

THE House of Assembly Debates

(OFFICIAL REPORT)

SECOND SESSION 1981-86

HOUSE OF ASSEMBLY

Tuesday, November 5, 1985.

Pursuant to the adjournment, the House of Assembly met at 12.15 p.m. o'clock.

PRESENT

His Honour C. L. Bolden, LL.B., (Speaker)
His Honour R. E. Brathwaite, (Deputy Speaker)
Hon. L. S. Craig, (Minister of Information and Leader of the House)
Hon. Miss B. A. Miller, (Minister of Education and Culture)
Hon. L. B. Brathwaite, (Minister of Housing and Lands)
J. G. Odle, Esq., B.Sc., (Chairman of Committees)
Hon. DeL. O. Bradshaw, (Minister of Labour and Community Development)
Hon. Dr. R. L. Cheltenham, M.A., M.Sc., (Econ.), (Minister of Agriculture and Natural Resources)
Hon. A. Truss, (Minister of Tourism and the Environment)
O. S. Arthur, Esq., M.Sc., (Econ.), (Parliamentary Secretary, Prime Minister's Office)
Hon. D. A. C. Simmons, Q.C., LL.M. (Attorney General and Minister of Legal Affairs)

Prayers were led by Rev. Ivan Harewood.

Rt. Hon. E. W. BARROW, Q.C., B.Sc., LL.D. (Leader of the Opposition) and Hon. H. deB. FORDE, Q.C., M.A., LL.B. entered the Chamber and took their seats.

Mr. SPEAKER: The House is in session.

MINUTES

Mr. SPEAKER: The Minutes of the 15th day of October, 1985 and the Minutes of the meeting of Friday the 25th day of October, 1985.

Hon. L. S. CRAIG: I beg to move that the Minutes for the meeting of the 15th day of October, 1985 be taken as read.

Mr. SPEAKER: If there are no observations or objections, let the Minutes stand confirmed.

Hon. L. S. CRAIG: Mr. Speaker, I beg to move that the Minutes for the meeting of the 25th day of October, 1985 be taken as read.

Mr. SPEAKER: If there are no observations or objections, let these Minutes stand confirmed.

Messrs. W. O. FRANKLIN and L. E. SANDIFORD entered the Chamber and took their seats.

ANNOUNCEMENTS BY HIS HONOUR

Mr. SPEAKER: I am to announce that I have received: Accounts and Statements for the month of September 1985 prepared by the Accountant General.

Hon. H. B. St. JOHN, Q.C., LL.B. (Prime Minister and Minister of Finance and Planning) entered the Chamber and took his seat.

MESSAGE FROM HIS EXCELLENCY THE GOVERNOR-GENERAL

Mr. SPEAKER: His Excellency the Governor-General has announced that he will be away from the island from 30th October to 24th November, 1985 and during his absence his duties will be performed by Sir Arnott Cato.

PAPERS LAID

Hon. L. S. CRAIG: Sir, I am commanded to lay the following: On behalf of the Prime Minister: the Passports and Travel Documents (Fees) (Amendment) Order, 1985

and the Annual Report on the Immigration and Passport Department for the year ended 31st December 1984.

On behalf of the Minister of Finance and Planning, I am commanded to lay: Statements showing Net Customs and Excise Receipts for the months of July and August 1985.

Dr. R. C. HAYNES, Ch.B., F.R.C.P. (Edin.) entered the Chamber and took his seat.

GOVERNMENT NOTICES

Hon. L. S. CRAIG: Mr. Speaker, I beg to give notice of the following: A Resolution to grant the sum of \$1 393 754 from the Consolidated Fund and to place it at the disposal of the Government to supplement the Estimates 1985-86, Part I - Current, as shown in the Supplementary Estimates 1985-86, No. 9, which form the Schedule to the Resolution.

A Resolution to grant the sum of \$4 638 516 from the Consolidated Fund and to place it at the disposal of the Government to supplement the Estimates 1985-86, Part II- Capital, as shown in the Supplementary Estimates 1985-86, No. 10, which form the Schedule to the Resolution.

NOTICES OF QUESTIONS

Mr. SPEAKER: Question by the Right Honourable Member for St. John, to enquire of the Minister of Transport and Works concerning certain roads in the constituency of St. John.

Rt. Hon. E. W. BARROW: Mr. Speaker, I beg to give notice of the following Question:

1. Is the Minister aware that the Highway leading from Society to Sargeant Street in the Parish of Saint John has broken away and has become impassable to vehicular traffic?
2. If the answer is in the affirmative, will the Minister indicate when reconstruction will begin and is likely to be completed?
3. Will the Minister give a completion date for the roadwork at Coach Hill in the said Parish which has rendered that road impassable since November 1983?
4. Will the Minister give dates for the commencement and completion of repair to the road at Newcastle in the Parish of Saint John which has constituted a danger to vehicular traffic since November 1983?

5. Is the Minister aware that the road at Freehill in the Parish of Saint George has been impassable for a long period of time?
6. Will the Minister state when reconstruction will be undertaken and the likely date of completion?
7. Is the Minister aware that the Highway between Bath Plantation yard and Martins Bay is cracked on both sides of the centre line and that grass is growing in the middle of the Highway?
8. Will the Minister give an assurance that this situation will be remedied in the near future?

Hon. V. L. JOHNSON, M.A. entered the Chamber and took his seat.

ORDERS OF THE DAY

GOVERNMENT BUSINESS

Hon. L. S. CRAIG: Mr. Speaker, I beg to move that Government Business be the instant order of the day.

Mr. SPEAKER: Government Business is now the instant order of the day.

SUSPENSION OF STANDING ORDERS

Hon. L. S. CRAIG: I beg to move that Standing Orders 6, 16, 18, 20, 42(5), 43 and 44 be suspended for the remainder of today's sitting.

Hon. L. B. BRATHWAITE: I beg to second that.

The question was put and resolved in the affirmative without division.

INSURANCE (AMENDMENT) BILL, 1985

Order No. 2 was called - To move the second reading of a Bill to amend the Insurance Act, Cap. 310.

Hon. H. B. St. JOHN (Christ Church East Central): Mr. Speaker, this is a short Bill to clarify the definition of the word "salesman" as it occurs in the existing Act to make it clear that it is wide enough to cover people who are salesmen for insurance companies as well as others who do business with insurance companies as brokers. That is the object of the Bill. There was some doubt as to whether brokers who employ salesmen to solicit business on their behalf were covered, and the object of this Bill is to make it clear.

I beg to move that this Bill be now read a second time.

Hon. L. S. CRAIG: I beg to second that.

The question was put and resolved in the affirmative without division.

On the motion of Hon. H. B. St. JOHN, seconded by Hon. L. S. CRAIG, Mr. SPEAKER left the Chair and the House went into Committee on the Bill, Mr. J. G. ODLE in the Chair.

COMMITTEE

Mr. CHAIRMAN: The House is in Committee.

Clause 1 was called and passed.

12.25 p.m.

Clauses 2 and 3 were called and passed.

On the motion of Hon. H. B. St. JOHN, seconded by Hon. L. S. CRAIG, Mr. CHAIRMAN reported the passing of one Bill in Committee and Mr. SPEAKER resumed the Chair and reported accordingly.

On separate motions of Hon. L. S. CRAIG, each seconded by Hon. L. B. BRATHWAITE, the Bill was read a third time and passed.

Hon. L. S. CRAIG: Order No. 3.

Mr. SPEAKER: Order No. 3.

BARBADOS NATIONAL BANK (AMENDMENT) BILL, 1985

Order No. 3 was called — To move the Second Reading of a Bill to amend the Barbados National Bank Act, Cap. 322A.

Hon. H. B. St. JOHN (Christ Church East Central): Mr. Speaker, Sir, the object of this Bill is to amend the Barbados National Bank Act, to delete the provisions as to the term of office that a Managing Director of the bank can have so as to ensure that a person who is appointed to the post of Managing Director can hold the post for a longer period than 5 years.

As is well known, the previous Minister of Finance last year announced that there were certain organizational proposals taking place at the National Bank. One of the proposals was the search for a new Managing Director, and it is the policy of the Government that this search should not necessarily be restricted to Barbados, and indeed, that, while it is our policy that preference would be given to a Barbadian, the search must not be restricted to Barbadians. We have now advertised worldwide, and we have a number of applicants.

However, it has been drawn to the attention of the directorate of the bank that one of the handicaps that the bank operated under was the fact that the Managing Director, who, after all, is supposed to be the chief executive of the bank, was restricted, according to the Act, to a tenure of 5 years. When the bank was set up, presumably it was thought that this would not be a handicap. Well, reality has shown that if one is to attract people from other banks, or with banking experience in other banks, it would be necessary for the Act to be flexible enough to provide for a longer term of office than 5 years, and as we wish to attract the best, we want to remove any impediments that may prevent us from having access to the best.

The second amendment, Sir, deals with the question of the number of Directors on the Board. The law was a bit rigid in that it specified that there were to be 12 Directors and that the usual provision of "not more than or less than" did not apply. So that if for any particular reason there were not 12 Directors at any particular time, some lawyers were giving the opinion that the Board would not be properly constituted. Rather than having arguments over that, the usual provisions of all of the statutory boards and other things of "not less than or more than" would apply. That is a legalism that we are trying to prevent. That, Sir, is the object of the second provision of the amendments.

As I said earlier, the reorganization proposals that were set out have started. Honourable Members would know that the National Bank has closed a number of branches, like other banks in Barbados and in the rest of the world. The proliferation of branches is now a thing of the past in the banking industry. Modern electronic methods of transmitting the information about accounts, as well as the introduction of new machines to allow for cash to be dispensed by cards, have all had their impact on banking employment, and in Barbados, a rigorous examination of each and every branch of the bank has been undertaken and some closures have taken place.

The James Street branch has been merged with the Broad Street branch. The Fairchild Street branch has been relieved of some of the functions it formerly performed, which were more applicable to Head Office functions, and they have been consolidated into the Head Office in James Street. The branch of the National Bank at the University has been closed. My understanding — and I am giving the House my understanding — of that was that it was opened on the belief that the placing of it there would attract the university account. That failed to materialize and, therefore, the *raison d'être* for that branch was completely removed and that has gone. The reorganization has taken place in respect of activities in Speights-town and at the airport. There has been a rationalisation of the arrangement with the *Bureau de Change* and at the branch and they have been integrated. All of these

arrangements are with the view of reducing the burden of staff costs on the income generated by the banking activities.

The last report, as I understand it, that has been filed in the House relates to the financial year 1984. If it has not been filed, it will shortly be filed.

Asides.

Hon. H. B. St. JOHN: It has been filed. We have given specific instructions that all reports from statutory boards have to be filed.

Honourable Members will note there that the 1984 data did set out the performance of the bank for the financial year 1983/84, and it was an improvement on the financial year 1983, notwithstanding the fact that more provision was made for what one would call bad and doubtful debts. It is the policy of the Directors of the bank to follow rigidly the international conventions relating to bad and doubtful loans. Despite what anyone says, that is the position, and that will continue to be the position, and if the accountant and auditors of the bank know that is not the position, they are under an obligation to state that by way of qualification in their certificate of audit. So we cannot have our cake and eat it. We cannot be auditors and know that rules are not being followed and fail to report it.
12.35 p.m.

Now, Sir, the last area that I would mention is that the mandate given to the bank is to continue its policy of containment of costs to enter into new areas of activity. I myself feel that there is great scope in Barbados for a bank which is owned by Barbadians, and that is one of the distinguishing features of this bank from other banks — it is owned by Barbadians — and the bank should consciously seek to fill the gaps in the banking system which others do not fill. I am convinced in my own mind that there is great scope for improvement in the provision of mortgages in Barbados, freed of the bureaucratic approaches, the usual trust company arrangements whereby one has to get a bridging loan from the parent company and then a disbursement loan from the trust company. There is all that humbug — and I call it humbug with no apologies — because today, with modern methods of processing applications, there is absolutely no reason why the same person who processes the application, after approval has been granted for the loan, cannot have an instrument drawn up to give security from the beginning, without shuffling around a mass of paper and having to have, very often, two legal opinions on the same title. It is all foolishness, and the sooner Barbadians who are involved in money lending understand that it is this type of foolishness that has caused other countries of the Commonwealth, notably England, to change the whole system of conveyancing — and have brought in a new Bill called the Licensed Conveyancers Bill — and the

sooner those who are responsible for this type of thing understand that communities, countries, nations are fed up with these historical anomalies, the better it will be for us.

There are obviously a number of other areas of activity, particularly the integration of the services provided to exporters by commercial banks with the export credit insurance and the export credit guarantee.

I cannot — and I have made it very clear as a matter of policy — tolerate a bank that is owned by the people of Barbados operating in the same way as other shareholding banks which are operating in Barbados, but are really motivated by the policies of their shareholders who are abroad. The Barbados National Bank has to be a leader in Barbados among the banks in pioneering new areas of banking activity which the community needs, which the economy needs, and which the Government, through secondary institutions such as the Central Bank, have placed mechanisms in place for them to be implemented. That message is a message that I have given loud and clear, and I have reason to believe that the message is being heard. As is usual, because of the diverse area of operation of the bank, agriculture in particular, there are some difficulties with the portfolio in that area as well as some difficulties with the commercial portfolio, but I am glad to say that all of the reorganisation proposals are being put in place, and as a result of these amendments, I can look forward to a great improvement.

I also want to reiterate, and I say it again on the floor of the House, that the Government of Barbados as is presently constituted is in full agreement with every effort that is being made for the maximum co-operation between the indigenous banks of the Caribbean. This Government will give 100% support to the collaborative efforts that are taking place in that area, and I look forward to these efforts being crystallized with some kind of formal or informal arrangements whereby the electronic communications are put in place for these banks to operate as though they were part of a larger entity, similar to how overseas banks operate in larger domestic economies. That is the position of the Government. The Government makes no apology to anyone. The Government is not going to be motivated by any petty nationalistic, parochial viewpoint on the operations of the bank. The bank must operate, in our opinion, at the highest level of efficiency, and if it means that we have to recruit people from Timbuctoo to have the highest level of efficiency, that will be done with our approval.

I beg to move that this Bill be now read a second time.

Hon. L. B. BRATHWAITE: I beg to second that.

Dr. R. C. HAYNES (St. Michael South Central): Mr. Speaker, I have not for a long time heard such loud noises, designed, of course, to obscure the central issues affecting the Barbados National Bank, and the need for the Bill currently before Parliament.

Mr. Speaker, it is essential that the integrity of the financial institutions of this country be given the highest priority. I regret to say that the management of the Barbados National Bank to date, in my view, constitutes a very serious threat to the image and integrity of public financial institutions.

There can be no doubt, Sir, that what the Government seeks to do with this Bill not only does not go far enough, but in fact is a recognition of what the Democratic Labour Party has been saying for a long time, ever since the initial Bill was introduced in this House in a previous session. That Bill sought to amalgamate the various public institutions, and indeed the takeover of a private financial institution, that formed the nucleus of the Barbados National Bank. Since then, Sir, we have seen serious errors of judgment.

12.45p.m.

Certain remarks made at this stage by the honourable Member for St. Michael South Central were withdrawn and were ordered by Mr. SPEAKER to be expunged from the Record.

12.55 p.m.

Mr. SPEAKER: The honourable Member may continue.

Dr. R. C. HAYNES: As I said, however incredible the situation at the bank and in the country might be, nevertheless I find it most extraordinary when in fact it is to my certain knowledge that there are loans at the Barbados National Bank which have been classified by an independent authority and so designated as politically sensitive loans. I wish to make that absolutely clear. Indeed, Sir, among the very substantial loan losses incurred by the bank over the years are those loans — along with those loans — and those loans also constitute a substantial part of the loan portfolio which, has been placed on a non-accrual basis.

Anyhow, Sir, we will get on with the main debate, where I was. I was saying that this amendment does not deal with the problems, but merely reflects some of the views which the Democratic Labour Party had put forward on the floor of this House as much as seven years ago.

I want to deal, first of all, Sir, with the question of the Managing Director. The honourable Member has been boasting that he will go to Timbuctoo to get a Managing Director. The fact is that he has to go to Timbuctoo to

get a Managing Director, because several persons have been interviewed for the job and have turned down the job. They have gone as far as the United Kingdom to try to find a retired banker with some Third World experience, and he came here, had a look, and turned down the job. They have gone as far as Jamaica and they cannot recruit anybody.

The problem resides not only in the limitations of the job, but also relates to serious structural and management problems within the bank itself. I dare say that no one in Barbados, no senior banker, would even consider taking the job at the Barbados National Bank, no matter what you offer. I have discussed this matter with a wide range of bankers and not one of them in Barbados is interested. It not only relates to the limitations of the job, it not only relates to the salary, it relates to the sort of people that they have to deal with, like the Honourable Prime Minister of this country. The Honourable Prime Minister knows that the bank is in a complete mess and that the problem has stemmed from the political directorate of this country. They have sought every single diversion over the years to blame junior management, middle management, senior management, but the problem lies essentially with the political direction of the bank and also with the Board of the Barbados National Bank.

We, on the floor of this House, when the section of the Act was previously amended defining the conditions under which a senior manager could be employed, advised that you not only needed someone with financial experience, but that you needed an experienced banker, and preferably someone with Third World banking experience. That was years ago when one person might have been able to rescue the situation. Today, Sir, it is not a question merely of bringing in a Managing Director. I do not care what kind of banker you bring into the National Bank, now, the problems are so deep-seated inside that institution that you really need now a team of people to go inside there to work along with existing staff and try to get that bank on the way to prosperity.

I say that for a variety of reasons, Sir. The bank had available to it the best qualified banker in the Caribbean, an individual whom the McConney Report on all banking matters gave over 70%. He was unceremoniously dismissed under the guise of reorganisation within the bank, and the members of the Board who would not go along with the political directorate were all fired overnight. If that is not political interference within a bank, just tell me what is a bank. The best qualified banker, I say, in the entire Caribbean, who on every banking concept received 70% in terms of banking ability and banking performance, but in terms of other areas where he was hamstrung, and which did not fall under his responsibility, then that fell below 50%! Indeed, the same people who relieved him of the responsibility under the guise of reorganisation turned around and employed some-

one to do the same job who got less than 30% on every score by the McConney Report, the man who has been doing the job after he was dismissed. That is a fact.

I will go further and say this, Sir. We should not have to be going abroad to find a banker, because you will hardly find one of the calibre of the Barbadian who was not re-employed after the reorganisation within the bank, despite the fact that he enjoyed the support of a majority of the then existing Board. We should not have to be going abroad, because we had the man there. The fact is that the way how the loan system was organised, he had no control over it. It is unfair, it is wrong and it was despicable to suggest that he was not rehired because of incompetence. It was a wicked, despicable statement for anyone to have made. I am ashamed of any senior professional man in this country who would do that to another.

Hon. L. S. CRAIG: I rise to a point of order, Sir! As I understand it, this is an amendment to the Banking Act, and what I understand coming through from the Member for St. Michael South Central is a manager being hired and a manager being fired and a manager getting 70% and another manager getting 30%. To me, Sir, this is completely irrelevant to the debate, and I hope Your Honour would ask the Member for St. Michael South Central to stick much closer to the subject which is before us.

Mr. SPEAKER: No point of order.

Dr. R. C. HAYNES: I am responding, Sir, to the statement of the Honourable Prime Minister, who has said he would go to Timbuctoo. All I am saying is that it was all there, and that is that.

If I may continue, Sir, I still believe that, with a senior and experienced manager, supported by an experienced management team, it may be possible to rescue the disastrous situation at the National Bank, and I am going to hinge much of my debate around both these concepts, which are germane to both sections of the amendment.

As far as the Board is concerned, Sir, this amendment does not deal with the problem. It does not matter whether there are 100 people on the Board, or whether there are 10 people on the Board, or whether there are 3 people on the Board. The problem is, essentially, that you have a Board at the Barbados National Bank which is required by law to perform certain banking functions, and where you have a developing bank in a developing country with all its stresses and strains at an economic level, it is absolutely important that banking decisions should be taken by bankers. It does not matter if you want to have the kind of Board which you have now. That is not a problem. You can put who you like on the Board, provided the Board is required to operate within

its competence, but the problem at the National Bank has been that the Board has been taking banking decisions and most of those decisions have turned sour.
1.15 p.m.

If, Sir, you were to look at the composition of most Boards of banks within the region, you would find that some banks would have Boards similar to that of the Barbados National Bank, but those Boards do not perform banking functions or take banking decisions. They perform largely rubber stamp operations. On the other Boards which you would see in most of the banks, including the indigenous banks in the Caribbean, you would find that they have the majority of people with banking experience, or people who, in their capacity as Directors, can act as sensitive monitors to the decision makers in the bank in critical areas of the economy in which the bank wishes to intervene.

