it is a fact, then we in this Parliament, by the Attorney General's statement, were misled when he spoke. Let me quote from the *Hansard*.

The Attorney General told you, Mr. Vice-President, and this honourable Senate that the Tribunal rejected each and every claim made by Barbados on all counts. We are asking, therefore, that the hon. Attorney General—and what has me a little more confused and I need clarification—he said:

“You will recall that letters were written by the government of Barbados to the international energy companies interested in exploring what our Caricom neighbours considered to be a disputed area.”

I am not accusing him of anything at this time. As a national and a patriot of my country, I saw this article and was concerned. I believe that it is my duty to bring this matter to the Senate's attention and to your attention so that the Attorney General can clear the air. I look forward to his clearing the air regarding the articles in the *Nation* newspaper on December 08, 2006 and by Tony Best in the *Trinidad Guardian* on December 09, 2006.

Today is March 06, 2007, almost three months later, and our country, through the Attorney General, has not said anything to refute this allegation. That is why I bring it to his attention so that he can rise and tell the nation that the Minister of Energy and the Environment of Barbados, Liz Thompson, is not all right upstairs here. [*Points to his temple*]

9.30 p.m.

Therefore, what she has said is wrong and is a fabrication. Therefore, I call on the Attorney General, through you, Sir, to clear the air for you, me and the whole of Trinidad and Tobago.

I thank you very much, Mr. Vice-President.

The Attorney General (Sen. The Hon. John Jeremie S.C.): Mr. Vice-President, the hour is late and we have been regaled to one of Sen. Mark's typical excursions into hyperbole.

I took the precaution of photocopying, from the award of the arbitral tribunal, the relevant maps which show exactly what the position is, in relation to Trinidad and Tobago and Barbados. One map even has our oil concessions on it. I will take you through the presentation.

The dispute between Barbados and Trinidad and Tobago is now public knowledge. It arose approximately three and one-half years ago. The award of the tribunal is online so my good friend, Sen. Mark, need not trouble himself with foraging in the dustbins for newspapers and so forth. The award is online and is freely available to every Member of this Senate who has access to the Internet. I hope you have access to the Internet. If you do not, the building which former Attorney General Ramesh Lawrence Maharaj constructed across the way has wireless access to the Internet and you can use it at any point in time to download this specific information, because I did not want you in the office doing other things. On this matter, you can use it to download this information, seeing that you were caused such heartache by this article in the newspaper.

The first point to note is that the arbitration was caused by a petition of Barbados. It was Barbados that triggered the arbitration, if you remember those days leading up to the arbitration. Trinidad and Tobago's stance—the Minister of Foreign Affairs would bear me out because he has institutional memory even if he was not there at the time—was one of negotiation. We wanted to negotiate the matter. We felt that we had come pretty close to an agreement, with respect to fisheries, and that the agreement with respect to delimitation would follow. That

Barbados (Fishing Rights)
[SEN. THE HON. J. JEREMIE S.C.]

Tuesday, March 06, 2007

position was not adopted by the Government of Barbados. They triggered mandatory third party resolution of the dispute. The position of the Government was that we were close to a settlement of the disputes. Nevertheless, we were put before the tribunal which, in turn was described as an arbitral tribunal constituted, pursuant to Article 287 and in accordance with Annex 7 of the United Nations Convention on the Law of the Sea.

The decision of the tribunal was delivered on April 11, 2006; almost one year ago and it is at this juncture that I propose to treat with the maps because the maps were appended to the decision of the tribunal. If you have such keen interest in this matter, I can make a compendium, containing all the points of law which were decided in the case; to you, your Senators, Senators opposite and members of the public generally. We had, as a matter of fact, public education consultations in Tobago and in various parts of Trinidad we had sessions on the television. I am sorry that you missed all these things, because had you paid attention to the television for once in your life, you might have been educated and you might not have brought this Motion today.

I am not speaking to Liz Thompson, whom I know very well. She is a lawyer and a colleague of mine. There are diplomatic relations between Trinidad and Tobago and Barbados, which will not allow me to say here in this Parliament today that this woman was misleading anyone. You ought to be a little more responsible than that. I ask Senators to note that, again, the proceedings were not Trinidad and Tobago's proceedings. We sought nothing. The claim, was brought by Barbados.

Initially, the Barbados claim was fashioned as a claim to the flying fish fishery off Tobago. As the proceedings developed, I led the team for Trinidad and Tobago, the claim was magnified to a proprietary claim. They were not simply asking for the right to fish off Tobago, they were claiming the entire area in which they were accustomed to fishing, as part of their property. They said that they had been fishing there for 400 years and that this was part of their property. If this claim had succeeded, Barbados would have managed to have the property rights in the living and non-living resources in the area claimed.