I refer to the decisions taken by the National Commercial Bank in Jamaica. Having succeeded in losing its entire share capital in one year, after it succeeded Barclays Bank, firm decisions were taken at that point to appoint a Board with the kind of teeth which could take banking decisions, and since then, that bank has been a success. In fact, every single national commercial bank in the Caribbean has been making money over the past 7 years, except the Barbados National Bank. Only yesterday I was looking at the accounts of the National Bank of Trinidad, and the profits are fantastic. I see St. Lucia reported a profit. Grenada reported a profit. Even St. Kitts, with a bad agricultural loan portfolio, recorded a profit, and Jamaica recorded a profit. In Barbados, Barbados' is the only one which has been making substantial losses year after year, and I will show you, Sir...

Hon. D. A. C. SIMMONS: On a point of order, Sir.

Mr. Speaker: Two honourable members are on their feet.

Hon. D. A. C. SIMMONS: On a point of order, Sir.

Mr. SPEAKER: Will the honourable Member please take his seat.

Hon. D. A. C. SIMMONS: So that I can do a little research, I would be grateful if the honourable Member would tell us the name of the national bank in Trinidad.

Dr. R. C. HAYNES: If I may continue, Mr. Speaker, the honourable Member may not know, but, at the moment, in Miami there is a seminar going on relating to lending by national banks to small businesses as one of the fastest employment generators when you are coming out of recession in the developing world. It is going on in Miami right now, where I was yesterday.

We will now continue, Sir, with the whole concept of that directorate. Numbers make no difference. What the Minister of Finance has to do is to decide whether he needs to amend the Act further to limit the functions of a Board as presently constituted and have a senior management which takes banking decisions, or alternately, if he is prepared to appoint a board which can function within the context of the present Act and perform the banking decisions, but also have a majority of banking skills. If that is not done, you will always be in trouble.

Sir, I am not reflecting on the ability of a single person on the Board. You may be a most brilliant doctor, a most brilliant lawyer, a most brilliant agriculturist, what you like, but the problem is that in terms of making loans in this country, and in any other country, the people who should be taking those decisions are people in day-to-day contact with what is happening in that area.

At the Bank of Nova Scotia, or any bank, they would pull back for a month or two on car loans, for example, because, all of a sudden they discover that there is an increased delinquency in payments on car loans or something like that, or they may see unemployment rising and cut back on certain categories of loans immediately, because they have the people there who are able to inform the people taking the decisions in relation to loans what to do up front, not after you have lost the money or after you have run into problems with collections of loans. So I would urge on the Government the need to look very seriously at the administrative structure of the bank in a functional manner.

I have here — which I would not refer to, I would not even look at it — the restructuring suggested by the McConney Report. Now, that restructuring is purely a static restructuring and does not deal with the dynamics of banking with which I am dealing, and what I am saying is that whatever structure you put there, then that structure can only work if you have the human resources and the other relevant resources to deal with the situation.

Sir, there are one or two other areas I wish to deal with. At long last they have seen the necessity to do two things — (1) to cut back on overhead costs and (2) reduce the losses in the branches. I believe, Sir — I do not wish to detain the House on this particular topic, I have spoken to it several times — that it was foolish to have ever opened a bank at Cave Hill. It is known, Sir, that those banks — I have said it before — are largely promotional exercises. The one big account that you have at the university is the university account, and it makes no difference whether it is at Cave Hill, James Street or anywhere else — that is the university account. All the other accounts are purely a matter of promotion, getting people during their student days banking and getting involved in petty accounts with the bank, in the hope that, as they

progress in life, they will continue with that particular bank. We have been saying it, we have called for it, and we agree with that. Similarly, streamlining in other branches which have been closed down, we have been calling for years.

I will tell you that one of the major problems with the bank is this. If you were to look — and I refer to the Barbados National Bank Annual Report and Accounts, 1984, which has been laid in this House — if you were to look at page — I will come back to that, I only saw this statement this morning — if you were to look at the extent to which overhead costs actually reduce the possibility of profitability of that bank, then, it becomes quite incredible. This has been rising from year to year, and even despite the attempt at streamlining in 1984, there has been no containment of overhead costs. Another reason for that, Sir, is because if you look at the composition of the Board of Management of any of the other banks in Barbados or in the Caribbean, you will find that there are people either on the Board or in that head office who, if there is a shortage of senior staff at any branch, they can despatch a man there the same day, because these people can move and actually perform banking functions. They are the people who do the internal monitoring of the accounting system of the bank, and it is known that the accounting system within the National Bank has been a disaster area.

1.25 p.m.

Let us face it. We are talking about a major financial institution that has a potential to build up a deficit in this country, payable by the taxpayers, of over \$100 million as of today. This is what we are talking about, and we cannot fool around when we are dealing with debates like this. It is a serious matter and must be dealt with with the seriousness which it deserves. So, Sir, of the 11 or 15 people who you might have on that Board, you look very critically on which one of them, if called upon, could perform a function within the bank, or, alternatively, if they can understand that when they are appointing headquarters staff, you do not just appoint 40 or 50 people and put them in headquarters to sit down. They are people who have to be able to mix freely in the administration and contribute to the administration of the Bank.

I want to address one other problem, the whole principle of a bank having a pioneering role. We in the Democratic Labour Party have always felt that there was a limited role for Government intervention in commercial banking. That has been the view of the leader of this party and it has been the view of the Democratic Labour Party. When you start a pioneering spirit in banking, make sure that that pioneering spirit is backed up by secure and sound management. You are talking not about banking, you are talking about a bank whose assets and liabilities are guaranteed by the taxpayers of this country,

and your pioneering spirit might only end up putting millions of dollars in the pockets of thugs while the very businesses might go down the drain. We are all in favour of loosening up of the banking system, of a redirection of banking effort in this country for the betterment of the total community, but, make no mistake, once you are in commercial banking, then you have to run according to sound commercial banking principles, otherwise you are going to end up making unacceptable losses. And where within that bank you identify an area as a legitimate development area, within that banking system, it is essential that the Honourable Minister of Finance should come here and as a budgetary measure say we are prepared to lose \$3 million within the banking system in order to develop this particular area, or something like that. But you cannot have that type of laxity within a banking system, you cannot be mixing up development banking with commercial banking, because it makes it virtually impossible for the staff to operate.

You all can play politics with this issue. I am not prepared to play politics on it, because this issue has occupied my attention at an intellectual level over the past 7 or 8 years, and therefore I have an obligation, when the opportunity arises before this Parliament, to make inputs of that nature. You cannot mix development banking with commercial banking. When you are talking about pioneering spirit, be careful what you are talking about. Talk about controls at the same time, talk of how you are going to isolate the losses involved in your pioneering exercise from the bank, and also look and see how you are going to finance those losses, because, Sir, when professionals in an institution are called upon to function in a manner not consistent with the highest goals and the heights of excellence expected within their profession, you create serious problems for them. There are people who are a bit more sensible and who would know that there are deepseated difficulties in Governments getting involved in commercial banks of this nature.

But, Sir, I have looked at this whole question very carefully. When the former Prime Minister of this country, the late Member for St. Thomas, said on the floor of this House that the commercial section had more problems than the agricultural section, I took it as a great assault, but he was correct. He was correct for this reason. As far as the bank is concerned, despite the fact that the exposure of the bank is unacceptable on the one hand, despite the fact that the bank has put itself in a position where other commercial banks have been able to get rid of their bad agricultural loans and passed them on to them, despite the fact that all these things have happened, nevertheless these loans are serviced by parliamentary and by taxpayers' efforts at the moment, and therefore they do not reflect at the moment as bad debts in the accounts of the Barbados National Bank. But the commercial section — I am ashamed, literally ashamed,

when I look at the performance of that bank. I picked up the statement since I came in here and I was surprised to see what has happened. I am saying that it is misleading to suggest that there has been any improvement in the position of the Barbados National Bank over the past year. I am saying, Sir, that the accumulated loan losses are now \$18.497 million, an increase of \$5 million over the past year. This is a serious matter.

In addition to that, Sir, and I want honourable Members to listen very carefully to what I am saying, if you look at page 18 of the Barbados National Bank Annual Report and Accounts 1984, you will see that the total loans are \$293.2 million and interest receivable is credited as \$5.2 million. I am saying that that is not an international convention in accounting, because if you were to assume that not more than 80 per cent — I am sorry, the other way around — not more than 20 per cent of your loans would be delinquent at the end of a given month — in other words, if I am running a business and I run into problems with meeting my payments in a given month, very often that is spread to my overdraft. That kind of entire thing take place in the bank, so that at the end of any given year your interest receivable should not be more than your accruals over a three month period, and on a loan base of \$293 million it should not be more than \$1.4 million. What I am telling you here is that there is a departure — I am not saying it is improper, all I am saying is that it is a departure — from the standard principles of bank accounting by bringing that forward into this position on the balance sheet and therefore making it look at least \$3 million or \$4 million better than it should be.

1.35 p.m.

I go further, Sir, and say this, that if you read the accompanying notes to this statement, you would see that in 1984 there was substantial rescheduling of debts. And all that means, of course, is that the loans are not placed on non-accrual during 1984 and would reflect in next year's balance sheet.

I am not questioning, Sir, the integrity of the auditors. I am questioning the statement made by the Honourable Prime Minister that these accounts are prepared along the same lines as for the other commercial banks in Barbados or anywhere else. That is not so. It is not so!

(Aside.)

Dr. R. C. HAYNES: I am saying it is not so! How can you have interest receivable at the end of 1983, \$5.6 million; interest receivable at the end of 1984, \$5.2 million? One month's interest on a loan portfolio of \$290 million? You have to have a total portfolio of bad debts. You are talking about \$60 million a year receivable interest. Does it make sense to you?

Some of us are able to think on these financial matters. It is evident here that what is happening is that there are a lot of loans which are not performing and which have not as yet been classified as loan losses. That is the point I am trying to make, and it is clearly evident within the statement here.

Now this may be a problem in relation to the very Board itself, because this is transmitted to the Minister of Finance by the Chairman of the Board. And this is something that any Minister of Finance who is worth his salt should pick up immediately. This, I would pick up in a second. You flash through this and you look at that, and you look at that column immediately. That you should pick up immediately, if you know what you are about when you look at a balance sheet.

The honourable Member has said that the bank has improved in 1984. I am saying this is not true.

(*Aside:* Hon. H. B. St. JOHN: That is your thinking.)

Dr. R. C. HAYNES: I am saying it is not true, Sir, because if you look at the capital position of the bank, you would see that the undistributed losses have increased by a further one point something million dollars this year. In other words, the shareholders' capital has been further eroded in 1984. As a matter of fact, Sir, if you look at the present capital structure of any other bank not benefitting from a Government guarantee, you would probably have to put about another \$15 million to \$20 million in their operation. You check that out!

What has happened, Sir, is that despite the fact that additional capital have been put in by Government on two occasions, nevertheless, the bank's capital is about 50% eroded at this stage. It is simple. If you continue to incur losses year after year, your capital will be eroded by the amount of losses that you make year after year. And you can only compensate from that by a turnaround in the bank's performance where you can set aside a sufficiency of funds from within the organization in order to provide shareholders' capital, or, alternately, the taxpayers will have to put the capital inside the bank once again.

I believe that an eminent person has said elsewhere that he was concerned about the capital erosion of the bank. There was a retort that he should be more concerned about the status of the deposits in the bank. But what I am saying is that when you have a situation where, despite a massive growth in your assets, a massive growth in your lending, that you have a constant erosion of your capital, then something is terribly wrong. There is a cancer within that organization that needs to be erased, and which cannot be erased by fooling around with one or two amendments as we have here before us.

Aside.

Dr. R. C. HAYNES: There has got to be! Here is the balance sheet. Look at it! Look at it and you see! Go back to 1978 and you see the initial capital was \$10 million. Go back and you will see that it has been increased by another \$5 million. And look and see where your shareholders equity is today. It is down to \$7.5 million!

I have already drawn to your attention that in the accompanying notes to this statement, there could well be \$40 million or \$50 million in bad loans within the National Bank at the moment which have not been brought forward into this particular balance sheet. I have brought to your attention the appropriate line in the financial statement which should alert you, as Minister of Finance, that there is something in there which you should be asking questions about. I will ask the questions on the floor of the House.

And what is worse, Sir, and what really worries me, is that the incompetence should be seen against the background where the bank has a relatively solid base. If you look at the demand deposits, Sir, \$57 million; savings deposits, \$94 million; other time deposits — I guess that is CDs and so on — \$54 million. It is my view, Sir, that the bank is probably paying out something like 5% on that money. It is costing them about 5% and they must be earning an average of about 10% to 11% of that, that kind of spread that the bank has. So that despite the reserve requirements, which are mandatory, there is a sufficient spread inside there for the bank to make a substantial profit. And if you were to doubt me, Sir — which you would not, of course, Sir — just turn to page 22 of the same balance sheet and you would see that the interest income of the bank was somewhere in the region of \$30 million and the interest expenses only \$16 million, reflecting the kind of spread which I was referring to earlier on. It is incredible, Sir, that a Minister of Finance, however recently he has taken over the position, should seek to defend this kind of situation and seek not to bring it to public attention when he gets up to speak, and to seek further to try to recruit assistance to prevent exposure.

I go further and I say this, Sir, that in this kind of situation, we in Barbados have a serious responsibility. I am telling you something now, that unless there is drastic restructuring of the dynamics of the functioning of the Barbados National Bank, we are going to be in further and further trouble.

(*Aside:* Hon. Dr. R. L. CHELTENHAM: What does that mean? I do not understand it)

Dr. R. C. HAYNES: A restructuring which is functional, that relates to function, not to a static situation.

(*Aside:* Hon. Dr. R. L. CHELTENHAM: Like what so?)

(*Aside:* Hon. D. A. C. SIMMONS: Words are words.)

Dr. R. C. HAYNES: Sounds nice to me.

(*Aside:* Hon. D. A. C. SIMMONS: Impressions!)

Laughter.

Dr. R. C. HAYNES: The fact is they have never heard of banking dynamics. I am just showing you the kind of foolish people we have to deal with. They have never heard of banking dynamics! I would refer you to a very interesting article recently published, relating to the dynamics of the international banking system consequential.....

Aside.

Dr. R. C. HAYNES:..... that is right on the fall in interest rates and weakening of the American dollar. A very interesting article!

(*Aside:* Hon. Dr. R. L. CHELTENHAM: That is not meeting the point that we raised.)

Dr. R. C. HAYNES: Sir, I believe that I have identified most of the areas which should attract the attention of the Government and of a Board and of a Managing Director. I believe I have pinpointed most of the problems facing the National Bank. And indeed, Sir, talking about reorganization, I really believe that the Honourable Minister of Finance should look very carefully and see whether there is a continuing role for the Agricultural Bank under the umbrella of the Barbados National Bank. I say this, Sir, because it has become abundantly clear that agricultural financing in the foreseeable future would be largely of a developmental nature. I say it too, Sir, because of the peculiar relationship between the Central Bank financing of agriculture through the Barbados National Bank, which results, in fact, in terms of its operations, at an operational level, in an internal subsidy from the Commercial Division to the Agricultural Division. Those familiar with how that system works within the National Bank would understand what I am saying. I do not need to go into all the details now, but whether or not it would not be better to have a separate financing institution — which if it incurs losses, then it would not reflect and contaminate the Barbados National Bank — is a matter that should be looked at again.
1.45 p.m.

We have always felt that, for a whole range of reasons which were given before, the Agricultural Division should not be within the Barbados National Bank. I believe that the McConney Report has expressed a dif-

ferent view, the view being that it would be advantageous for that subsidy from the commercial sector to continue to the agricultural sector and that you might weaken the asset base of the bank if agriculture was removed from it. I believe that was the dominant thinking in the McConney Report, or certainly behind McConney's thinking. But certainly from an administrative point of view, from the point of view of pin-pointing defects within the operation and to make the operation far more sensitive to monitoring, I believe it would be a good idea to once again suggest to the Government that that particular sector of banking, which is largely of a developmental nature, and more so a developmental type of banking now, may well be the profit removed from the Barbados National Bank.

A second area, Sir, is that it has become apparent that the Board of the National Bank is going to have to seriously consider a significant expansion of the assets of the bank in respect of the commercial sector. Although there has been a moderate growth in the past year, quite clearly the effect of that growth is not reflected in the profitability position. With the internal losses which I have suggested, and which are quite apparent to me might actually exist, it is quite clear that the profit, if it should ever materialize, from the commercial sector will have to be substantially enhanced if those losses are to be written off, or to be compensated for over the years, and I am talking about 5 or 10 years' time. Whether or not such an expansion in the asset base of the bank can take place as a result of normal growth, I do not know. Whether or not there have been opportunities in Barbados, at no cost, to achieve a significant expansion of that asset base in the past year or two, I do not know. I have not looked at the accounts of the institution which has changed hands, I have not looked at that. But what I will say is, if the opportunity arises, and if the bank is well run, where there can be a significant expansion of a commercial asset base, I think it might be the quickest way to turn around this situation. I am not suggesting any takeover of any bank. As far as I know, there are no more in Barbados about to sell. But certainly it is a situation that can be looked at, because with \$25 million increase in assets per year, I doubt very much whether we can see a restoration of the bank's capital and profitability in the immediate future at that rate of increase in the asset level of the bank.

Now my final point is this, that I believe that once we have a national bank, you should try to run it well. I believe that it is very ungracious and ungenerous of the Government when criticisms come from this side, to accuse us of running down a public financial institution. If anything, Sir, I would say that we on this side might have been a little negligent in the past in not bringing this matter to public attention at an early stage, because if we had dealt with the matter in 1980 or 1981, and had brought it to public attention, then maybe the situation

might have been a little better today. So far from running down the bank, far from running down a public institution, we believe that we are making a contribution to the public life of this country, and that is why when we rise, we rise not only to criticize what we see going on that is wrong, but we are prepared to make constructive suggestions. We are prepared even to begin to teach the neophyte Minister of Finance the basic art of reading a balance sheet in relation to banks. We will do it on the floor of this House, anywhere if we have to!

But surely, Sir, I believe that all of us must be upset when you are lending out, when you are operating on an asset basis of \$293 million with over \$100 million protected by the taxpayers, and you are still ending up with a loss year after year. My submission is this, that under normal circumstances, and looking at comparative figures for local banks.....because whereas the accounts of the local banks are not published and only the consolidated accounts of the parent company are published, nevertheless there are ways and means of getting to know of the performance of the local banks. I am saying that on any comparative basis with the other commercial banks, there are ways and means of knowing the assets they have out there, the amount of liabilities, and the amount of their profitability in any given year, their provision for loan losses and, indeed, the amount of movement of capital both ways. That information is available if you ask to see it. It is available and, therefore, you can compare the performance of your bank with the other banks operating in the same environment.

I will say this, Sir, that on a comparable asset position, the other commercial banks would have made not less than \$5 million in a bad year, like last year, and without enjoying the protection of their agricultural portfolios. That is the point I am making. I say the other commercial banks. Perhaps I should qualify that statement by excluding the two American banks, which again ran into trouble because of bad lending policy. That is a fact. But if you look at the other banks, I am telling you that, on this asset situation, their profitability in 1984 would not have been less than \$5 million. And I am going rock bottom!

Sir, I am not suggesting that anyone should follow the practices of the American banks in a recession. They get into trouble in Brazil and they get into trouble in Barbados, and if you can buy them for nothing, then you buy them for nothing. If you can buy them for \$10, you buy them for \$10. That is their problem. But the point I am trying to make, Sir, is this, that whereas it can be said, with some justification, that the National Bank may have taken some undue risks, and maybe in some areas lending "conceivably" could be in the national interest and hence may have incurred some losses — I am going to make a reasonable concession — then you will also have to concede that the National Bank has always been, from

the conception, with the assistance of the Central Bank and, of course, with the resources of Government, in a better position in terms of the assistance given to it in generating income. You only have to look at the strict controls and the strictness with which the Central Bank handles the foreign exchange dealings of the other commercial banks and the little leeway that they give to the National Bank, which has resulted in a substantial amount of revenue over the years. So one actually balances out the other.

And you cannot blame the losses. It is a serious mistake to assume that those losses were because the National Bank was lending money to people whom no other bank would lend, and those people to whom they loaned the money were people about to get involved in projects in the national interest and the projects have fallen through because of the recession. All that is rubbish! That is non-banking rubbish! There was enough slack, enough leeway, generated by the Ministry of Finance and by the Central Bank itself in order to accommodate maybe loan losses of a million dollars a year or so.

1.55 p.m.

One final point, Sir — and here again if I can find the appropriate page, which is unmarked, I will refer to it — I believe that the Minister of Finance should look very carefully at the rate of increases in loan losses. I will tell you why, Sir. If you were to look at this statement — I cannot find the exact page now, therefore I cannot refer to it specifically, you will find — read carefully that in the statement there is an increase in loan losses of some \$5 million. In that same statement you will find that there is a provision within the same year for loan losses of less than half a million dollars — right in the same statement, Sir! — and that relates back to the deviation from the international standards of accounting for commercial banks, where in the same year your loan losses have increased by five times more than allowances which you have made. Do you know what that means? That means that the loan losses applied to the statement in that year were carried forward from the previous year, so you have a situation where you have carried forward the loan losses which appear in the particular statement.

I think that I should make an effort to find that. Anyhow, it is inside there somewhere. You can pick it up elsewhere, you can pick it up in the statement where you will find there is a carry forward. The honourable Member for St. Peter will understand what I am talking about. That is a fact.

In September of last year, there was concern within the bank as to whether it would be discreet to make provision one time for over \$11 million of loan losses, at the end of September 1984. It has been whittled down to \$5 million, and no doubt the \$5 million will appear in next year's statement after the elections, but there is an

accounting framework at the back here which accommodates the treatment of non-accruals in this way, and once they are comparative, over time I presume the true picture will emerge.

I think, Sir, I have said enough in my brief address to this Chamber to indicate to Members that there is no need for any harangue in dealing with matters of this kind, that there can be some hope, provided the matter is dealt with sensibly and provided the Honourable Minister of Finance does not rely on the same people to advise him who have clearly given the wrong advice to his predecessor. If he continues in the same vein in which he is carrying on now, he will succeed in buying up substantial increases in losses in the few months which he has remaining as Prime Minister of this country.

Hon. A. TRUSS (St. Michael Central): Mr. Speaker, I rise in support of this Bill to amend the Barbados National Bank Act, Cap. 322A. The two points which deal specifically with the extension of the five year period for the Managing Director and the number of Directors needed to formally form a quorum have been clearly enunciated by the Prime Minister.

A few statements which were raised by the last honourable Member who just sat down, I would like to deal with. I think it is important to set the stage, Mr. Speaker, because lest we forget the truth of the matter, it is important, for us sometimes to reflect on the past.

The original Barbados Savings Bank, which is now the National Bank, was established in 1852. The Democratic Labour Party ran this country between 1961 and 1976. For these 15 years they were in power, and seeing that the honourable Member for St. Michael South Central (Dr. R. C. Haynes) had the distinct reputation at the time as being the second most powerful man in Barbados, one would have assumed that, with all his great intellect and all his knowledge of banking, he would have been able to do something to encourage his Prime Minister, the Democratic Labour Party, to do something in the area of financing and banking. Not so, Sir! It was only after the Labour Party came into power in 1976 that in 1978 we created the National Bank.

It is important to point out that in 1961, when the Democratic Labour Party controlled the Government, at that time the savings of the national bank stood at \$17.8 million. When they left after 15 years of being in power, the savings had increased only to \$29.4 million. Between 1976 and now, Sir, the savings in deposit at the National Bank are in excess of \$200 million, \$263 million, to be exact. I would like to know where was the honourable Member for St. Michael South Central at the time when

his party was in power. Now, he is quite able to get up and criticise!

He said that perhaps they should have brought the matter of the National Bank to the public's attention long ago, and that they have constructive statements to make. The real point is that the Democratic Labour Party has always been divided on the issue of the Barbados National Bank. They have been divided, they have made that point, and I will say why, Sir. The honourable Member who just sat down early in his speech said, and I wrote it down: "You cannot talk about development banking and commercial banking at the same time, because development banking represents one aspect of banking and commercial banking represents another aspect of banking." That is what he just said, Sir.

In the House of Assembly Debates, if I may quote, Sir, of 1981, on a National Bank Bill, at that time introduced by the late Prime Minister, at page 172 this is what the honourable Member for St. Michael South Central said, one Dr. Haynes, and I am quoting Hansard:

"I do not wish to be alarmist in the present economic situation, Mr. Speaker. In the past I have been severely critical of the inability of Government to absorb the Barbados Development Bank into the structure of the Barbados National Bank"

That was what he said then. He criticised us for not incorporating into the Barbados National Bank the Barbados Development Bank, and less than ten minutes ago he said that we must separate developmental banking from commercial banking. And he talks about teaching us something about banking! That is what he has to say, Sir!

I will quote from the same debate. This is what his second man in the first eleven team — the honourable Member for St. Michael West (Mr. B. M. Taitt) — had to say when I at the time was speaking from the back bench on the very same Bill. I made some recommendations and I hoped that the Government would have taken them into consideration. The honourable Member for St. Michael West, one Mr. B. M. Taitt, page 179, said and this is very important, because the last speaker who just sat down said that the DLP had been saying for a long time that there had been serious errors of judgment at the National Bank and that there had been political interference in respect of loans — it is that I will deal with, Sir — and his own colleague said some years ago, and I am quoting directly from page 179 Mr. B. M. TAITT:

"I understood, as most people in Barbados understood it, that once the bank was set up it would be given its capacity to run and that the Minister would not interfere with it, and to his everlasting credit, I have never heard — except once when he was on his way to London and somebody messed up the travellers cheques and that lady is no longer,

This Resolution was passed by the House, but we want to amend it, because, on the advice of the Attorney General, there is a degree of foreign funding in this, and the bank has requested that we amend the note. There is no problem with the Resolution. The other side has already supported the \$14.5 million. I hope if there is no objection on the other side, that we may be able to do this in all its stages.

Mr. SPEAKER: That brings us to the end of Government Notices. Government Business is the instant Order of the Day.

GOVERNMENT BUSINESS (RESUMED)

Hon. D. A. C. SIMMONS (St. Thomas): Mr. Speaker, in relation to the Bill to amend the National Bank Act, I wish to make a few observations and at one stage of my speech to give certain information to the House which I promised on a previous occasion.

Mr. Speaker, I am supporting the amendment to the National Bank Act. I listened with great interest to the comments of the honourable Member for St. Michael South Central (Dr. R. C. Haynes) most of which I disagreed with. I think we have to admit, Sir, that in relation to the National Bank mistakes were made. I will identify some of the mistakes. It seems to me that the first mistake that was made was that the Government allowed avowed opponents of the Government to function at very high managerial positions in the bank, and I will not say that it was not possible for Government policy to be deflected by reason of those appointments.

The second thing I want to say in terms of a mistake, and it follows from that, was that, as part of the whole planning for the National Bank, those same persons instituted a policy of proliferation of branches all through this country at a time when the bank was still a fledgling bank and unable to carry the strain of such overheads. In that regard, I think I have already spoken in the Other Place at least two years ago, and I am deeply indebted to my friend, the Honourable Minister of Tourism, for researching today and drawing to the attention of the House that this view which I now express was also expressed by the honourable Member for St. Michael West (Mr. B. M. Taft) on a previous occasion in 1981.

The same management team, having persuaded Government to allow them to function as a statutory board but with a difference to the extent that they were independent and autonomous of the political directorate, except possibly in the area of appointments to the very highest position in the bank, then — not satisfied with setting up a lot of pooh-pooh branches all over the place, piggy banks — arrogated to themselves all kinds of perks and benefits reflected most clearly in the number of

motor cars bearing the letters "ML" before the numbers. They were playing big fashion. They were trying to behave, after two to three years, like Barclays Bank, which has been in existence world-wide for probably 200 years, and the established American banks. And the regretful thing in all of this is that the directorate of the bank and the management of the bank were black, and I warned in the Other Place that the bank had to be pulled back if only to let the world know that black people can run business, otherwise you would have heard if that bank had crashed, 'you see what I tell you, black people cannot run business!'

It behoves us to give strength to the bank, but at the same time, if we want to support the bank, we must not be so blind or sanctimonious as to refuse to admit where there have been mistakes. Well, the honourable Member, well knowing the structure — the honourable Member for St. Michael South Central — upon which the bank was established would still allow himself to say that there is political interference in the bank, even though he knew that there was little scope for political interference in the bank, even though he sat in 1981, at the time of the previous amendment, with the Member for St. Michael West and heard him, a member of his own side, deny that there was political interference. The honourable Member for St. Michael South Central, in order to attract the headlines, or, as he said today, because it might sound good to him, makes that allegation, Sir.

3.20 p.m.

We have to remember that this is a bank of probably 5 or 6 years existence. In all the circumstances, it is a fledgling bank, and the criticisms of the honourable Member for St. Michael South Central are revealing, in so far as they are an implied attack on his own party supporters who had the management of the bank in its earliest days. When he is criticizing the National Bank because they have never made money, he is criticizing his own friends and supporters in his own party who were the big bosses in the bank, one of whom even wanted to run against the Honourable Minister of Agriculture. Do not forget! They would not get in here and tell you all the truth. I am going to tell you, though.

What the debate so far has demonstrated is that in relation to the National Bank

Dr. R. C. HAYNES: On a point of order, Sir.

Mr. SPEAKER: Two honourable Members are on their feet.

Dr. R. C. HAYNES: On a point of order, Sir.

Mr. SPEAKER: Yes.

Dr. R. C. HAYNES: In dealing with a national financial institution, I do not recognize party supporters.

Mr. SPEAKER: No point of order!

Hon. D. A. C. SIMMONS: I am grateful for that intervention, in dealing with a national financial institution you do not recognize party support. Why then accuse this Government of political interference in the same national financial institution?

Certain remarks made at this stage by the honourable Member for St. Thomas were ordered by Mr. SPEAKER to be expunged from the Record.

Hon. D. A. C. SIMMONS: In the light of the interjection before, on a point of order, Sir, what I would submit to Your Honour is that in this matter, the honourable Member for St. Michael South Central is speaking with a forked tongue.

Their attitude to the Barbados National Bank displays the lack of a thought-out, co-ordinated policy in relation to national banking, in relation to a national institution of the magnitude of the National Bank. I want to hear him on the Insurance Corporation at some time. They had a chance today. They did not debate that. It shows that two of their principal spokesmen on these matters, the Member for St. Michael West and the Member for St. Michael South Central, have never had a co-ordinated policy. We do not know, as a result of what they said in 1981, what is the policy of the Democratic Labour Party. Do not know, Sir!

Sir, on the last occasion that the House met — not the last Friday, the time before that — on another matter, on a Resolution to appropriate funds for the refurbishment of the High Commission's Offices in London,.....

Mr. SPEAKER: I do not think the honourable Member could deal with that under this Resolution.

Hon. D. A. C. SIMMONS: But.....

Mr. SPEAKER: We are dealing with a specific Bill for an amendment of the National Bank Act.

Hon. D. A. C. SIMMONS: Yes, Sir.

Mr. SPEAKER: We cannot deal with a Resolution which has been dealt with in a previous session which is not of substance to this Bill.

Hon. D. A. C. SIMMONS: Yes, Sir. And Your Honour will recall that, in reference to the National Bank, the Leader of the Opposition alleged that the Barbados National Bank branch in London had accumulated assets of £41 million and the branch was closed in September this year. I gave the House an undertaking which I have to keep, that even though I did not believe the Honourable Leader of the Opposition, I would bring

the figures in relation to the branch in London and give the House. They have a right to the information. I have that information in relation to the National Bank branch in London, Sir.

The London branch grew out of an agency of the Barbados Savings Bank, which operated from within the offices of the High Commission in London, in a little room. The level of savings deposits for the years 1978–84 are as follows, savings deposits, 1978, £152 296 (all the figures I will give are in pounds, Sir.) 1979, £185 881; 1980, £242 271; 1981, £213 951; 1982, £349 679; 1983, £448 665; 1984, £380 030.

A grand total of £1 972 773.

During the year 1985, the average balances on savings remained about £350 000 for the 9 months to September 30 this year. That level was far below the accepted criteria set by the Bank of England for a viable deposit taking institution. In the light of that information the Board of Directors determined to close the operation in London with effect from September 30.

I go further, Sir. I give the operating results of the branch from 1978–84 — the operating results, not savings: 1978, £4 827; 1979, £6 435; 1980, £20 838; 1981, (£16 318) — it is bracketed. I believe it must be a loss, 1982 — (£58 401); 1983, £46 358; 1984.

A grand total of £148 468.

It will be clear to anyone, even the Member for St. John, that at no time could the branch in London have had accumulated assets of £41 million.

(Aside: Hon. DeL. O BRADSHAW: He is a liar, man.)

Hon. D. A. C. SIMMONS: I am not calling him by any names. All I will say is that his statement does not accord with the truth. But that is in keeping. I am getting accustomed to these kinds of statements now from the Leader of the Opposition.

On July 14, 1985, he went to a meeting in Church Village, St. Philip, at which the honourable Member for St. Philip North (Mr. W. O. Franklin) spoke, and one Dr. Simmons, and he told the people in St. Philip this: "The owners of Crane Beach Hotel..... the same place that they had the retreat on October 5, as a result of which, or coincidental with which, a nasty, vicious, scurrilous document was strewn about the streets of Barbados — on the same weekend of October 5, they were at the Crane Beach Hotel, and he said "The owners of the Crane Beach Hotel were offered \$7 million for the property, in a letter sent to them by David Simmons, with a proposal for an additional U.S. \$3 million if a license for gambling was obtained." That is a lie!

3.30 p.m.

if she had an "A" signature, Sir, I do know the language too well if she had an "A" signature, Sir, by the time the Rt. Hon. Member got to London, she had a "B" signature.

2.05 p.m.

"I have never heard that the Rt. Hon. Minister of Finance actively interfered with the working of the Barbados National Bank."

I am not defending him. The honourable Member for St. Michael West defends our position, as outlined on page 179 of the Debates of this House. He went on:

"No one would have any confidence in the bank if it were felt that the Rt. Hon. Minister used to pick up the telephone left, right and centre and try to direct the affairs of the bank."

The honourable Member for St. Michael West handled the queries raised by the honourable Member for St. Michael South Central. The two of them should get together and decide how they should handle the National Bank. So do not talk about inconsistencies. They have never had a clear policy on the National Bank. Fifteen years of Democratic Labour Party rule had no national bank.

The honourable Member for St. Michael South Central talked about the financial position of the Barbados National Bank. I will answer him in the words of the honourable Member for St. Michael West, and I quote again from page 179:

"We inherited the Agricultural Credit Bank, which I have heard described as a contaminated portfolio"

(this is the honourable Member for St. Michael West speaking)—

".....but it is the sworn policy of that Government, and I believe with the critical support of this side, that agricultural credit forms part of what ought to emanate from the funds of Barbadians, and therefore we take the Agricultural Credit Bank or the Agricultural Credit portfolio, with its contamination, as part of the process, so when you are going to compare the Barbados National Bank with Barclays Bank and then use the Barclays Bank's "corporate plan" as the yardstick in measuring the Barbados National Bank, you are demonstrating a total lack of understanding either of the corporate plan, corporate planning, management structure or banking."

That is what the honourable Member for St. Michael West had to say about the honourable Member for St. Michael South Central! I need not say anything

but to bring to the attention of this Honourable House what has taken place in the past.

The late Sir Grantley Adams said that Barbadians have short memories. I do not believe that our memories can be that short. If the honourable Member for St. Michael South Central can get in here and say that the Government is wrong not to attach the Barbados Development Bank to the National Bank, and then come back in here and say that we do not know what we are doing because we should not attach it, Mr. Deputy Speaker, where are we going? If we are going to be constructive, then let us be constructive and realistic in what we have to say if we have a position to relate.

The honourable Member for St. Michael West continued, on page 180, to put our position against the position of the honourable Member for St. Michael South Central:

"The Bank was set up under different auspices from how Barclays Bank was set up. It is three years being compared with Barclays Bank which, if you take it in terms of how long its predecessors have been in existence, can be said to have been in existence from time immemorial. It is three years old, it cannot be compared with Royal Bank whose assets could buy Barbados over and over again in perpetuity."

That is what he said. Now, we make the same point. We have always made the same point.

The financial position of the Barbados National Bank has been dependent on a series of steps that were taken in the transfer from the Savings Bank to the National Bank, and, as a result of this fact, this Government recognized the importance the National Bank has to play in relation to the monetary and fiscal policies of this country. I will tell you why the National Bank has been in a bad financial position. First of all, it had had loans which were taken over from the Bank of America. When the Barbados National Bank bought the Bank of America, they did not take over the assets and left the liabilities. It was a total transaction, they took over the assets and the liabilities. They took over a lot of bad debts from the Bank of America, to start with.

The Barbados National Bank has taken over also the burden of financing the debts of the sugar industry in this country, because no other bank seriously addressed the debt problems in the sugar industry. The National Bank came forward and rescued the sugar industry. The policy of the Democratic Labour Party has always been: "Not a cane blade in this country!" The policy of this Government has always been: "Sugar cane is important to us as an industry, we will do what we can to keep it alive, so, therefore, we have to subsidize it." As a matter

of fact, later on in today's proceedings we will be bringing a Bill just to deal with that. That has been our position. So we have had to take over the burden of financing the sugar industry. That is why it must affect the profitability of the National Bank.

The Barbados National Bank has had to carry the weight of holding a great deal of Government paper that it inherited from the Barbados Savings Bank. The policy of this bank has not been to sell off its debentures. But we have to wait until those debentures mature, and when they mature, then we pay them out. That has been the policy of this Government. So when we take over a certain amount of Government paper from an organization that was formed in 1852, which we took over in 1976, you must expect, to be reasonable, Sir, especially at a time when you had savings of \$17 million, that you have to deal with Government paper in a way that is rational, that would not upset the banking circles or the credibility of the bank to any great degree.

We also had to take some decisions in the best interest of the country, not necessarily in the best interest of the bank, because of the nature of the National Bank. You cannot have an institution and say that this is Government's institution, we expect to promote housing through this institution, we expect to promote regional cooperation through our institution. For example, when we loaned Jamaica \$1.4 million, it did not take a banker to see that it was not a prudent loan. It was hanging around our necks, but it was a necessary loan, because birds of a feather flock together. We in the Caribbean have to look out for each other, and when Jamaica was in trouble, we did what we could as a small island and bailed them out. It was not a good decision for the bank, it was a good decision for the country to have made, and until the honourable Members on that side recognize the same thing that the last honourable Member on that side who spoke has finally recognized, that is, that you cannot mix development banking with commercial banking, you must understand that a national bank cannot, by the nature and function of a national bank, exist entirely on its own without some policy indication from Government. It has happened in the past, it is happening now, and it will continue to happen in the future unless we find a different strategy of dealing with the National Bank. The Government will have to use the National Bank as its tool to get into the commercial sector and open new avenues, to blaze the trails that other commercial banks will follow, in housing, in credit, in industry, in commercial activity, in tourism, or in whatever area Government feels the emphasis should be put at whatever particular period of its time in government. We must blaze the trail, using the National Bank, and, hopefully, the other commercial banks would follow and we will get the development programme of this Government off and running.

2.15 p.m.

Those, Sir, are a few of the things, in my view, that clearly distinguish the two sides, clearly distinguish how we operate as a Government and how we perceive ourselves in operation as a Government as compared with them. They are not even clear on the issue of a national bank. For 15 years they did nothing about it, and for the last 10 years they have been talking through the left side of the mouth, the right side of the mouth, the middle of the mouth, and they have been contradicting each other. Let the Democratic Labour Party come up with a comprehensive policy to run the National Bank and stop nit-picking in here making cheap politics! I challenge them to do that! It is on that occasion that we will listen to them, and then we can say, 'yes, you are right,' or 'no, you are wrong,' 'yes, we agree with you,' or 'no, we disagree with you,' because you are making points of substance, not cheap political propaganda.

Thank you, Sir.

SUSPENSION OF SITTING

Hon. L. S. CRAIG: Mr. Speaker, I beg to move that this sitting be suspended until 2.45 p.m.

Hon. D. A. C. SIMMONS: I beg to second that.

The question was put and resolved in the affirmative without division, and Mr. SPEAKER suspended the sitting accordingly.

2.17 p.m.

ON RESUMPTION

Mr. SPEAKER: This sitting is now resumed.

Hon. L. S. CRAIG: Mr. Speaker, before we go back into Government Business, I would like to give notice of a Resolution which I have before me.

Mr. SPEAKER: The honourable Member is seeking leave to reopen Government Notices, because we are still in Government Business, having suspended the Standing Orders.

GOVERNMENT NOTICES

Hon. L. S. CRAIG: Then I may proceed.

Mr. Speaker, I beg to give notice of: A Resolution to approve the guarantee by Government of a loan of \$14.5 million by the Bank of Nova Scotia to the Caribbean Broadcasting Corporation to finance a re-development programme and to cancel Resolution No. 31/1985 which was approved by the House of Assembly on March 22, 1985.

Mr. SPEAKER: Is this part of the amendment to the National Bank Act?

Hon. D. A. C. SIMMONS: Yes, Sir.

Mr. SPEAKER: How does it come in?

Hon. D. A. C. SIMMONS: It is relevant, because the Leader of the Opposition, in dealing with the Barbados National Bank branch in London, came in here and told lies, and I am only proving what a terrible liar he is!

Mr. SPEAKER: Just a minute. I am still yet to see how the cost of a hotel in St. Philip equates with the amendment to the National Bank Act.