I want you to turn to page 4. It is the last page, which demonstrates the claim of Barbados. In the tribunal I described the beak over Tobago as being similar to a bird of prey, ready to take in Tobago. All that red area is what Barbados claimed. You will note that the red area went down to an area just beyond 12 nautical miles off Tobago. That is what they were claiming. Okay? Are you with me?

If you turn now to page 3, you will see in broken yellow what is essentially on page 4. The yellow break illustrates the median line between Trinidad and Tobago and Barbados. It deviates in the Caribbean sector—that is in the Atlantic sector—to accommodate Barbados' claim line, which is the bird of prey seeking to devour Tobago.

If you go to page 2, you will begin to see what the tribunal awarded, in terms of our natural resources, our oil and gas resources over which you have expressed such concern. What you see is a red and solid yellow line at the top in the Caribbean sector and thereafter, a red line, which deviates north at a point. Are you with me? The median line would have been the yellow line going straight down. The red bump up to the north is where the tribunal deviated from the median line. The median line would have represented a neutral position. It would have represented a victory for us, because we were called to this tribunal to face a claim in which there was a bird of prey seeking to devour Tobago, but the tribunal did more than that. They eradicated the bird of prey, they created a median line in the Caribbean sector and a median line in the Atlantic sector, but a deviation north in favour of Trinidad and Tobago. You will see that the oil and gas blocks are all interlaid with that diagram on page 2. Are you seeing that the oil and gas blocks are interlaid with that diagram on page 2? All of our resources are properly secured.

That light blue square is a nonsense square, which we had there, in the hope that we would get something at some point in time, which we eventually did. We had no plans to exploit there. It is not a block subject to bidding or anything of that sort.

If you look at the first page, what you see is in bold and the legend carries it. It is the decision line granted by the tribunal. Trinidad and Tobago did win the arbitration proceedings. We did beat off the claims of our friends to the north, seeking first fish and then mineral resources. That is demonstrated by the maps produced by the tribunal itself. These are the maps produced.

I am happy to say that not only did we win—this ties into the debate my colleague, Sen. The Hon. Enill was having—but the Barbados Government paid US \$6 million to prosecute this claim. Our claim was prosecuted by locals. I led the team. I received no money for this. I did not receive a flat in Kensington either. I was paid my normal salary. Our total expenditure on this matter was TT \$12,480,820.04, as opposed to \$36 million, which was paid by the Government of Barbados, to prosecute the claim.

Barbados (Fishing Rights)
[SEN. THE HON. J. JEREMIE S.C.]

Tuesday, March 06, 2007

In terms of enforcement, I am happy to report now that the boundaries have been conclusively settled; the parties have kept to their respective sides of the agreement. The Barbados team has been in Trinidad and Tobago once or twice, trying to negotiate with us, on the basis of fixed boundaries, a fishing agreement. It is before Cabinet and I do not think that is prudent for me to discuss, but I have seen reports coming out of Tobago, that the flying fish fishery is under some strain at this point in time. We do not know why. It might have been caused by environmental factors, by Trinidad and Tobago's oil and gas companies exploring in our territorial waters, or climatic changes. I understand that in Brazil, there have been some difficulties with the flying fish fishery.

Two things which have not taken place are illegal fishing and illegal mining of our resources. I am happy to report to my friend that letters are no longer being written to our oil and gas investors. Those things have stopped since we have settled the Maritime boundaries.

Mr. Vice-President, I think that dispenses with the very feeble, but animated discussion coming out of a newspaper article. I do not know whether it was in the *Sun*, the *TnT Mirror*, the *Bomb* or the *Punch*, whatever it was. I am not responsible for what Barbados tells its citizens about its drilling resources and its oil and gas resources. I do not think they have found any so far, but I wish them well.

Thank you, Mr. Vice-President.

Question put and agreed to.

Senate adjourned accordingly.

Adjourned at 9.46 p.m.

WRITTEN ANSWERS TO QUESTIONS

The following question was asked by Sen. Wade Mark:

Caribbean Airlines Limited (Business Plan)

- 20.** Could the hon. Minister in the Ministry of Finance provide the Senate with copies of the business plan for Caribbean Airlines Limited and indicate the projected revenues and expenditure over the life of the said plan?