Hon. D. A. C. SIMMONS: What I was trying to point out is that I never wrote any letter to the Crane Beach Hotel. But he will walk about the country telling lies on people. I am not taking it from him. I am going to bathe him in here anytime I catch him!

Mr. SPEAKER: What is that?

Hon. D. A. C. SIMMONS: Bathe. With language, Sir!

Mr. SPEAKER: We are not providing baths or showers in here.

Hon. D. A. C. SIMMONS: With language, Sir. Mr. Speaker, Sir, the National Bank has a function.....

(Aside)

Hon. D. A. C. SIMMONS: When I am in here, I am no daisy. When I am in here I am defending myself, and the Barbados Labour Party when it is necessary. When I want to be smooth, I will be smooth. When I want to put some blows in you, I will do it, too.

Mr. Speaker, the Barbados National Bank has the potential, as a national development organization, for assisting in setting trends in commercial banking in Barbados. I accept one point that the honourable Member for St. Michael South Central made, and that is, that it should be run by bankers. But when you took over the Savings Bank, which was run basically by civil servants, unless you sent them home, you had an obligation to incorporate them in the system. But wherever it is possible and somebody goes, a person with banking experience and repute should be recruited and a real banking structure set up in terms of personnel who have banking expertise. You cannot run a bank like a Civil Service. The decision making process in the Civil Service is too long. You cannot run a bank like that. You cannot run a national development bank like that, because you

will kill the incentive of the customer to use the services of the bank. Right now people get frustrated with the red tape and bureaucracy that must be gone through to get a couple of hundred dollars from the National Bank. The bank must be more liberal and flexible in its policy if it understands its role and function as trend-setting in relation to the people in the society who have the greatest need of banking facilities and services.

I hope that the amendment will make for the kind of flexibility that is envisaged. I can see that there will be difficulty in attracting people to come to work in a managerial position only for 3 years in a banking situation, when it is known that competing banks give longer terms of service so that people can at least build up pension rights and so on. If you take a man on contract for 3 years and just turn him out after 3 years with 25% gratuity of the contract or something like that, you are not going to get the best possible management. I believe that this mechanism today will make for greater flexibility in the attraction of management personnel in the bank, and I wish the bank well. But I also wish to advise the bank that they must not be hidebound by some of the practices of their competitors.

I am obliged to Your Honour, Sir.

Hon. Dr. R. L. CHELTENHAM (Christ Church East): Mr. Speaker, Sir, from the very outset in 1978 or thereabouts, the Barbados National Bank was the object of criticism and the subject of a divided opinion between the 2 sides of this Honourable House. One of the matters on which the House divided very acutely was the question of the structure of the bank, whether in one bank we should be combining traditional commercial functions and developmental responsibilities. I myself expressed the view then that it was perhaps desirable that we should separate out the developmental functions and allow the commercial functions to be conducted under a separate roof. There will perhaps never be a resolution to that debate, in the sense that very powerful reasons could be advanced in support of a divided structure and in support, too, of a unified structure. The point I wish to make at this stage is that the structure itself, in my respectful submission, has not been the root cause of the problems of the Barbados National Bank. The problems relate more, in my respectful submission, to errors of judgment, both in relation to personnel and in relation to policy.

The first mistake, born almost out of the special circumstances of operating in a small society, with a limited amount of experienced banking talent, was that the bank was populated from the outset by people who had been stuck on the promotional ladder at other banks, who were disgruntled, dissatisfied and many of them downright inefficient. It is no secret that some of the

commercial banks in Barbados actually rejoiced when some of their staff left and went to the Barbados National Bank. The staff had become a headache and a burden to them, and they were anxious to get rid of them. That was the first error that was made. It was a collection, for the most part, of incompetent, disgruntled and, in some cases, rejected people by other banks.

The second error related to the over-staffing of the bank. The bank that had no branches in the islands of the Eastern Caribbean had a larger head office staff than Barclays Bank, with responsibility for the entire Eastern Caribbean.

Aside.

Hon. Dr. R. L. CHELTENHAM: The honourable Member for St. Michael South Central is saying 4 times as large. I do not have the comparative figures before me to support that, but it was certainly much larger than the staff which Barclays Bank had in their head office. That was an unnecessary growth, bearing in mind the responsibilities and size of the market which they had in Barbados.

But that was not the only error that seriously affected the overhead burden, as it turned out to be, which the bank had to carry. The bank made a fundamental error, which at the time I drew in a private conversation to the attention of the President, when it decided to expand its branches at a time when the other banks in Barbados were closing down branches and consolidating.
3.40 p.m.

Mr. SPEAKER: If the honourable Member will bear with me for one minute, the Deputy Speaker will take the Chair.

Mr. SPEAKER left the Chair and Mr. DEPUTY SPEAKER took the Chair.

Hon. Dr. R. L. CHELTENHAM: There was an obvious contraction of economic activity, and because of the new technology available to banking and in banking today, there was, as early as the mid-Seventies a case for less branches rather than more. At the time when other more experienced banks in Barbados — Barclays Bank and Canadian Imperial Bank, to give but two illustrations — were contracting, closing down branches, the Barbados National Bank was embarking on a programme of branch expansion and branch creation. That was an enormous error of judgment, which I at the time drew to the attention of the President, and I think we are still suffering from that unwise and unnecessary branch expansion at that time.

Now, Mr. Deputy Speaker, the fact that those developments took place themselves reflect an absence of close political supervision rather than political interference. The truth is that the Cabinet at the time, out of deference to the Prime Minister, who had a responsibility, never questioned what was going on at the National Bank. In order that no one could accuse the Cabinet then of political interference, not even the Minutes of the Barbados National Bank used to come before the Cabinet at the time, and the late Prime Minister made it his business to keep his distance from the bank. He allowed the bank's leadership, its management, to get on with the banking decisions, and, as it has now turned out, those banking decisions were faulty, they reflect poor judgement.

So, Mr. Deputy Speaker, the case cannot legitimately be made that the late Prime Minister, or even the present Prime Minister, or any of us, interfered at the Bank. The Bank was given a free hand, and what we are witnessing today is the result of an absence of close political supervision. It has reached the point where on policy matters the Government of the day is paying close attention, and the new directions in which the bank is going are the result of the fact that for the last year and a half or thereabout, when this crisis became obvious and something had to be done, the political directorate has been paying attention.

I have every confidence that, in the light of the new initiatives which are being taken, the bank will move from its loss position to a profit position as early as next year. But in saying that an additional point has got to be made, and that is, that the bank, like many other banks around the world, is suffering from a new definition and classification of bad debts. The accounting profession has evolved a new notion, a new methodology of dealing with debts and bad debts, and it is because of this new application of that methodology that many banks that normally look good in their accounts are all of a sudden showing a deficit position and a minus position. The Barbados National Bank is sharing that experience with many other banks not only here in Barbados but around the world.

The point has got to be made, too, Mr. Deputy Speaker, that the Barbados National Bank, being a public bank whose business has got to be from time to time discussed in Parliament, will appear to be doing much worse than a lot of the other banks. If we recall, however, that all the banks that have come here within the last 10 years have come and gone. If we recall, except for those that have just been started in the last two or three years, if we have any access to the performance, to the records of any of the other long standing banks in Barbados, we would recognise that, on a comparative scale, the Barbados National Bank is doing as well as the rest, or as badly. That is not to deny the thrust of the speech made by the honourable Member for St. Michael

South Central, that errors have been made and that there is a lot that is going on that is not desirable and has got to be corrected. The point is, however, that that has got to be seen in some sort of relational context, and if we see it in terms of what the others are doing, we will recognise that this is a climate in which most banks, not only in this country but around the world, are doing badly.

I think, however, that the Government has got to be commended for paying close attention to an important national institution and having the courage to take initiatives, some of which no doubt have attracted the censure of the Opposition, not from a point of view of policy but from the point of view of the personalities that have been hurt, as they see it, along the way. Those of us who are entrusted with serious responsibility, when we think that the compelling national interest demand that we go in a particular direction, have got to ignore the personality and the personal considerations. I think that the Honourable Prime Minister and Minister of Finance has got to be commended for grappling with the matter and being prepared to take the necessary firm decisions to ensure the important national institution is put on a firm foundation.

Hon. H. B. St. JOHN: Mr. Deputy Speaker, my task in replying to the patent exaggerations and the large number of misstatements which have emanated from the mouth of the honourable Member for St. Michael South Central (Dr. R. C. Haynes) has been considerably lightened by the speeches which have been made on this side.

It is now the habit of the honourable Member, whenever the National Bank comes before this House, to portray the institution as an institution riddled with political interference, and an institution likely to constitute a major charge on the Treasury. He has been aided in this approach by the bloated opinions of some of the ex-staff of the National Bank about their own performance. Had this not been so, the honourable Member could not make such a profound statement of untruth as he made when he said that the former Managing Director of the bank was the most qualified banker in the Caribbean. Absolute nonsense! It is well recognised that this so-called ex-Managing Director's only claim to fame was that he managed a branch of a bank — and a small branch of a bank — in Jamaica. In addition to that, the Board of Directors of the bank, contrary to the views expressed by the honourable Member, have always insisted that had they followed his advice in three or four matters, large sums of the National Bank's money would have gone down the drain. That is their opinion. Just as he has his opinion, they have their opinion, too.

Dr. R. C. HAYNES: On a point of order: The honourable Member has accused me of a blatant un-

truth before this House in stating that the former General Manager is the best qualified banker in the Caribbean. If you know of a better qualified person, call the name, and we will see who is telling an untruth.

Mr. DEPUTY SPEAKER: That is no point of order.

Hon. H. B. St. JOHN: That is such foolishness! The point of the matter is, just as the honourable Member comes in here all the time and states the point of view of the particular person, no doubt having received information from that particular person, ...

3.50 p.m.

Dr. R. C. HAYNES: On a point of order: The honourable Member is accusing a fellow Barbadian of a criminal act. Persons who are employed at the National Bank, during and after employment are sworn to oaths of secrecy, and it is a criminal offence to do what the Prime Minister is accusing someone of doing. And as a lawyer he should know better. It is unfair to seek to destroy the character of a fellow professional Barbadian, one of the best qualified bankers in the Caribbean!

Mr. DEPUTY SPEAKER: No point of order.

Hon. H. B. St. JOHN: You see how unfair in debate the honourable Member is. He does not think it unfair to come in here and accuse the directorate of the bank of political interference and of incompetence in firing a particular officer, but when he gets his information, he can assume that the officer is correct. There is no question of assumption. The Board of Directors of the bank are of the firm opinion that that particular officer was not competent for the following reasons.....

Dr. R. C. HAYNES: On a point of order. The Honourable Prime Minister is misleading the House. The Board of Directors voted for the re-appointment of the particular officer, and you fired the people who voted for him so as to obtain a majority. You are misleading the House and you are telling a blatant untruth. That is what you call a lie, in other words. The Board of Directors supported the re-appointment of the Managing Director and you fired those who voted for him and appointed yardfowls who would vote your way.

Hon. H. B. St. JOHN: Let the honourable Member state his opinion. I will repeat it. The honourable Member, during the course of the Budget Debate, made the same statement. I got up then and I said I felt constrained to defend those responsible for the management of the bank. And let the honourable Member understand that whenever he makes his accusation, I will get up and say what the other side is.

The other side is, very clearly, that that particular officer is incompetent — that is the other side's opinion

— and, the reasons are that he could not get along with other people; secondly, that he gave advice about the calculation of the minimum lending rate which would result in millions of dollars being lost; thirdly, that he took away the signature of another manager who was under him, without even telling the manager, and thereby caused the bank and the manager great embarrassment. Those are the facts. I am saying that there is another side to your story.

Dr. R. C. HAYNES: On a point of order: I believe that on a matter like this, it is essential that the House must not be misled. This is a serious charge I am making, and I am going to demonstrate to the House that the Honourable Prime Minister is misleading the House.

Asides.

Dr. R. C. HAYNES: I am rising on a point of order to the effect that the Honourable Prime Minister is misleading the House.

Mr. DEPUTY SPEAKER: Please take your seat.

Dr. R. C. HAYNES: Mr. Deputy Speaker, I have risen on a point of order.

Asides.

Dr. R. C. HAYNES: May I submit to you that you cannot rule on that unless I justify my statement? Are you going to let him get away with making those statements?

Mr. DEPUTY SPEAKER stands.

Mr. DEPUTY SPEAKER: Please take your seat.

Hon. H. B. St. JOHN: This is a very serious thing. The honourable Member got in here and accused the directorate of the bank, accused the Government and everybody else, of all kinds of things and when we get up and give the facts as we see them, he cannot take the medicine. But there are always two sides to a story. As long as you come in this House and make the same wild allegations again, the facts will hang out. Pull the string of the cap and that is what will happen every time you do that!

Certain remarks made at this stage by Dr. R. C. HAYNES were ordered by Mr. DEPUTY SPEAKER to be expunged from the record.

Hon. H. B. St. JOHN: Let them understand the total debate in here. If the honourable Member brings it in the gutter, it will continue. You cannot abuse your right of free speech in here to only put one side. There are two sides to the story. You have put one side and we

will put the other side, and every time you mention it, to the embarrassment of the particular person. If you call his name, I will call his name again. If you do not call his name, I will not call his name.

Already today, I have challenged you to give the particulars of the political loans that you alleged, and you have been unable, or unwilling, to give any identification of those particular loans. So, as far as the public is concerned, you stand condemned as a reckless maker of statements and an abuser of the privileges of this House. You must stand condemned, so check yourself when you are making these wild statements!

(Aside: Dr. R. C. HAYNES: I am going to publish them in the Press.)

Hon. H. B. St. JOHN: Publish them in the Press. They will be dealt with when you publish them in the Press!

Sir, it is also untrue to say that the loan law provisions are in any way unusual. The honourable Member ignored that the accounts themselves, at page 28, set out very clearly the basis of the non-accrual loans — and I think it is important that it be known that the accountants and auditors of this bank are reputable international auditors, Peat Marwick, Mitchell & Co. and Ken Hewitt & Co. — and it says very clearly:

“The accounting treatment with regard to the accrual of interest on loans, when payment of principal or interest is in arrears, differs according to the particular nature of the loan. The under-mentioned approach to interest accrual was observed in 1984.

Commercial and Trust Divisions:

Where payment of principal or interest is in arrears for 90 days or more, the loan is placed on “non-accrual” and interest is recognized only to the extent payments are received.”

4.00 p.m.

Now that is a most conservative treatment of loans, because what he is telling me is that the management is so careful that if you are in arrears of one quarter, automatically your loan is treated on a non-accrual basis, and no revenue is imputed to interest receivable. That is what the bankers are saying. The auditors are telling you that, so it is an unfair accusation, and I characterise it as a lack of understanding of what was read for the honourable Member to say that the bank is hiding its losses. You cannot say that. That is a very unfair statement. Whenever you make unfair statements, I will correct you.

Again, Sir, at page 31 the accountants and the auditors set out very clearly how they have treated these loans. I make bold to say — I do not care who advised

the honourable Member — that the provision for bad loans and doubtful loans as set out in these accounts is a most conservative approach.

So what are we down to? We are down very simply to this, that the honourable Member, whenever he comes in here dealing with the National Bank, is very interested not in giving the bank a fair chance, not in giving the bank an opportunity to demonstrate that there is capacity, despite all of the difficulties and the obstruction that one gets in these small Third World countries from dealing in this area of activity — the honourable Member is interested only in condemning. But we are interested in creating, the Labour Party is interested in creating, and that is a very important point.

I go further and I say that the National Bank has done as well as any of the banks that were started in Barbados since 1956. The last commercial bank that was started in the 1950s was the Bank of Nova Scotia. Anybody who was in Barbados after the first two years of operation of the Bank of Nova Scotia will recall that they had to send a special hatchet man down here to collect on some of the loans that were made by the first two managers, and it was part of the cost of getting into the banking market. Since then we have had a lot of banks. The great Bank of America, the great First National City Bank, the great Chase Manhattan Bank, the great Bank of Chicago, came and went.

There is a theory that in Barbados we are overbanked. There is a belief that we are overbanked, if the banks are going to operate in the traditional banking way, making loans only in certain restrictive areas — hire purchase areas, personal loan areas and a few other areas — but we have said here that that is not the role or the mission that we want the National Bank to play.

We want the National Bank, in addition to its agricultural function, to perform a role of the provider of finance in the new areas of finance necessary for Barbados as a manufacturing country, and that is why we want the National Bank to be among the leaders of those who take advantage of the schemes developed by the Central Bank for export credit, pre-shipment, post-shipment and things of that kind. That is why we want them to be among the leaders of the institutions that lend out money under the USAID scheme for mortgages. That is why we want them to be leaders in trying to create a housing bond market. When the National Bank was first formed, it was the intention of the Government to use it as an instrument to create a new type of paper that people who wanted to lend money on mortgages could lend it to the National Bank through housing bonds. But they took the housing bonds, they issued some, and they promptly tried to lend them through a subsidiary instead of lending them directly. So these are clear matters of policy. You cannot dictate to the Government that has

won power that it cannot issue policy directions to an institution which it has created. These are matters of policy; they are not matters of detail.

There has been no interference by any Minister on any loans with the National Bank. As a matter of fact, sometimes when we see the court cases that are brought, we are astounded that the management was so stupid as to have lent to those particular people that they have lent. We are astounded about it!

Do you want to talk about politics? It is not a coincidence, or is it a coincidence that the first boss of this is now the Treasurer of the Democratic Labour Party? That one of the managers is also a big boss in the Democratic Labour Party? In all these are matters — we are not nasty in our speeches — if we were like the honourable Member for St. Michael South Central, we would plaster the pages of the newspaper with these facts. But we say this is a small community, and the fact that a person is a member of the Democratic Labour Party does not prevent him from rising to the top, even though the appointment was within the gift of the Barbados Labour Party. We are not like that.

Asides.

Hon. H. B. St. JOHN: But the facts are dead against you to think otherwise; very much so!

Sir, I want to concentrate the final points that I want to make on the improvements that have in fact taken place. That branch at the university that they talked about that was closed, my understanding is — the honourable Member will know — let him go and find out who advised the opening of that centre that has been closed! The London office has been closed, and, as I said, part of the work of the Fairchild Street Branch has been transferred to the head office. In short, what we are trying to do is to reduce the operational cost of the management of the bank. That is a worthy objective.

We feel, and we have been told, that a number of the good quality applicants that have applied for the job would not want to give up their careers to come to the National Bank for a five year period. It is common and standard practice not only in Barbados — perhaps there are not enough instances today in Barbados, but there will be more in the future as we develop — that where you have a firm and you are in competition with others, sometimes you have to pay to buy a man from the other firm to get him to your side, and when he is coming over you have to pay him all of the accrued pension rights that he had over there, and you have to give him security for the future, and this is the stage we are reaching. We want to get a good, highly qualified banker, and we want the best, and if it costs some money to get the best, we will pay out the money to get the best. These are the mandates that have been given, and these are the mandates which I am satisfied are being followed.

You cannot accuse the Board of Directors of incompetence when they, themselves, have recognised and have taken steps to correct some of the deficiencies in an organisation whose structure at the very beginning was such that the power resided in the Chief Executive and not in the Board of Directors. Let us not forget that the one-man task force that was set up recommended titles such as "President" — that had to be changed — and "Chief Executive". These have to be changed. All of these things we are dealing with, so that the bank is going through a process of reorganisation.

We will obviously have to accept some criticism over the fact that we appointed the particular people. I say it is a mistake to have appointed the first President. 4.10 p.m.

(*Aside: Dr. R. C. HAYNES: You like you do not like him, hear!*)

Hon. H. B. St. JOHN: It is nothing to do with like or not like. It is nothing to do with that. Absolutely nothing to do with like or not! The facts have proven that he was not up to the job. That is a fact. What can I do? We have to take the blame for that. There is no question about it. The Government is not running. But there is a distinction between making a mistake, recognizing it and taking steps to correct it. That is what we are courageous enough to do, despite the criticisms of the honourable Member.

Sir, there is one remarkable thing about the Barbadian public. They have ignored completely the criticisms of the honourable Member in relation to the National Bank because they have continued to support the institution. They have continued to place their deposits in the institution, and I trust they will continue to do so in the future.

I give the honourable Members the assurance that we will be monitoring this institution, like all other financial institutions in which the Government is a shareholder. I said in the Budget that we were creating a special monitoring unit staffed by people who would get periodic reports of the financial performance and that they would keep the Government aware of what is happening from time to time with all of these commercial institutions. We are well on the way to having that unit adequately staffed. As part of the normal reporting mechanism, a statement of condition of the bank, at the end of every month, is sent to the Ministry of Finance so that we are in a position to see what is happening.

So that I must agree with the conclusions of the Board. I must agree with that in the Financial summary, at page 13: "There was a small but significant improvement in the financial performance of the bank during 1984." I agree with that conclusion. I would like it to

have been bigger. I would like it to have been better. All of those things I would have liked. I hope that 1985 will show a bigger improvement and a better one. I am not going to give up. I am not going to allow the honourable Member to continue to make these unwarranted statements that the problems with the National Bank are problems related to political interference and political loans. Those charges are unproven, unjustified! They are a typical example of the reckless nature of the honourable Member's capacity to speak. That is the honourable Member — truth does not matter, impression are what matters!

Thank you, Sir.

Applause.

(*Aside: Hon. DeL. O. BRADSHAW: Cannot handle it!*)

Hon. H. B. St. JOHN: I beg to move, Sir, that this Bill be now read a second time.

Hon. L. S. CRAIG: I beg to second that, Sir.

The question that the Bill be now read a second time was put and resolved in the affirmative without division.

On the motion of Hon. H. B. St. JOHN, seconded by Hon. L. S. CRAIG, Mr. DEPUTY SPEAKER left the Chair and the House went into Committee on the Bill, Mr. J. G. ODLE in the Chair.

COMMITTEE

Mr. CHAIRMAN: The House is in Committee.

Clauses 1 to 3 inclusive were called and passed.

On the motion of Hon. H. B. St. JOHN, seconded by Hon. L. S. CRAIG, Mr. CHAIRMAN reported the passing of one Bill in Committee, and Mr. DEPUTY SPEAKER resumed the Chair and reported accordingly.

On the separate motions of Hon. L. S. CRAIG, each seconded by Hon. H. B. St. JOHN, the Bill was read a third time and passed.

GUARANTEE OF \$10 MILLION IN BONDS ISSUED BY BARBADOS SUGAR FACTORIES LTD

Order No. 4 was called — To move the passing of a Resolution to approve the guarantee by the Minister of Finance of the repayment of the principal and of the interest necessary for the redemption of bonds issued by the Barbados Sugar Factories Ltd. in the sum of \$10 000 000.

Hon. Dr. R. L. CHELTENHAM (Christ Church East): Mr. Deputy Speaker, Sir, in moving that this Resolution do now pass, I am to remind the House, Sir, that this is the fourth year in succession that Parliament is being asked to authorize a sugar price support programme. The fact that the industry continues to need assistance will, no doubt, be taken by some as confirmation of their forecast of gloom and doom. I prefer to see it, however, as evidence that we have helped the sugar industry — and with it Barbadian agriculture — to survive yet another year. In the process, we have preserved the jobs of thousands of people and earned many millions of dollars in foreign exchange, in what are unquestionably the most difficult economic circumstances since the Great Depression of the 1930s, at least as far as the sugar industry is concerned. More than achieving a temporary respite, we have made considerable progress in putting Barbadian agriculture on a sounder footing for the future. 4.20 p.m.

When last January, Mr. Deputy Speaker, I introduced a Resolution to approve the guarantee by Government of a bond issue of some \$15 million by Barbados Sugar Industry Limited to finance the 1984 sugar price support programme, I advised the House at that time that a support system based solely on bonds raised by the industry, and financed by periodic increases in the domestic price of sugar, could not continue indefinitely. Accordingly, Sir, the 1985 programme consists of two elements: a Government grant of \$10 million, as was announced by the Honourable Prime Minister and Minister of Finance in his Budgetary Message earlier this year, and a Government guarantee of a sugar industry bond issue for a similar amount, that is \$10 million.

But before I come to details of the 1985 programme, Mr. Deputy Speaker, let me review how we have fared so far. In the first price stabilization exercise, undertaken in connection with the 1982 sugar crop, Government guaranteed a bond issue of \$17 million which, as all honourable Members know, was fully subscribed. The greater part of this issue has already been redeemed by Barbados Sugar Industry Limited, and only \$6.88 million is still outstanding, of which not less than \$2.5 million will be redeemed in the first half of 1986, and the rest within the lifespan of this issue, which runs until December 31, 1987.

The second bond issue of \$10 million was raised to support the price for the 1983 crop. This is due for redemption between January 1, 1987 and December 31, 1990.

The third bond issue of \$15 million, which financed the 1984 crop support programme, is subject to redemption between January 1, 1988 and June 30, 1992.

In sum, of the \$42 million raised in Government-guaranteed sugar industry bonds under the 3 previous

support programmes, the sum of \$31.88 million is still outstanding at this point in time, bearing a composite interest rate of 9.4%.

These Government guarantees, Mr. Deputy Speaker, made possible a highly successful mobilization of capital for productive purposes under private sector auspices. The bonds were taken up mainly by institutional investors, notably insurance companies, and came at a time when the Barbadian money market, which has grown in both vigour and sophistication, was ripe for an investment medium of this type.

Government guarantees of private sector bond issues constitute a contingent public liability. And while I am on the subject, Mr. Deputy Speaker, I should mention that the first repayment of \$1.5 million on another guaranteed sugar industry debt, which was a \$15 million Eurodollar loan obtained by the Barbados Sugar Industry Limited to assist in the construction of Portvale and the modernization of Andrews Factory, will be made in December this year.

I have recounted the transactions effected thus far, Mr. Deputy Speaker, in order that the House may be aware that the Government guarantee which is now asked to be approved in connection with the 1985 sugar crop only entails a relatively minor enlargement of the contingent public liabilities previously assumed.

As honourable Members know from earlier explanation, Sir, the proceeds of the bond issue were used to make loans to the producers, which were convertible into grants depending on future performance. The immediate objective was to stimulate an increase in sugar production which, as the House will recall, had fallen to 88 000 tonnes in 1982 and 85 000 tonnes in 1983, a level which in the long run could not assure coverage of our premium price sugar markets. This strategy was successful and the slide in output was reversed. As a result, of the \$14.2 million extended in support loans to growers and the processing company in respect of the 1982 crop, only a minor amount — less than \$500 000 — remains unconverted.

Support payments, Sir, on the 1983 crop totalled \$10 million. Some \$680 000 of this was an outright grant to small growers, who delivered up to 400 gross tonnes of cane. Of the remainder, regarded as loans to the larger growers and the processing company from the Sugar Support Price Fund, just over \$2.9 million was converted into grants upon the conclusion of the 1984 crop. Figures regarding the conversions of the 1983 and 1984 crop loans have not yet been furnished.

Some \$39 million in actual support payments have been made available to the sugar industry under the price support programmes in 1982, 1983, and 1984. The cost is borne by the Barbadian consumer through increases

allowed in the domestic price of sugar. For that reason, I think it is important that the House should have the assurance that the support of the sugar industry continues to be viewed by Government as in the national interest, that the support mechanism is conducive to the restructuring of our agriculture and of its continued viability, and that, in our view, it is not excessive — the price support that is — in relation to its objectives.

Enough has been said on previous occasions in the course of these debates to establish the existence of a consensus regarding the continued role of the sugar industry in the economy, in general, and of its contribution to Barbadian agriculture in particular. That does not mean, however, that we should put the sugar sector on welfare, as some of its representatives have at times suggested. Extravagant support, even if we could afford it, would not be in the best long term interest of the industry itself, because it would not educate producers to improve their practices and lower their costs, which, in the final analysis, is the only way they will survive. In fact, the level of support, Mr. Deputy Speaker, has been carefully measured to encourage the better utilization of resources by increasing productivity.

To put the amount of support extended to the sugar industry thus far into perspective, let me point out that it is less than the loss of earnings due to the decline of the European Currency Unit, the medium of exchange of our principal sugar market against the U.S. dollar. Because of the adverse movement of foreign exchange, over which the sugar industry has no control, the average ex-factory return per tonne of sugar from sales to the European Economic Community has successively dropped from \$875 per tonne in 1980 to \$703 per tonne in 1981, to \$692 per tonne in 1982, to \$644 in 1983, and to \$639 per tonne in 1984. Had the ex-factory unit return held at the 1980 level, which does not take into account the subsequent modest increases of the guaranteed price for raw sugar in ECU terms, the industry would have earned \$46.6 million more than it actually did from the 224 400 tonnes of sugar shipped to the EEC in the period 1981 to 1984. What the previous price support programmes have in effect done, Mr. Deputy Speaker, is to stabilise the industry's earnings from exports to the EEC at roughly the 1979 level, when the return at the factory gate was \$832 per tonne of sugar.

This House is familiar with the stipulations devised to improve the industry's management and performance that form part of the price support programmes, particularly, Sir, the measures to reduce the incidence of cane fires, the organisational reforms that led to the establishment of the Barbados Sugar Industry Limited, the installation of process control equipment in the factories, and the steps taken to improve the co-ordination between field and factory, particularly during the reaping season, and to assist the smallholder generally.

4.30 p.m.

The 1984 programme contained specific provisions geared to encourage the cultivation of idle land and the production of non-sugar crops, in pursuance of Government's policy to overcome the division between sugar and non-sugar agriculture, and to develop the concept of total, integrated farming. But as with any medicine, Mr. Deputy Speaker, some time has got to elapse before its effect can be felt. We feel that, notwithstanding the lag period in the effects we have felt, the medicine is clearly working, for sugar production has been brought back to 100 000 tonnes, a level which assures coverage of our premium price markets and our domestic market.

In addition, there has been a palpable recovery in efficiency as measured by the yield of sugar per acre and per tonne of cane. Close to three tonnes of sugar per acre reaped were obtained in the 1985 crop completed only a few months ago, a yield bettered only twice in the last 15 years, while the cane-to-sugar ratio of 8.4 tonnes of gross cane per tonne of sugar was the best result that you had since 1950, according to available records. One of the factors leading to this improvement, Mr. Deputy Speaker, has been the reduction of cane fires during and immediately after the crop. It fell from a high of 23% of the acreage reaped in 1982 to just over 3% of the acreage reaped in the crop just completed.

Costs of production, which rose sharply in the 1979 to 1981 period, have been stabilised. Indeed, there are signs of a decline in costs, notwithstanding the burden of increased interest payments resulting from the industry's indebtedness, a matter which is currently receiving Government's attention. The banking sector, too, has been relieved to some extent by the provision in the support programmes that growers' loans be credited to their bank accounts where there are outstanding debts.

These improvements on the sugar side have been coupled with significant advances in non-sugar agriculture. According to the available information, some 760 acres of cotton have been planted in the current season, mainly in rotation with cane. I very much hope that the cotton crop of the 1985–86 period will be at least three times as large as last year's crop.

To continue, Sir, about 325 acres are under peanuts this year, which compares very favourably with less than 100 acres in the 1984–85 period.

Some 110 acres of onions have been sown since June, with perhaps another 50 acres to come, compared with a total of only 98 acres in the whole of the 1984–85 season.

I am to tell you, Mr. Deputy Speaker, and this House too, that appreciable acreage of hillsides has been cleared of cane and put under grass, particularly in the St. Thomas, St. Andrew, St. Peter area, St. John and St. Joseph, to provide meat for the burgeoning beef industry.

The cotton programme is providing an increased amount of cotton seed for animal feed for the replacement of our soybean imports. Our farmers are learning to ensile corn, grass and cane tops, and we hope that the sugar industry will help to increase the use of molasses for the feeding of livestock by making it more easily and readily available.

The 1985 support programme is framed to give effect to a holistic approach to agriculture which sees sugar production as a component of an increasingly diversified system of agro-industries. In line with this strategy, the programme pursues several inter-related objectives, and I should just like to list them, Mr. Deputy Speaker:

Firstly, the maintenance of sugar production at a level commensurate with domestic and foreign premium price markets. That is, we are not now aiming to produce 150 000 or 200 000 tonnes of cane. That will not make sense, given the level of remuneration which we are experiencing. We seek only now to meet the domestic requirements and to produce enough for our premium price markets; namely, the European Economic Community and the markets of the United States and Britain.

The second objective, Mr. Deputy Speaker, is the promotion of selected crops which either have proven remunerative foreign outlets, such as cotton and cherries, where we know we have a market, or crops which offer substantial scope for import substitution, such as peanuts and onions. In both cases — peanuts and onions — we still have some slack in our domestic market, which means that, as long as we continue to exclude the imports, we have room for our local producers in seeking to satisfy the domestic market both in relation to peanuts and in relation to onions.

Further, Mr. Deputy Speaker, we are for the future emphasising a reduction of cane growing on unmechanisable lands. It is clear that, given the average age of the labour in the sugar industry, the Barbados sugar industry for the future will need a totally mechanised sugar industry. For that reason, it will make sense to plant cane only on the lands that are suitable for mechanisation.

To continue, Sir, we are emphasising the improvement of the financial position of the growers and the processing company. The programme aims, too, to reduce the exposure of the banking sector, particularly the Barbados National Bank, to doubtful sugar industry debts. I do not think it is any secret — indeed, it has been alluded to earlier in the day by the honourable Member for St. Michael South Central — that the Barbados National Bank is in an exposed position in relation to the sugar industry in this country, because the Barbados National Bank now carries the debts of about 70% of the plantations in Barbados. Barclays Bank and the other banks take up the

other 30% or thereabout. So that it is a fact that the Barbados National Bank is in an exposed position in relation to the sugar industry, and that the sugar price support schemes have helped to reduce that exposed position of the Barbados National Bank in so far as the loans to individual farmers go to the bank, in so far as they have an account and a debt outstanding with the bank.

One final objective which I think we need to emphasise is the establishment of a modern management system with a comprehensive agro-industrial orientation in the Barbados Sugar Industry Limited. It is a fact, Sir, that within the last four years or thereabout we have emphasised the necessity for the sugar industry management in this country to be modern and to recruit people to its staff who can give them the necessary inputs not only in relation to personnel and accounting particularly, areas in which they were deficient in the past.

As I indicated earlier, Sir, this 1985 price support programme consists of two elements — an outright grant of \$10 million by the Government, and also a Government guarantee of another \$10 million, which will be raised by the Barbados Sugar Industry Limited. The new element in the package, the outright Government grant, does call for some explanation, and I think it can be justified on two grounds. In the first place, it partially compensates the industry for the loss of earnings from sales to the European Economic Community, our principal premium market, as a result of the strength of the U.S. dollar, to which the Barbados dollar is linked by a fixed parity. In effect, the sugar industry has been the victim of an over-valued exchange rate, but, for very good reasons, this Government has resisted a general devaluation of the Barbados dollar, which would have been one way of addressing the particular sectoral problem. The grant is, therefore, in the nature of a specific remedy to ameliorate a sectoral problem. That is the first explanation.

4.40 p.m.

The second justification relates to the fact that, as I indicated last January, Government has been watching the overall debt position of the sugar industry, and is of the view that the debt should be increased only moderately by further issues of sugar industry bonds to finance price support. And there is very good reason for that, because at the end of the day you have to ask yourself, if they run up this massive debt, will they ever be able to pay it back? So it makes no sense giving them a larger debt loan than they will, in the foreseeable future, be able to service.

The conditions attached to these support measures are that the industry develop an appropriately structured cost accounting system, which is very important if they are to meet the requirements of a diversified product mix,

such as most farms will now have in the future. The other condition is that they must comply with the informational requirements of the Sugar Industry Act, 1982-36.

As has been the practice in the past, Mr. Deputy Speaker, producers with bank debts will have support payments credited to their bank accounts. This will appeal to you, Mr. Deputy Speaker: Growers delivering up to 400 gross tonnes of cane in 1985, the so-called small man, will receive their shares of both the Government grant and the proceeds of the BSIL bond issue as outright payments — we ask only that they register as suppliers of BSIL — whereas larger growers will receive their share of the proceeds of the bond issue in the form of loans convertible into grants, subject to certain conditions relating to performance in the future, as agreed between the Government and the industry. So that, Mr. Deputy Speaker, you can safely return to your constituency announcing that, once again, the Government will give the small producer, defined as one who delivers less than 400 tonnes of gross canes to the factories, a support payment as a grant. He will not have to repay it and will be subjected to no conditions whatsoever.

In particular, Mr. Deputy Speaker, I would like to highlight one condition, namely, that in order to benefit from the loan conversion — and I am here talking about those who are producing more than 400 tonnes of gross cane — growers must hold delivery contracts for, or furnish evidence of, the sale of a certain volume of non-sugar products as designated by the Ministry of Agriculture. We are not going to dictate to farmers what they should grow, but, clearly, Government is pointing the farming community in the interest of diversified agriculture, and they must realize that they bear the risk of losing money if they do not join in the diversification effort.

As we look over 4 years of sugar price support, we see both continuity and progression. The immediate task in 1982 and 1983 was to save the industry from a wave of bankruptcies, such as broke upon this island 100 years ago, and which would have had serious repercussions on the economy as a whole, including on the banking sector. That was the great goal and the immediate goal of the price support when it was first introduced. In that respect, Mr. Deputy Speaker, I need not tell you that it has been eminently successful.

The second role was to restore production to a safe level so that we could, in the foreseeable future, supply our premium price markets and our domestic needs. At the same time, steps had to be taken to improve efficiency and curb costs.

The questions of improving efficiency and curbing costs are ongoing preoccupations. But, having averted

imminent collapse and dealt with the most urgent problems, such as the scourge of cane fires, it became possible to address the broader issues of revitalisation and long term viability. To use a metaphor which would be familiar to the honourable Member for St. Michael South Central (Dr. R. C. Haynes), a metaphor, as it were, borrowed from the hospital environment, the patient's conditions, though still extremely grave, had been sufficiently stabilized to move him from intensive care, as it were, to the general ward. Such a move was, moreover, necessary so that dependency on a support system would not become habitual, and to prepare the patient to return to an outside world which, in the meantime, had become more rather than less hostile.

This increased adversity of the outside world, to which I have alluded, is illustrated by the physical shrinkage of one of our premium-price outlets, namely, the United States of America market. You will recall, Mr. Deputy Speaker, that the United States re-established specific country import quotas in 1982 and that our entitlement has moved from 19 600 short tonnes, raw value, in 1982-83, to 21 294 short tonnes in 1983-84 to 17 780 short tonnes in the quota year 1984-85, which was extended to 14 months, and down to 12 500 short tonnes in the current quota year of 10 months. If you plot that graph, you will see clearly that the trend is downward.

There is some evidence to suggest that the United States Administration is aware of the harm being done to these small Latin American and Caribbean sugar exporting countries. We can only hope that measures are taken to reverse the trend in a decline of access to the US market before irreparable damage is done to the economic and social fabric of these small sugar producing territories in Latin America and the Caribbean.

The question of Caribbean-American sugar relations has to be dealt with collectively by the leaders of the region, who must, in my view, continue to press the United States Administration for a special regime that maintains access to the United States market for reasonable quantities of Central American, Caribbean and Latin American sugar.

For unavoidable ecological reasons, sugar cane must remain the backbone of the Barbadian agricultural scene. In most cases, it has to be the centre around which other arable crops are rotated. But, as economists will remind us, environmental protection cannot be pursued at any price. Similarly, sugar remains an important earner of foreign exchange and remains, in the Barbadian context, still an important source of employment — of approximately 5 000 people. But there is a limit to the amount of support that the sugar industry — or, for that matter, any industry — can be given, and that limit is reached

sooner in a small economy like Barbados than a large economy like the United States of America.
4.50 p.m.

There is an obvious case for protecting the industry, as I have attempted to make today, against foreign exchange movements over which it has no control, and that is the basis on which we have sought to justify an outright grant of \$10 million. Less clear, however, is the case for compensating the industry for losses suffered in the premium price market not subject to currency fluctuation, but simply because its production costs are now too high. If the industry cannot become more competitive, no amount of price support within the means of the Barbadian economy can save it in the long run, and I think that this is a message which we on both sides of this House can agree in sending to the sugar industry in this country, that if in the end they do not become more competitive, no amount of price support within the means of the Barbadian economy can save it in the long run.

It is for this reason, Sir, that both the philosophy and the practice of Government support to the sugar industry have already begun to acquire a new content, namely, that of financial assistance so that the Barbadian farming can both restructure and diversify. It is important to make the point, particularly in the light of comments that continue to be made by the leaders of the Barbados sugar industry who refuse to plant their feet securely on the path towards diversification, and who hold on to the pious and ill-merited hope that, one day soon, sugar will continue to be profitable as it was 100 and more years ago. It is to that constituency in the leadership of the Barbados sugar industry that we must make the point that the future of the Barbados sugar industry cannot be hazarded on the gamble of harvesting another so-called windfall in the free world sugar market. It must be safely linked to the construction of a broadly based and vigorous agro-industry. That is what the 1985 support programme which this Honourable House is asked to approve is all about.

Mr. Deputy Speaker, with that presentation, I beg to move that this Resolution do now pass.

Hon. L. S. CRAIG: I beg to second that and reserve my right to speak.

Mr. W. O. FRANKLIN (St. Philip North): Mr. Deputy Speaker, I must, first of all, start by admitting that I am a lot more comfortable in mind, having listened to the Minister of Agriculture, than I was previously when I saw the Government's intention of dividing the support to the sugar industry this year in two sectors, one an outright grant and the other the guaranteeing of a bond issue. I was also very heartened to hear the warning sounded by the Minister of Agriculture to the

sugar industry, and it was a very straight, outright warning — the taxpayers of Barbados cannot *ad infinitum* continue to support by grants or loans the sugar industry in Barbados to the disadvantage of other sectors of the economy. The economy only has so much in it, and every time we use the economy for one section, somebody else suffers.