The following reply was circulated to Members of the Senate:

The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill): Mr. Vice-President the business plan for Caribbean Airlines Limited contains sensitive information which can be used by the competitors. Accordingly, I am unable to provide the Senate with the business plan. However, the business plan was developed taking into account three options:

- new company;
- closure; or
- restructuring

On the issue of closure or restructuring, an important element of the outcome was the ability of the company to renegotiate the collective agreements. Industrial relations negotiations started in December 2005 and remained largely unresolved. The ability therefore to restructure was not viable if new agreements could not be settled. The report on IR negotiations considered several options and recommended the closure of BWIA using an enhanced VSEP framework. This was recommended after negotiations with the unions reached an impasse and the differences between the parties remained significant in content, cost and attitude to transformation of the airline.

BWIA's operational performance declined at an accelerating rate resulting in the on time performance rate deteriorating to 61.6 per cent following industrial action in June 2006. Staffing levels in the maintenance division remained critically low and the company continued to operate at a projected loss. It was anticipated that a full year of operations would yield a loss of US \$47 million. The forecasted cash position indicated that without additional funding the airline would have been unable to meet operational commitments past August 2006 and would have had to suspend operations.

The options considered were premised on the goal of managing the affairs of the business in such a manner that the terms and conditions of employment would reflect enhanced productivity and efficiency. Increasing competition within the Caribbean region saw BWIA's market share halving from 9.4 per cent to 4.1 per cent in the period 2001—2006. Competition included:

- established full-service North American and European carriers;
- emergence of North American low-cost carriers;
- charter operators;
- regional carriers;

- LIAT's restructuring;
- Caribbean Star and Caribbean Sun restructuring and expanding in Tobago as well as attracting BWIA staff;
- Tobago Express increasing capacity during peak seasons; and
- Air Jamaica loss of US \$85 million for the first six months, and the likelihood that it would suffer further due to Virgin Atlantic's increased flights to Jamaica.

After an evaluation, the Board concluded that the option of a new company business model was an appropriate way forward. The new company business model primarily includes:

Network:

- Dual Class Service (Business and Economy Class);
- Closure of the London route and the sale of the Heathrow slots with code-share arrangements to ensure travel from Port of Spain to London and beyond;
- Closure of the Washington route;
- Offer of greater international connectivity through code-share arrangements;
- Development of inter-island network to feed and distribute to an international network;
- Reduction in fleet size to 5 x 737 aircrafts and revised existing network.

Positioning:

- New name and identity;
- Caribbean Region focus; and
- No frills airline model to evolve over time.

Projected Revenue and Expenditure (US\$):

	2007	2008	2009
Revenue	95 m	127 m	132 m
Expenditure	99 m	134 m	134 m
	<hr/>	<hr/>	<hr/>
	(4 m)	(7 m)	(2 m)

Projected Revenue and Expenditure (US\$) (cont'd):

Non Operating "Income"	5 m	7 m	6 m
Restructuring	(21 m)	–	–
Profit (Loss)	(20 m)	(0)	4 m

(The plan contemplates a breakeven result in 2008 and a profit position by 2009).

The following question was asked by Sen. Wade Mark:

Caribbean Airlines Limited

(Signed Agreement for Slots and Code-Sharing)

21. A. Could the hon. Minister in the Ministry of Finance provide the Senate with copies of the contract signed between Caribbean Airlines Limited and British Airways in respect of the slots which were sold as well as the code-sharing agreement?
- B. Could the Minister also indicate how was the sale of the 16 slots owned by former BWIA at Heathrow Airport factored into the new company known as Caribbean Airlines Limited?

The following reply was circulated to Members of the Senate:

The Minister in the Ministry of Finance (Sen. The Hon. Conrad Enill): These contracts are confidential for business and sensitive commercial reasons.

The insinuation in the question that BWIA owns 16 slots at the Heathrow Airport is completely erroneous, misleading and mischievous. The truth is BWIA never acquired rights in 16 slots but in fact acquired rights in one pair of landing slots at Heathrow Airport, London. Further, BWIA did not own the slots at Heathrow. All slots are owned by the British Airports Authority and BWIA acquired rights in one pair of daily slots through usage.

The London route operated by BWIA was consistently unprofitable and it was not considered a sound business decision to continue operating the route for the sake of maintaining the slots. BWIA and CAL were therefore able to negotiate as part of a reciprocal code-share agreement with British Airways the exchange of the slots for £5 million, which represented the market value of the slots by themselves and as part of the consideration for the code-share arrangement.

Written Answers to Question

Tuesday, March 06, 2007

It is to be noted that the other European carrier that was approached for potential code-sharing agreement offered considerably less money for these slots, that is, £4 million as compared to £5 million for direct flights from London to Port of Spain.