Mr. Deputy Speaker, there is a realism about the speech of the Minister of Agriculture which is heartening. What are the signs on the horizon? The signs on the horizon are very clear: (1) For health reasons, there is reduction in the consumption of sugar, (2) it does not seem possible that the production cost of sugar in Barbados would ever be competitive with beet sugar, and (3) the fact that the Minister has admitted that it was an ill-conceived policy to be aiming for 150 000 tonnes of sugar is heartening.

What are we doing today by this measure, Mr. Deputy Speaker? We are protecting the jobs of some 5 000 direct labourers and approximately 3 000 or so in industries allied to the sugar industry about 6 000 in the crop directly. We are protecting some \$60 million in foreign exchange, hard-earned cash. We are keeping in cultivation some 35 000 acres of land that, if taken out of cultivation for any reason, would be extremely expensive to bring back in, and secondly, would lead to erosion of the country to the stage where it would almost destroy this country of ours. These are the objectives, in a nutshell, of the support scheme. But these objectives are against a very important question we have to ask ourselves, and it is the question that over the next couple of years — and I have converted them quite quickly — the information gleaned so far shows that, from the 1983 price support scheme, some \$34 million have already been converted to grants, from 1984, some \$7.06 million converted to grants — and I would be happy if these figures could be corrected — and, in 1985, there is a direct grant of \$10 million, making an overall grant of some \$21 million.

Mr. Deputy Speaker, I think that, to be realistic, we have to face the distinct possibility that the loans to the sugar industry might very well have to be written off by the central Government. There is a distinct possibility that those guaranteed loans might very well have to be written off by the central Government. If those loans are written off by the central Government, Mr. Deputy Speaker, we will have a situation in this country where the sugar industry would have benefited from the taxpayers' money to the tune of some \$60 million. The question I want to pose — and I am glad for the information from the Minister of Agriculture — is: What parallel support are you offering to the non-sugar industries? What parallel support is the Government giving to other sectors of the economy, for example, manu-

facturing? What parallel support are you giving to other sectors of the economy, like the service industry?

Mr. Deputy Speaker, the historical background to sugar is such that, for years, the sugar barons have made tremendous profits from sugar. One of the things that still bothers me and I would like the Minister of Agriculture to let us know — is, what is happening with the income from non-sugar agriculture? Because every time you look for support for the sugar industry, you never hear anything of the non-sugar agriculture income, and all of us who are living here in Barbados know as a fact that every single plantation in this country has over the last four years been earning large sums of money from non-sugar agriculture. Has this been taken into account in arriving at the grant for the sugar industry?

If we are to be realistic, the sugar industry is in a holding position. It is like an aircraft that the tower has asked to hold because the runway is not clear. All that we are doing is allowing the sugar industry to survive. It is on its back, you are feeding it intravenously, it is surviving, but it is not reacting to that feed to give us the impression that it will ever come alive again. How long are we going to keep it alive? What is the cost at which we are prepared to keep it alive? These are questions facing any Administration.

Strangely enough, the thinking that the Minister of Agriculture projected in his speech is very much along the line I was thinking, and I think the time is absolutely right that a White Paper should be brought from the Ministry of Agriculture on the position of agriculture in Barbados to answer some of the following questions. A question I want answered from the White Paper is, what now is the level of production of sugar that we are aiming at? The new thinking is that we should aim for the domestic market supply as well as those that we have guarantee markets for at a premium price.....
5.00 p.m.

(Aside: Hon. Dr. R. L. CHELTENHAM: Plus surplus.)

Mr. W. O. FRANKLIN:.....plus surplus. I am in complete agreement with that objective. But we have to look at the other side of the coin, and the other side of the coin Mr. Minister of Agriculture, is non-sugar agriculture. What are you doing for non-sugar agriculture? Jobs. It is my contention that non-sugar agriculture — I do not have the statistics but I would hazard a guess — is employing very much the same persons as sugar agriculture. Foreign exchange. This is one of the areas in which the sugar industry has been very strong, and \$60 million or so have been brought in over the last couple of years.

We have been hearing a lot about diversification of crops and there are a few crops that we have been hearing

that we could tailor to replace that sector of sugar in foreign exchange. I have not heard anything about the continuing development of the yam crop, for which it is known that there is a market year round in the UK. What has been happening to our sweet potatoes, for which my information suggests that there is also a market?

(Aside: Dr. R. C. HAYNES: Craig would know!)

Mr. W. O. FRANKLIN: More recently, there has been a lot of talk about flowers, exportation of flowers as an industry. And all indications are that it has a very bright future, if you go down the line, but what are we doing towards the research and development of the flower industry? What are we doing? The ginger lily that so much talk has been heard about, is the Minister of Agriculture in a position to tell us, and the farmers out there who might want to go into it, what spacing should the ginger lily be planted at? What type of fertilization they react to? How would ten acres of ginger lily react as against a couple of square feet? These are the things that we need to find out.

My information is that it is this same breed of flower that the people in Florida have just been doing a lot of research on, and a few people in Barbados are beginning to look at it, a plant with the same characteristic as the ginger lily called heliconia. That is a plant, my information is, for which there is a tremendous market out there, and all the research has been done in Florida and is available. What are we doing about that? Substituting peanuts. Once again, we are back in peanuts, for which there is a large domestic and regional market, the onions, for which there is a large domestic and regional market, and the cotton, where there is some market in Japan.

In summary, I am asking the Minister of Agriculture: what is the planned programme for non-sugar agriculture? How are you going to convince us that the parallel support that has gone into sugar of some — and I am saying that you have got to think of \$60 million over the last four years — where is that parallel support in non-sugar agriculture? That parallel support seems to be very lacking. Let us take one organization that acts as an umbrella body for non-sugar agriculture, the Barbados Agricultural Society, with some 1 000 members in the organization, some 500 farmers that they are acting as a marketing agency for. The grant to that institution is the measly sum of \$20 000 a year. Now this is the institution that has been harnessing, bringing together and forcing the non-sugar agriculture under its wings. But the Government's contribution is a measly \$20 000!

I am a little bit peeved by a couple of things in the sugar industry. One I have mentioned before, and that is the non-accounting for the non-sugar produce.

Aside.

Mr. W. O. FRANKLIN: The second one that is coming to light — and I want to put the Minister of Lands on warning — is that a lot of the plantations are now making huge sums of money by selling the agricultural tenancies to the people at an alarming price of \$32 670 per acre, or 75 cents per square foot. They cannot have it both ways. They cannot expect the taxpayers to dig their hands in their pockets and support them and still they dig out the taxpayers' eyes the next way. Every plantation that has five acres of agricultural tenantry at that price is likely to earn \$163 000 from the sale of those lands. And what are you doing by that is that you are forcing out from agriculture those small people who rented these lands before from the plantation, at small prices, and were able to grow some of the sugar you are talking about and a few crops. These are now being asked to pay 75 cents per square foot for those parcels of land, and indications are — because there is now no protection for them — if they cannot come up with the money, the lots are being offered to people outside of the tenancies. A plantation with ten acres, \$326 000, maybe more than the value of the entire plantation! I am saying that they cannot have it both ways.

I have not heard the Minister of Agriculture stating anything, as part of the continuing price support loan, that the people working in the industry must be given a better break now than one and two days per week. We cannot justify using the taxpayers' money and allowing the people in the industry to only get one and two days per week. It is a fact. And I have heard nothing, no conditionality in the support about this sector, about this at all. The Ministry has to make their mind up whether or not, after the examination of the industry, it is feasible to continue the five day week. If it is not, you have to decide what is feasible and make it mandatory, because there are a lot of families that are going through some very difficult times as a result of the reduction in the work week in the sugar industry.
5.10 p.m.

Mr. Minister, there is a question that has been bothering a lot of us, and it is, what is going to be our attitude to the changing of the management structure and the ownership structure down the road? What is going to be our attitude when we take and pump some \$60 million of the taxpayers' money into that sector? What is our attitude towards those two sections? It is a serious question we have to face.

I think it has been accepted by now that on both sides we are agreed that the sugar industry has to be kept down the line in the immediate future. We are agreed that, for ecological reasons, we cannot replace it. So I am saying — and I am glad that you have given it foresight,

and I hope you come by way of a White Paper — that we want to see 5 years down the road what is going to be the state of agriculture. What are going to be our export crops for hard currency? What crops are we going to grow for substitution of imports? What acreage are we going to continue to allow to be in sugar? What is our policy towards beef production?

I think on this one that there is a very misleading feeling that Barbados can produce beef at an economic price. I am saying that to produce protein by beef cattle in Barbados is a colossal waste of resources. If you look at the statistics alone, we import some 2 million kilos of beef every year. We will never be able to replace that. You have to be careful that there are not some large owners of land who will use the incentives that are being offered to grow a few cattle for beef, which is not a high employer of people — rearing cattle for beef is not a high employer of people — for their own selfish, personal reasons and not for the overall projection of agriculture.

It is my contention that we do not have that area of land that we could look forward to any large scale beef farming down the line, unless you are going to do feed lot farming. You cannot do range farming in Barbados and expect to be successful. You have to do feed lot farming, and in this respect, the research which has gone on with the confith and other things can easily be used.

In summary, Mr. Deputy Speaker, I am glad to note that this grant and this price support is tied, and that we are gradually moving away from the support of the sugar industry into providing incentives for the non-sugar agriculture industry in order to grapple with the situation in Barbados. The mix is absolutely necessary. And I am quite in agreement with the warning which has been sounded by the Minister of Agriculture to the sugar industry people that the Treasury is not an open-ended treasury for them to be tackling every year and for them to resist the diversification that is obviously what is needed in agriculture. I would only hope that in a very short period this House will be the beneficiary of a comprehensive agricultural programme that will answer the questions that I have asked this afternoon.

We once again have to support the grant and the guarantee for the reasons we have outlined, but we must warn that it cannot continue *ad infinitum*.

Thank you, Mr. Deputy Speaker.

Dr. R. C. HAYNES (St. Michael South Central): Mr. Deputy Speaker, over the years, particularly since 1981, I have participated in, and enjoyed considerably, the continuing debate not only in respect of sugar, but in respect of agriculture as a whole.

It is my very firm belief that, given the situation in Barbados, the Caribbean and in many Third World countries, it is absolutely essential that we place the greatest emphasis on agricultural production, not only in terms of providing food for ourselves, saving foreign exchange, and earning foreign exchange, but also because of the major multiplier effect which the agriculture sector has throughout the economy. Indeed, Sir, I have no doubt whatsoever that if the kind of priority had been given to the sugar industry and to agriculture which I had been advocating since 1981 on the floor of this House, and if the Government had not resorted to policies which were clearly ridiculous at the time, and from which they have retreated substantially now in the face of reality, a reality which was very obvious to us on this side of the House way back 5 years ago.....

Dr. R. C. HAYNES: The Honourable Minister, I am quite sure, would grudgingly admit that we on this side have, in the face of tremendous criticism, put the case for diversification of the sugar industry and for diversification of our agricultural effort, for diversification leading to a wider base of agro-industrial development in Barbados. It is a case, Sir, that we put with great force, because we were convinced that we were right, and I think that events have proven us right.

We were highly critical, Sir, of the policy position in relation to sugar which has clearly been abandoned by the Government, the policy which was under the caption of a "Critical Mass". I had pointed out again and again, Sir, that it was a fundamentally fallacious doctrine that had no basis in any form of scientific analysis, because it did not take into account the various variables which are essential for any doctrine of "Critical Mass" to be of any relevance.

I recall, Sir, when, quite unwisely, it was touted on the floor of this House that we will be increasing our sugar production at first to 150 000, and then that was scaled down to 135 000 tonnes. I do recall, Sir, that at that time I had brought to the attention of the Government the clear international evidence of a continuing weakening of commodity prices and the various factors that would continue to militate against any increase in demand on the world market for sugar, with a resultant increase in sugar prices. The debates of this Parliament, Sir, are replete with submissions by myself and my colleagues on that particular score.

We warned them, Sir, of the dangers of putting all your eggs in one basket, when, in fact, the only element which you can control to some extent will be the domestic element. We warned them of the exchange rate risks involved in such a policy, because it was evident that those two major variables, namely slackening commodity prices and, secondly, an adverse exchange rate situation could seriously undermine the whole doctrine of

"Critical Mass" in relation to sugar production in terms of the external factors that would impact on such a policy.

Similarly, we warned them that the policy of trying to bring marginal lands back into production might itself act as a catalyst for the increase in the overhead cost of production locally, and that, therefore, the main thrust of Government should have been to concentrate on our domestic market and our premium markets. And this has been our policy and our position on the floor of this House from way back in 1981.

At that time, we were said to be buffoons. We did not know what we were saying! We were undermining the sugar industry! All of the insults were hurled at us, Sir. I have lived to see the day, Sir, when the Minister has got up on the floor of this House and given a full endorsement to the position taken by the Democratic Labour Party 4 years ago. For that, I will say that whereas I can credit you with some hindsight, you have a duty to stand on the floor of this House and give us due credit for foresight in this matter, which would have saved a lot of the trauma that the sugar industry has gone through over the years.
5.20 p.m.

Now, Sir, there are some very important points raised in the whole question of analysis of the external influences. There is little we can do to create a demand and create better price levels outside our premium markets. In fact, it appears that there is progressively less we can do even within our premium markets, the way how things have gone.

I would suggest, and I do not wish to be misunderstood, that a retroactive analysis of exchange rate movements over the past five years would indicate that with a sensitive and structured management of exchange rate policy in Barbados, some of the damage to the various sectors could have been limited.

(Aside).

Dr. R. C. HAYNES: You would not understand what I am talking about. Ask the honourable Member for St. Peter (Mr. O. S. Arthur), he would understand. Indeed, enough money could have been generated with a different approach to exchange rate policy to actually finance what you are doing here now. And I am not speaking of any devaluation, I want to make that clear. What I am saying is that all the evidence which those of us who keep an eye on these matters can deduce over what has happened over the past four years would indicate that Barbados could have made substantial gains externally, and that the gains made externally probably could have been the source for offering support

to this industry without having to utilise the mechanisms which are being used here to finance it.

I just raise that point, because, quite clearly, in a world of volatile exchange rates, it requires considerable skills in order to bring that kind of benefit to bear on your sectoral viability. But it can be done — it has been done and it can be done — and I wish to repeat once again that I am not talking about any devaluation of the Barbados dollar, that there are mechanisms of exchange rate management where you can pinpoint sectors and so adjust your exchange rate management in order to generate enough revenues that could be transfers to those sectors which have been weakened by exchange rates.

I took the trouble, Sir, to go into some details of that matter from a financial point of view because the honourable Member has stated that one of the main reasons why he felt justified in providing the grant was because of the impact of exchange rates on the domestic dollars earned by the sugar industry. All I am suggesting is that whereas this is not primarily a matter for the Ministry of Agriculture, it is certainly a matter which the Ministry of Finance should look at very clearly. I think that if they do the same kind of study which I have done, then they would see where certain possibilities lie, because, unfortunately, when you talk of exchange rates to the average person, they think in terms of linkages to one currency or they do not realise that there are all sorts of variations available to a country such as ours which will not necessarily have the impact of a devaluation, or in fact would not be a devaluation at all.

Sir, I believe that I was the first person to call for a grant to the sugar industry on the floor of the House. I recall that during the sugar debate earlier this year, the honourable Member for St. Peter got up, not having come to this House until very recently, although welcomed as a Member of course, and claimed that I was taken captive by the sugar producers on that day. Another Member got up and accused me of all sorts of things, which I will not repeat. They accused me, Sir, of taking a turn to the right, a turn to the left, all sorts of turns. But the fact is, I was prepared to face the harsh realities of the day. Whatever the mistakes of the Government, whatever the mistakes of the industry in the past, the facts were earlier this year that a grant was inevitable, in my view, and that in order to save 4 000 jobs or thereabouts in the sugar industry, and at least another 4 000 jobs in Barbados because of the widespread effects that the sugar industry has throughout the economy, I felt it was justified, and it is in my view still justified to spend \$10 million in 1985 to give job security to 8 000 people. There is no other way you can spend \$10 million of public money today and ensure that 8 000 people remain in jobs. I am not in this business as to.....

(Aside: Hon. L. S. CRAIG: Do you support that?)

Dr. R. C. HAYNES: I called for it! I called for it and it was up. I was the first person on the floor of this House that called for a grant, and you and the honourable Member for St. Peter accused me of being taken captive by the sugar industry. I go further and say that this Resolution today is a slap in the face for the honourable Member for St. Peter, who, during the Estimates Debate.....

Hon. L. S. CRAIG (St. James North): On a point of order, Sir: If I can recall, the Member for St. Michael South Central had drawn to our attention that when we had made that sort of money available, that the planters would have been buying race horses, sending their children to London to be educated and all of these things. Now today he is supporting the Government's support scheme! How can you turn around like that?

Dr. R. C. HAYNES: Mr. Deputy Speaker, I believe that sometimes a bit of levity put into the debate creates no problem, but I will deal with the question of race horses and unit cost allocations and so on later. You take it easy.

The point I am making is that when I called for the grant I was opposed most vehemently by the other side earlier this year during the sugar debate. During the Estimates the honourable Member for St. Peter got up and said that he would not support any grant because once it becomes an item on budget you would never get it off budget, and I think he went on to say that you breed all kinds of inefficiencies within the particular sector. That is a fact. They are two facts.

The Honourable Minister of Agriculture — I am not sure whether you supported a grant earlier in the year or not. I think at Estimates time you supported a grant but remained silent earlier in the year. My best memory is that you supported it at Estimates time, but earlier in the year during the sugar debate you remained silent on the particular issue. So we have had no particular problems. I have no difficulty whatsoever in saying that the grant is justified in the present circumstances.

The fact is, Sir, that if you look at the structure of the conditionalities of the subsidy and the grant, you will find that they address the same problems which I referred to during a speech that was widely misreported, as though race horses were only the subject of my speech. It addresses the question of better management, it addresses the question of better accounting, it addresses the question of better supervision of credit, it addresses the question of better supervision of unit costs, it addresses the question of better supervision of allocations of revenue at farm unit level. So, in fact, the conditionalities within the subsidy and the grant are a recognition by the Government that what we were saying about the laxity that existed in the industry way back in 1981 was

correct. I believe that the industry itself and the more progressive elements in the industry have clearly responded positively to the appeals on the floor of this House for better management in return for Government facility, whether by way of subsidy or by grant, and I would challenge the Honourable Minister of Agriculture to deny that those conditionalities were not designed, not only to address those problems, but, also, of course, the more basic economic problems, like further development of your non-sugar agriculture as part of the conversion factor. It is a fact recognized by Government, recognized by Opposition, and recognised by progressive elements who want to see agriculture in Barbados continue to grow.

5.30 p.m.

I would like to support another call made by my colleague. I think it is time we have to look to facilitate, perhaps, a wider ownership in the sugar industry, and I believe the honourable Member for St. Peter, even, although he might be a little hurt because I reminded him of the position that he took, would recognize that even his concept of the total farmer can only come about if we look very carefully at stimulating or probably altering ownership patterns within the agricultural sector. I say this, Sir, because I firmly believe that there are 4 000 or 5 000 young people out there who would be interested in getting involved in a new thrust in agricultural development, and when I speak of agriculture, I am embracing fisheries as well. I think we have to start looking at the needs of the youth. We have to start looking at the psyche of the youth in relation to agriculture, and I believe that tremendous opportunities exist where we can exploit the God-given assets, namely, the lands of this country and the waters around it.

I believe that probably one of our major planning and development thrusts in the 20th century should be towards the use of the best technological skills available to us in order to enhance the productivity which we can get from agriculture. I believe that we would have a firmer, better and less open economy and, therefore, better prospects for planning, less dependence on external disturbances if we have a sounder agricultural base. But it has to be routed in a human resource base. Our people have to be involved in agriculture, and it means that the young people in this country must be mobilized in such a way that they would see a career in agriculture as one which is dignified, one which is capable of bringing rewards similar to any of the professions which people have traditionally followed down the years.

I believe a great opportunity has been created by adversity to create change in agriculture, and that change is a change in people's minds, a change which should lead us not only to do stop-gap measures, as we are doing now, but to look towards a better restructuring of the agricultural effort and greater involvement of the people,

particularly the youth of this country. I am sure that there are at least 4 per cent or more of this community, which is about the national average which, I understand obtains around the world, who have a natural inclination, a love and a desire to get involved in farming, and the question is, how do we get the capital to those people in order to allow them to participate and develop? I feel that with this wider objective, many of the questions raised by my colleague for St. Philip North would be well answered.

I believe you have to have a vision. I believe you have to have a concept of what you are doing in agriculture, so that whilst you are dealing with the immediate problem which, of course, has to be addressed, you have to start looking towards the longer term agricultural development in Barbados. I am not opposed to the concept of total farming. I believe that it is a reasonable concept, I think it can be done, but I think the honourable Member for St. Peter would probably agree that if it is going to be successful, you have to find that capital base, and you also have to find the human capital, in which, in point of fact, you are pointing a finger at the young people in Barbados.

I believe, Sir, that the grant serves a distinctly different purpose from the subsidy, although the ends are the same. The subsidy, in fact, Sir, has really gone to debt satisfaction over the years. It has gone to relieve the Barbados National Bank of an embarrassing exposure by having their loans serviced through the subsidy, and, of course, you know that the interest on the bonds has been serviced through increases in domestic sugar prices, and that cannot go on forever. I believe what the grant does is that it goes a bit further, in that it reduces the actual indebtedness rather than just services the indebtedness. On balance, it would seem to me that the effort made by the sugar industry in responding to the legitimate criticisms made on this side and on that side over the years would suggest that that, combined with the urgent need to ensure job retention to the extent of, probably, 8 000 jobs in the community, constitutes two very important reasons why I think that the grant should be made. And I feel that the point made by the honourable Member for St. Peter in a previous debate should not be ignored anyhow, because there are, in fact, significant risks in putting enterprises of this kind on-budget because it would be very difficult over the years ever to get them off-budget. So whilst one does not ignore the point, the fact is that those are realities.

I say this, that I felt very strongly about supporting this for another reason, because I knew at the time that there were many farmers in Barbados who had never had a lock-up in the past 40 years, people I know who had kept their plantations in top shape, people who I know have been honest farmers, people who I know had ploughed all their investments and their earnings back

into their farms, and those people, for the first time, were getting involved in lock-ups and considerable discomfiture was being caused to such persons. I believe that such persons had tried. I do not wish to call any names, but, as a small farmer myself, who has no lock-up, and who has never had any lock-ups, because of good farming.....

(Asides)

Dr. R. C. HAYNES: I said I have never had any lock-ups, and when the time comes, you wish to avoid the levy rather than continue the farming yourself.

Now this is a fact which we have to recognize. We are a small community, and we know, just as the people who administered credit at the Agricultural Bank used to know who were good farmers and who were the bad ones, and who would take the credit and not apply it to cultivation, and so they were able to hand over to the National Bank a portfolio free from lock-ups, which again became free in 1980, similarly, there can be no doubt about it, that when you see your best farmers in the sugar industry falling into levels of indebtedness which they cannot service, then you must recognise that the problem is outside of management and outside of their own control.

5.40 p.m.

I believe, Sir, that I have made a few points. I think that when the day is finished, all will say that it was a good thing that Parliament started taking an interest and debating candidly, openly and fearlessly the issues relating to sugar in Barbados, because in the long run it has given all of us a better insight into the problems involved and given the community a better insight into the problems involved. And I believe if from the floor of this House we continue to send the message that the Democratic Labour Party has had far more foresight, has been more progressive in its thinking, has been more sensitive to the problems of the farming and the agricultural community and that we will ensure that with a change of administration the same enthusiasm which we have always demonstrated that the agricultural sector in Barbados will continue at a heightened state in the future, then they should have no fear.

Thank you very much, Mr. Deputy Speaker.

Mr. DEPUTY SPEAKER left the Chair and Mr. SPEAKER took the Chair.

Mr. O. S. ARTHUR (St. Peter): Mr. Speaker, I rise with pleasure to give my support to this Resolution, for a number of reasons. In the first case, the price support mechanism of 1985 will surely have to go down in history as expressing not only a policy towards sugar in particular, but a general policy towards agriculture in

Barbados as a whole. It is to the Minister's credit and the Government's credit that, within the context and confines of a price support mechanism, a total policy towards an entire sector could have been set out as clearly as it has been.

Secondly, I, like you, cannot miss the relationship between the fortunes of the sugar industry and the rural society, and I interpret our support for the industry not in the narrow sense of safeguarding a few thousand jobs, but ensuring the viability of the rural society of Barbados, a rural society which indeed, if viewed in its broadest context, is also the backbone of the society.

Thirdly, Mr. Speaker, I can support this Resolution with pleasure and confidence because the level of financial support being provided is within reason, and by that I mean it bears a sensible relationship to the needs of the sugar industry as well as bears a sensible relationship to the financial capacity of the Government to support the industry at this time, having regard to all the various concerns that the Government has to deal with in this society.

But I think, Sir, that we should not this evening get carried away by the argument on the subsidy for sugar. We have to recognise that this evening we are merely discussing a particular form of subsidisation, and I believe, Sir, that this point must be stressed, because the history of the sugar industry in Barbados has been a history of continuous subsidisation.

Up to 1974, our industry was subsidised by the very high prices paid on 139 000 tons of sugar per year we were allowed to export under the Commonwealth Sugar Agreement. But the Democratic Labour Party, between 1974 and 1975, placed the industry on a long term course with jeopardy by reacting to a one-shot increase in the world prices, and rather than service its guaranteed markets for 139 000 tons, which it could have at that point in time, it took our sugar off the London market and sold it on the world market, with the result that when the EEC quota had to be set in 1975, our quota was set at 54 000 tons, a level of production which, quite obviously, has made it possible for us in this country to contemplate a large sugar industry in this society, having regard to the capacity of Barbados to produce sugar above a certain level. The point, therefore, Sir, is that had it not been for the reckless decisions taken in 1974 to take advantage of a one-shot increase in the world market price for sugar, we perhaps might not have this evening to come and engage this Honourable Assembly regarding the question of a subsidy for sugar or not.

Secondly, Mr. Speaker, I have gone on record as saying that I do not in principle support excessive grants to industries such as sugar, and I speak from a point of view of principle. There is something fundamentally

wrong with our using a large amount of public funds to protect the capital of private entities. The sugar industry has gone through crises in the past. It went through a crisis in 1897, and in 1897 the result of the crisis was that the industry changed hands, new capital, new management, new entrepreneurship was brought into the industry and the industry was in a position therefore to rise above its crisis. It went through a crisis again in the 1920s, and the same system of private sector regeneration occurred. Estates went into Chancery, they were bought out of Chancery, they were bought out by people who had capital, who had new management ideas, and when I therefore say that I am not in principle fully in support of narrow subsidies to the private sector, it is because we must accept that the private sector must occasionally be allowed to fail, because the failure of one part of the private sector generally creates opportunities for other persons who may have more capital, more entrepreneurship than those who failed in the first instance.

I could, therefore, not support the glee of the honourable Member for St. Michael South Central (Dr. R. C. Haynes) that the sugar industry should be granted \$78 million in any budget because

Certain words spoken by the honourable member for St. Michael South Central at this stage were ordered to be struck from the record.

Mr. O. S. ARTHUR: Mr. Speaker, Barbadians have short memories and the honourable Member for St. Michael South Central is truly, if nothing else, a Barbadian.

I could never support a Government subsidy to the sugar industry to the extent of \$78 million, because, to my mind, it would be a reckless use of public funds to block structural change in the sugar industry at a time when structural change, even at the level of ownership, may be necessary.

In relation to this year's price support mechanism, I made the point that it embodies a total approach towards agriculture in Barbados. Many aspects of that total approach have already been spelt out by the Minister of Agriculture, and perhaps some aspects of them bear some repetition. The 1982 and 1983 price support mechanisms could really have been defined as systems to guarantee a satisfactory level of sugar production in this country. But what the Government had sought to do by way of the price support mechanism is to bring about a managed process of diversification in agriculture as a whole, whereby we seek to retain a minimum core of sugar production around which we revolve a set of non-agricultural activities which can be interrelated with sugar from a rotational point of view, or for which we have identified guaranteed markets.

5.50 p.m.

Now, Mr. Speaker, the greatest risk that is always run in trying to diversify an agricultural sector is to seek to do so without assurance of having markets to which the goods must be sold. And in this year's price support system, the Ministry of Agriculture has been careful enough to indicate, not the possibilities that may exist, but the concrete commodities which will form the core of the diversification process that the sugar industry must get involved with in return for the receipt of the grant. To be specific, the production of cotton, the production of peanuts and the production of commodities which, in the view of the Ministry of Agriculture, have secure market outlets, will be, for the purposes of this price support mechanism, treated as if they were sugar production. By this system, the Government is trying to steer the sugar estate sector into a situation where it maintains a core of sugar production because of ecological considerations and because of foreign exchange considerations, but it is also steering the sugar estate sector into a situation where it has a range of non-sugar agricultural production of a sufficient quantity to be able to underwrite some of the losses which, inevitably, will ensue from sugar.

I should also stress, Sir, that one of the conditionalities which, perhaps, has not yet been spelt out in this House is that the sugar industry has agreed that, year by year, it will sit down with the Ministry of Agriculture and determine the acreage to go into sugar production, having regard to premium market conditions for sugar in the years in question, and that where producers depart from the agreed acreage targets and indulge in over production, a price penalty will be applied. That is to say, if the industry as a whole, in consultation with the Ministry of Agriculture, agrees that the premium price and world market conditions justify only the production of 100 000 tonnes of sugar and individual farmers proceed towards producing more than 100 000 tonnes, the system is now so structured that a price adjustment will be asked of the individual producers who have broken the quotas that have been set by the Ministry and by the Barbados Sugar Industry Limited.

But there are a number of specific points, Sir, which were raised by the honourable Member for St. Philip North (Mr. W. O. Franklin) which merit some critical comment. The first was his consideration that the price support loans today may eventually turn out to be charges against the public purse. I would give the honourable Member for St. Philip North the assurance that the adequacy of the sinking fund for the redemption of the bonds was given the greatest and the most comprehensive study, and that we have found that with the very, very modest increases in the domestic price of sugar between now and 1991, when all the bonds are to be redeemed, the sinking fund, which has been established

for the redemption of the bonds will be more than enough to redeem the past bond issues and this current bond issue of \$10 million. So that he needs entertain no fear that the bond issues will eventually redound as liabilities against the public purse.

Secondly, Sir, he asked the question which is a rhetorical question: What is being done for non-sugar agriculture in this society? In a sense, the honourable Member has already answered the question himself, in his confession that more people are now perhaps employed in non-sugar agriculture than in sugar. And more people are now employed in non-sugar agriculture and in sugar, not by accident, but by a deliberate policy by this Government to stimulate non-sugar agriculture in this country, particularly since 1980. It is a matter of fact that, since 1980, the non-sugar agricultural sector in this society has been the fastest area of growth in the Barbadian economy, and that rate of growth has been as a result of the vast number of incentives provided in the non-sugar agricultural sector. And the honourable Member for St. Philip, if he has the time to do the research, will find that subsidies in this country are provided for non-sugar agricultural inputs ranging from fertilizers through to fencing material, through to silage, through to agricultural equipment, through to dairy equipment and the like, that the sector has benefitted to a tremendous extent in the recent past from the extension of a vast range of incentives by the Barbados Labour Party Government.

I go further, Sir. In addition to the incentives the Government of Barbados has made a direct investment through the public purse in the non-sugar agricultural sector in the form of its support for the Rural Development Programme.

Thirdly, the Member for St. Philip North must know that the Government is in the process of formulating a special fund for the support of the livestock development in this society, as well as a special fund for non-sugar agricultural exports, including horticulture.

Fourthly, to the extent that we must include fisheries within the context of non-sugar agriculture in this society, surely the honourable Member for St. Philip North must agree that the considerable direct investment by this Government in fisheries development in this country has been part and parcel of the success-story of non-sugar agriculture in Barbados.

But I find it enormously strange that anyone could ask the question about what Government has been doing for the non-sugar agricultural sector in the face of evidence which attests to the substantial growth of the sector over the last few years, and in the face of the announcement by the Government in the Budget, and by the Minister of Agriculture, regarding this Government's intention to put funds to support non-sugar agricultural

exports as well as the development of the livestock industry.

In relation, Sir, to the future of the sugar industry, I subscribe to the view that a large part of the sugar industry's future will have to do with the way in which it controls costs. Part of our problem in this society where sugar has been concerned has been caused by variations in the exchange rate. But it is also true that as long as we put ourselves in a position where it takes us \$100, on average, to produce a tonne of sugar cane in this society, sugar as well as non-sugar by-products will have a very dubious future in Barbados. I am arguing, therefore, Sir, that the sugar industry has to recommit itself to a systematic programme to reduce cost as part and parcel of its general strategy to become viable in this society.

6.00 p.m.

Having said that, Mr. Speaker, I cannot disassociate cost in the sugar industry from management, because studies have been done which establish that ecological conditions and agronomic conditions do not fully explain variations in cost between estates in Barbados. We have the very astonishing situation, Sir, in which some estates in some of the worst ecological zones have lower per unit cost for production than some estates in most favoured ecological zones, and the basic explanation is that the level of management differs so remarkably from estate to estate as to cause a wide variation in cost as between those various estates. There are some estates in this country, Sir, which are still using outmoded management systems, and I want to submit to the House that if we expect the sugar industry — as we do — to become involved, on its own accord, in managing diversification on sugar estates, some of the management practices which have been held to be sacred in the sugar industry will be proven to be dysfunctional.

I want to submit to the House, Sir — and it is a controversial point but I will have to argue it in this House — that my experience at the Agricultural Development Corporation satisfies me that an attorneyship system does not provide a close nor careful enough system of management to supervise a process of non-sugar agricultural development in Barbados. My view is that one of the management adjustments which has to be made in the sugar industry in Barbados is less reliance on the attorneyship system which might have served well over 300 years, and the adoption of management systems which allow agricultural resources to be programmed in the way that any industrial enterprise goes about programming the uses of its resources.

So if I may sum up, Sir, I am please that the House is of one mind in regard to the need for a subsidy for sugar. In every country in the world, including the U.S.A., all mainstream agricultural production activities are subsidised in one form or another. Our subsidy to

sugar can be justified on the critical importance it assumes in maintaining the viability of our rural society, and it can be equally justified, Sir, from the point of view of the relationship between the sugar industry and the non-sugar sector of this society.

I do feel that the 1985 price support mechanism, to the extent to which it allows non-sugar activity to be treated as sugar activity for the purposes of converting loans into grants, will provide the type of policy framework within which the artificial distinction that we have always maintained between sugar production and non-sugar production can be broken down, and that, for the first time, this country will be put in the position to use a common policy in allocating its agricultural resources.

I should, however, Sir, end by sounding the note of caution that we do really expect that if the industry is to rise above its adversity in the future, it must make a very concerted effort to reduce cost and it should not turn its face against the notion that management adjustments must form part and parcel of its general approach towards reducing cost in this most important industry.

Thank you, Sir.

Hon. H. B. St. JOHN (Christ Church East Central): Mr. Speaker, Sir.....

Mr. SPEAKER: Is the Honourable Prime Minister winding up?

Hon. H. B. St. JOHN: No Sir, I am not.

Mr. SPEAKER: Oh, I see.

Hon. H. B. St. JOHN: Mr. Speaker, Sir, I just want to clarify a few statements that were made by the spokesman for the other side and for this side.

The Government has repeatedly announced its intention to give all possible help, including the utilization of lands that are directly or indirectly under its control, for the purpose of encouraging the emergence in Barbados of a professional farmer who, along with his wife or woman, would be able to provide as much of the manpower needed to allow the farm to operate. I do not see, therefore, having regard to this repeated announcement, how we can be legitimately criticized as not having stated openly and clearly our policy in this respect. We are trying to build up information on the economic viability of particular acreages by using our own experience from such schemes as the 4 acre lots, the 6 acre lots, and the larger lots at Spring Hall. We also have access to information in relation to some farms which are owner-managed and operated which are under a larger acreage. So that we can give the assurance that in respect of any type of agricultural activity, land will be made available, on terms

and conditions of leasehold, so as to free the new entrance into farming of the necessity of being burdened with large capital debt.

Already there is in existence a draft lease which will be the model for such agricultural tenancies. We know that the Security of Tenure (Agricultural Holdings) Act will have to be amended because of the fact that that Act has been tied to the pattern of production of sugar cane, and you have particular notice periods which coincide with the reaping season of cane. Now we know that is obviously something that will have to be changed to take into account the need for Government and for other landlords to have access to legal machinery for the purpose of getting possession in certain restricted circumstances — and I stress restricted circumstances — particularly where the land has been abandoned and is not being farmed in accordance with good husbandry. So we are aware of that. I think that that ought, effectively, to answer the question which periodically arises in respect of land being made available.

Secondly.....

Asides.

Hon. H. B. St. JOHN: I said indirectly.

The Government, as a matter of policy — and I say it openly, because I was the instrument that had started the investigation — the Government, as a matter of policy, has indicated that in respect of loans which have been granted to farm owners who have abandoned the land, the mortgagee, where it is the National Bank or other banks, should as a matter of policy, after due notice, seek to have that land dealt with in such a way as to bring more land into the market with a view to satisfying this demand. That is a matter of policy. It is one thing to continue to grant indulgences to farmers who farm land and farm at a loss due to circumstances beyond their control, but there can be no excuse at all for keeping on your books land which is indebted to a financial institution and nothing is being done to it. I think it is unpardonable that that should be allowed to continue. What is even worse is where that land is ostensibly under the ownership of people who do not reside in Barbados. All that happens is that, in respect of those particular parcels of land, the Barbadian environment is being polluted by the weeds and other noxious crops that thrive on these lands.

6.10 p.m.

Again we envisage that a small amount of acreage, hardly more than 1 000 or 1 500 acres, will be available, technically, by reason of that matter of policy. These are matters that are being dealt with by the Government.

We have also, as the Minister of Agriculture has said, agreed that we are going to have an agricultural census, using modern information gathering techniques — satellites or whatever it is — to ensure that we can pinpoint and identify a land use pattern that is in existence in Barbados, so as to narrow down the areas and for detailed examination. Agricultural sciences are done all over the world now by using this satellite technology. We are dealing with that, again with a view to pinpointing and identifying land that is not being used.

The other point that has been raised is the question of the plantation tenancies. I do not see how that could be a problem, because, as far as we are told, the original estimates of some 5 000 to some 5 500 tenancies are well on the way to being surveyed. Over 3 500 have been done. This is the information that has been given to us by the Ministry of Housing. In respect of the house spots, therefore, we are well on the way to getting all 5 000 tenancies done.

We do have the problem of the agricultural holdings. The Government has taken a decision on the agricultural holdings that we will extend to the agricultural holdings the same kind of concessions *vis-a-vis* stamp duty, *vis-a-vis* exemption from property transfer tax, *vis-a-vis* fixing of the fees for conveyances and *vis-a-vis* agreement with the surveyors to survey the land. Cabinet has agreed on all of this, just as we want to do the same thing for the urban tenancies. All of the concessions we gave in that area, we are willing to give in this area. I can see that there is a problem in relation to pricing.

With respect to agricultural holdings, it seems to me, from the information that we have had, that there has been a great degree of consensus among the land owners and their potential tenants. That is the information, but we will obviously seek to have a formula which can be acceptable to all sides, bearing in mind that the sugar industry is an industry at the present moment to which the Government is transferring, certainly for this year, a proportion of public funds into the hands of the land owners, and that ought to be reflected in some way in the price of the lots.

On the other hand, let it not be forgotten that there are burdens on the agricultural industry which other industries do not have to pay. The agricultural industry has the burden of a theoretically compulsory five day week. Secondly, it has a special Provident Fund contribution, notwithstanding the fact that the land owners and employers are also eligible to pay the National Insurance. Thirdly, in the context of Barbados I am bold to say that if you compare the wage scales in Barbados with any other part of the Commonwealth, with the possible exception of Australia, our wage scales are the highest. You can check that. All along at the Lome Convention when they are doing their cost studies, you see

the Caribbean wages come out higher than Mauritius, the Pacific, under the Lome Convention. My understanding is that in the Australian system, it is possible that their wages are higher, but the differential is not that great.

We must remember that, in the context of Barbados, and the real burden of that can be looked at in the light of what is happening within the Caribbean area. Check and see the wages that are paid in Guyana. Check and see the wages that are paid in Jamaica. Trinidad and Tobago will be an exception, like Australia, but if you look at the wages that are paid in other sugar producing countries in the Caribbean — do a comparative study of them — you will see that when you take the Provident Fund, when you take the compulsory five day week, when you take those factors into account, it is not surprising that, given the high proportion of costs that these elements come to as a proportion of total cost of production, they are above 50%. My understanding of the position is that wage and related costs in Barbados are above 50% of the cost of production. That is my understanding, so those are factors we have to take into account.

As the honourable Member for St. Michael South Central has said, it is a fact of life that in the last two or three years plantations that never borrowed a cent from the bank have lost money. That is a fact of life. Now what are they to do? If they are wise, they would try to sell them, if they can find somebody foolish enough to buy them. That is the position.

So that we are really now providing the cost of restructuring a large part of our agricultural lands. As I have said repeatedly, nobody has come up yet with an alternate crop that 30 000 to 35 000 acres could be devoted to and for which they are better markets than sugar. I have not seen it yet. It is possible, of course, to devote all to livestock rearing, but my understanding of the position is that the ratio of employment in livestock rearing is somewhere between one employee to 40 acres. The ratio in sugar is somewhere between one to 10 acres.

We also have to take into account the question of the employer. I do not think there is any argument here from the other side that there is the necessity at the present moment for the Government to give help to an industry which over the years contributed net to the Treasury in Barbados. I think it must be clearly understood though that the conditions for this year forward are different from the past. That is very important. We cannot change the conditions in the past. Whatever lobby we may have that you should change those conditions in the past, that is a dead duck as far as the Ministry of Finance is concerned. Those were the conditions then. You comply with them or the loan cannot be converted into a grant. There is no question of any change of those. We are dealing with the future, from this crop year and this planting year, in particular. It is vital that this Reso-

lution, therefore, is dealt with at this time, because this is basically a time of decision-making as to what things you are going to plant at this particular period of time. Obviously, since we are changing the terms and conditions, maximum consultations are taking place, and the Government's views have been well set out by the honourable Member for St. Peter (Mr. O. S. Arthur). I trust that within another week all of these matters will be buttoned down.

6.20 p.m.

I do not know that the honourable Members on the other side quite appreciate how difficult it is for agreements to be reached in this area. You have to take a number of matters into account, because we are exercising a judgement about markets in the future, and just as the honourable Member on the other side — he is not here today, I know he does not like me to say it but I always say when I say it that I believe the honourable Member was motivated by the best advice he had at that particular time — just as he had to make a decision in 1975 about whether he was going to sell the sugar under the LOME Convention and gamble on the world market, or he was going to do like other states, like Mauritius, Fiji and Swaziland and place all of their eggs under the LOME Convention and reserve very little for the world market. Well, he made the decision! It turns out now, 10 years later, that the decision is a decision which, if it was not taken, we would not be in exactly the same position we have. I am not blaming him for that. I have always said that at that particular time, it was a decision based upon the advice that was available to him. He honestly felt that it was the best decision. But that is what happens when you are operating today in the context of the world economic situation. Nobody can predict what will be the future for commodities. Nobody can predict it!

In 1975, the European Economic Community had a deficiency in production and a demand of over one million tonnes. Today, they have a surplus, because look at what is happening in Britain! And it is not only sugar! It is grain, it is butter, it is milk! It is a number of commodities and, at the same time, you have millions of people starving! So that is the nature of the game with agriculture.

I want to emphasize that the Government must insist that there are changes that have to take place, and I am quite convinced in my mind that some recognition of this fact is in existence. One only has to drive around the country in Barbados, and you will see that in areas which are high rainfall areas, which were the backbone of sugar production, considerable acreages are being devoted to other crops. That is a sign of recognition. You pass by Edgumbe. I do not think that it would have been possible two or three years ago to believe that those who were in control of Edgumbe would have devoted so

much land to planting peanuts, but they look good to me, and they are out there planted.

So some changes are taking place, and the essence of this kind of change that is taking place is that somebody must pay for it. One of the things that even those who propound the doctrine of market forces and the magic of their operation, even they, now, have recognized that there are limits to the market forces. Somebody has to pay for restructuring. Somebody has to pay for the falling prices in commodities. Somebody has to help people to restructure their economies.

We, in Barbados, have been trying to convince international multilateral institutions that we are doing our best, but it is not easy. We have been able to get some interest in a livestock fund because of the fact that we could demonstrate historically that the Scotland area, in particular, always grew livestock. We have an interest there. We have demonstrated by our research that some grasses can grow in Barbados, so there is an interest there. A project is going on, and a little later, you will see the beginnings of it. But, Mr. Speaker, there is no time to dilly-dally while these international institutions are making up their minds. We have to provide the front money and seek reimbursement. We have been trying to persuade the World Bank for a long period of time that we need a loan over a sufficiently long period of time to allow us to pursue diversification. But, at the same time if we want to pursue the diversification meaningfully, we have to bring along the people who produce sugar now, who have some expertise, and virtually pay them to restructure their growing of cane and grow other crops. We have now begun to get somewhere. We have only now begun to get the World Bank to understand.

We are not like other communities. We do not have the Federal Commodity Guarantee Association that lends money and people can surrender the crops to the Federal Commodity Guarantee Association who would put the crops in storage. We do not have that. As a matter of fact, you cannot store sugar cane, not like that. You can store sugar, but, even down here, it would lose some of its value. We do not have the Cooperative Farm Bank System, which is guaranteed by the Federal Government as a last resort. And you talk about banks going bankrupt! There is no financial journal that has been of any repute that has been published this year, that has not had repeatedly to deal with the question of farm loans, their non-collectibility and the impact on the banking systems. And what does Barbados think it is? Why do we feel that we are any different? That is the reality of the game. That is the reality of the marketplace.

Sir, I just want to conclude this short intervention by saying that the programmes for agricultural diversification are going to come before the House piece by piece, and the reason for that is that we do not want to do any-

thing which would interfere seriously with the negotiations which we are having for longer term money. I regret to say that I cannot say, 'longer term at concessional rates'. I cannot find anybody yet who is willing to give Barbados concessional rates. They say we have managed the country too well, and the per capita income has increased, and the people have a good standard of living. We cannot get them to deal with it. The only people who feel that we need concessional money are the people on the other side. Whereas they are criticizing us for bad management, we are being penalised by these institutions for good management. That is the way of politics.

That is why we have to bring the Livestock Fund separately. The Export Agricultural Fund, that, we hope, will come up before the end of the year, and the rest of the concessions that we want to deal with will come from time to time. We would have loved to have one comprehensive thing, but you cannot go and push out your money on livestock when you have not at least reached pre-conditions with the Inter-American Development Bank because they do not reimburse you.

6.30 p.m.

The honourable Member for St. Michael South (Mr. L. E. Sandiford) will know these things. He has to tell the honourable Member for St. Michael South Central what difficulties one gets when one has been a *de facto* Government Minister as opposed to one who is only a shadow of it. There is a big difference between a substance and the shadow. Those are the observations that I have to make on this.

Hon. Dr. R. L. CHELTENHAM: Mr. Speaker

Mr. SPEAKER: Is the honourable Member winding up on this now?

Hon. Dr. R. L. CHELTENHAM: Yes, Sir.

Mr. SPEAKER: Does anybody else on my left wish to make a contribution?

Hon. Dr. R. L. CHELTENHAM: I have to catch a plane right away. Ease me!

Mr. L. E. SANDIFORD: I hope you have put on the right clothes.

Laughter.

Hon. Dr. R. L. CHELTENHAM: I appreciate, Mr. Speaker, the generosity of my friend, the honourable Member for St. Michael South, and I have taken careful note of the point which he has made in relation to clothes.

Permit me to say that this has been a good debate, and I am, indeed, as I think the House should be, in-

debted to all honourable Members who have spoken. The tone, for the most part, has been moderate rather than excessive and exaggerated, as we have had from the other side on previous occasions. The range of the matters focussed upon was wide and, if I may say so, the contents solid.

Many of the points raised by the other side have already been adequately answered. However, I would just like to take up two points made by the honourable Member for St. Philip North (Mr. W. O. Franklin), who I believe, is the recently-appointed Shadow Minister for Agriculture. The first relates to his fear that the Central Government may have to write off the guaranteed bonds to the sugar industry some time in the immediate future. That is a baseless fear, because the way how the sinking fund has been structured and how it is supported, makes it very unlikely that the Central Government will have to write off the loans which they secured as guarantor to the BSIL. So I think we need not have any fear whatsoever that the Government will shortly have, or at all even in the long run, to repay the secured loans which the sugar industry raised by way of bonds.

The second point relates to his concern that the Government has singled out the sugar sector for special attention and has not been giving any comparable attention and resources to tourism, manufacturing and so on. That is a false viewpoint, and I think that the falsity of it must be specifically exposed. To begin with, and to take only tourism as an illustration, Government gives a direct subsidy of about \$12 million to tourism through the Board of Tourism. In addition, Sir, the Government has taken very specific steps in the present harsh economic circumstances to help the tourist industry in Barbados. We have agreed on the rescheduling of debts which hoteliers large and small owe to the Barbados Development Bank, we have agreed on a special regime for water rates, we have agreed on special loans for refurbishing and re-equipping of the hotels, there has been a large subsidy by way of the Hotel Aids Act, under which a large number of hotels have been built in Barbados, and it must not be forgotten that the massive infrastructure needed to support a modern and sophisticated tourist industry such as we have in Barbados is financed in the main by the Central Government. So that just to take the tourist sector as an illustration of the point I am making, it is not true to say that the sugar industry and the sugar sector are getting attention and resources from the Central Government which other sectors are not getting.

The point has already been effectively answered that non-sugar agriculture in Barbados has got a significant boost from Government in recent years. Indeed, the fact that it has been one of the consistent growth areas of the economy is testimony to the support which it has been getting from the Central Government by way of

research, by way of subsidies, by way of credit, by way of special programmes, such as the Rural Development Programme, which has cost substantial millions of dollars, by way of tenantry roads, by way of irrigation programmes and so on.

I just want to add to that that we could not have succeeded in penetrating the Dutch market with sweet peppers over the last three years had it not been for the support which the Barbados Marketing Corporation gave in pioneering and in perfecting the multiple steps involved from planting the sweet peppers to making sure they get on the shelves of the supermarkets in Belgium. Many steps are involved, and the Barbados Marketing Corporation, working closely with ATCO, has been responsible for the financing of that effort. The Barbados Marketing Corporation will also be working closely with ATCO in making sure that a building is got at the Grantley Adams Industrial Estate, close to the airport, where all the agricultural produce for export will in future be housed. There they will take out the field temperature, there they will do the packing, there they will do the grading and the labelling and get them ready for the aircraft.

In the year ahead, it is planned to export on a consistent basis not only ground provisions, yams and potatoes, particularly to the ethnic market of West Indians in the United Kingdom, but also it is proposed to export vegetables on a year round basis not only to the United Kingdom and Europe, but also to specific markets within North America.

The question has been raised about what exactly are we doing about the ginger lilies, and I am to tell the honourable Member for St. Philip North that the Ministry of Agriculture is doing what is its role with respect to the promotion of new crops, that is, we have planted a certain acreage of ginger lilies in the Ministry of Agriculture, and, as a result of that planting, we are hoping to provide all the agronomic answers with respect to what is the ideal spacing, what are the natural pests that attack the ginger lilies, what are the best insecticides and chemicals that should be used, and so on.

Though ginger lilies grow wild in Barbados, as indeed they do in Panama and in Jamaica, it has been found that it is not easy to grow ginger lilies on a large commercial scale, and we are doing the basic research so as to answer all the agronomic questions which the farmers are concerned about. We are very much hoping that by next Autumn we will be able to make some modest exports on an experimental basis, and that, come the next year, we should be into the market on a serious and consistent basis.

We have not forgotten the heliconias, and indeed there are already one or two farmers in Barbados, including Mrs. C. O. Williams, who are growing heliconias on a commercial scale, and anthuriums and palms, too.

The view has been expressed that specifically we are not giving enough support to the Barbados Agricultural Society, and I would just like to say, Sir, that we have given considerable support over and beyond the \$20 000 mentioned by the honourable Member for St. Philip North. In fact, so significant was the support that we gave last year, which I believe ran over \$100 000, that we were concerned in the Ministry that we should have some acknowledgement of the contribution of the Government in terms of shares in the company. I think that discussions have been going on between the Ministry of Agriculture and the Barbados Agricultural Society to ensure that some of the money, considerable funding which the Ministry has been giving to the Barbados Agricultural Society, is reflected in the Government's shareholding.
6.40 p.m.

This is not the occasion, Sir, on which we can settle the future ownership structure of the sugar industry. I just want to say for the moment, Sir, that the Government has no intention of taking over the sugar industry. But for the long term, I agree that the question both of ownership structure and management structure will have to be addressed further.

With those remarks, Sir, I now wish to conclude this debate and move that this Resolution do now pass.

Hon. V. L. JOHNSON: I beg to second that, Sir.

The question that the Resolution do now pass was put and resolved in the affirmative without division.

Hon. L. S. CRAIG: Sir, earlier in the day, I indicated that there is a measure which came down and I propose to do it this evening. However, Mr. Speaker, I am going to do Order No. 5 now. Order No. 5, Sir.

Mr. SPEAKER: Order No. 5.

Order No. 5 was called — To move that the House resolve itself into Committee of Supply to consider the grant of sums of money for the service of this Island.

On the motion of Hon. L. S. CRAIG, seconded by Hon. L. B. BRATHWAITE, Mr. SPEAKER left the Chair and the House went into Committee of Supply, Mr. J. G. ODLE in the Chair.

COMMITTEE OF SUPPLY

Mr. CHAIRMAN: The House is in Committee of Supply.

SUPPLEMENTARY ESTIMATES 1985-86, No. 8

HEAD 25 – MINISTRY OF AGRICULTURE AND
NATURAL RESOURCES

Subhead (G) Sugar Industry – \$10 000 000

Hon. L. S. CRAIG: Sir, much debate has already taken place on this Resolution and I do not think that we expect any more debate.

I beg to move, Sir, this this Resolution do now pass.

Hon. L. B. BRATHWAITE: I beg to second that, Sir.

The question that Head 25 stand part was put and resolved in the affirmative without division.

On the motion of Hon. L. S. CRAIG, seconded by Hon. L. B. BRATHWAITE, Mr. CHAIRMAN reported the passing of one money Resolution in Committee, and Mr. SPEAKER resumed the Chair and reported accordingly.

On the separate motions of Hon. L. S. CRAIG, each seconded by Hon. L. B. BRATHWAITE, the Resolution was read a first and second time and agreed to.

Hon. L. S. CRAIG: Sir, I am going to deal with two Resolutions which were not on the original Order Paper but which I had sought leave earlier to deal with.

I propose therefore, Sir, that Your Honour do now leave the Chair and the House go into Committee on these two Resolutions, Sir.

I take it, Sir, that with the leave of the House I would take it as Order No. 6.

Mr. SPEAKER: Has there been agreement between both sides?

Hon. L. S. CRAIG: Yes, Sir.

Mr. SPEAKER: If there is no objection, leave is, therefore, granted that these Resolutions be done in all their stages.

Hon. L. S. CRAIG: I beg to move that Your Honour do now leave the Chair and the House go into Committee of Supply.

Hon. L. B. BRATHWAITE: I beg to second that.

Mr. SPEAKER left the Chair and the House went into Committee of Supply, Mr. J. G. ODLE in the Chair.

COMMITTEE OF SUPPLY

Mr. CHAIRMAN: The House is in Committee of Supply.

SUPPLEMENTARY ESTIMATES 1985-86, No. 9

HEAD 25 – MINISTRY OF AGRICULTURE AND
NATURAL RESOURCES

Subhead 17 – Barbados National Standards Institution – \$1 393 754.

Hon. L. S. CRAIG: Sir, I beg to move that Head 25 stand part, Sir.

Hon. L. B. BRATHWAITE: I beg to second that, Sir.

The question that Head 25 stand part was put and resolved in the affirmative without division.
6.50 p.m.

HEAD 28 – MINISTRY OF LEGAL AFFAIRS

Hon. L. S. CRAIG: Sir, Head 28 is part of General Administration, for Travel in the Legal Division, Sir, in the serving of process. It is basically one of these Resolutions where you have inadequate funds due to the cost of travel, Sir.

I beg to move that Head 28 stand part.

Hon. L. B. BRATHWAITE: I beg to second that.

The question that Head 28 stand part was put and resolved in the affirmative without division.

HEAD 29 – PUBLIC PROSECUTIONS

Hon. L. S. CRAIG: Head 29 – Public Prosecutions – again funds for travel, Mr. Chairman.

I beg to move that Head 29 stand part.

Hon. L. B. BRATHWAITE: I second that, Sir.

The question that Head 29 stand part was put and resolved in the affirmative without division.

HEAD 30 – POLICE

Hon. L. S. CRAIG: Head 30 – I think we all will be happy to know about the Police Headquarters and Administration, Sir, and this is more or less another area of remuneration for travel, Sir.

I beg to move that Head 30 stand part, Sir.

Hon. L. B. BRATHWAITE: I beg to second it, Sir.

The question that Head 30 stand part was put and resolved in the affirmative without division.

HEAD 33 – PROBATION DEPARTMENT

Hon. L. S. CRAIG: Four thousand dollars for Probation Services, Sir.

I beg to move that Head 33 stand part, Mr. Chairman.

Hon. L. B. BRATHWAITE: I beg to second that, Sir.

The question that Head 33 stand part was put and resolved in the affirmative without division.

HEAD 37 – MINISTRY OF HOUSING AND LANDS

Hon. L. S. CRAIG: This is for Professional Services and Travel again, Mr. Chairman, and I beg to move that Head 37 stand part.

Hon. L. B. BRATHWAITE: I beg to second that, Sir.

The question that Head 37 stand part was put and resolved in the affirmative without division.

HEAD 38 – MINISTRY OF INFORMATION

Hon. L. S. CRAIG: Head 38 – This is my Ministry. There is nothing very much on this, unless my colleague and friend has something to say.

I beg to move that Head 38 stand part.

Hon. L. B. BRATHWAITE: Sir, I second that.

The question that Head 38 stand part was put and resolved in the affirmative without division.

HEAD 39 – MINISTRY OF LABOUR AND COMMUNITY DEVELOPMENT

Hon. L. S. CRAIG: I beg to move that Head 39 stand part, Sir.

Hon. L. B. BRATHWAITE: Sir, I second that.

The question that Head 39 stand part was put and resolved in the affirmative without division.

SUPPLEMENTARY ESTIMATES 1985–86 No. 10 – \$4 638 516 – PART II CAPITAL

HEAD 74 – MINISTRY OF AGRICULTURE & NATURAL RESOURCES

Hon. L. S. CRAIG: We have had a whole debate on this already, Sir, and I beg to move that Head 74 stand part, Sir.

Hon. H. B. St. JOHN: I beg to second that.

The question that Head 74 stand part was put and resolved in the affirmative without division.

HEAD 75 – MINISTRY OF LEGAL AFFAIRS

Hon. L. S. CRAIG: Sir, I beg to move that Head 75 stand part.

Hon. H. B. St. JOHN: I beg to second that, Sir.

The question that Head 75 stand part was put and resolved in the affirmative without division.

HEAD 79 – MINISTRY OF HOUSING AND LANDS

Hon. L. S. CRAIG: I beg to move that Head 79 stand part, Sir.

Hon. H. B. St. JOHN: I second that, Sir.

Mr. CHAIRMAN: The question is..... the honourable Member for St. Philip North.

Mr. W. O. FRANKLIN: Sir, to enquire of the appropriate Ministry regarding the acquisition of the CDC building, can you tell us what that building is earmarked to accommodate? I notice that you are acquiring the CDC Building at Culloden Road.

Hon. L. S. CRAIG: Point taken.

I beg to move that Head 79 stand part.

Hon. H. B. St. JOHN: I second that, Sir.

The question that Head 79 stand part was put and resolved in the affirmative without division.

HEAD 81 – MINISTRY OF LABOUR AND COMMUNITY DEVELOPMENT

Hon. L. S. CRAIG: I beg to move that Head 81 stand part.

Hon. H. B. St. JOHN: I beg to second that, Sir.

The question that Head 81 stand part was put and resolved in the affirmative without division.

Mr. W. O. FRANKLIN: Mr. Chairman, under this matter, I already have spoken. We need to air a little concern that I am having, that comes under this Ministry, and it is the acquisition of businesses and changing the hands of businesses where employees are being led to believe that as long as they are offered the same terms of employment as they had before, they cannot opt for severance. This has been concerning a lot of people. I have had numerous inquiries, so I think the Ministry should use the GIS, or whatever medium that is available to them, to explain to the people that this is not true, because otherwise it will look as if you are changing people as chattel with the building.

Hon. L. S. CRAIG: I am quite sure that my colleague knows that we have discussed this already. We have taken note of the problems you have now raised, Sir, and this is the Minister. The Minister is paying full attention to the matter.

On the motion of Hon. L. S. CRAIG, seconded by Hon. L. B. BRATHWAITE, Mr. CHAIRMAN reported the passing of two money Resolutions in Committee, and Mr. SPEAKER resumed the Chair and reported accordingly.

On separate motions of Hon. L. S. CRAIG, each seconded by Hon. L. B. BRATHWAITE, the Resolutions were read a first and second time and agreed to.

GUARANTEE OF \$14.5 MILLION LOAN TO CBC AND TO CANCEL RESOLUTION NO. 31/1985

Hon. L. S. CRAIG (St. James): Sir, earlier I gave notice about a Resolution, a \$14.5 million guarantee, to provide for the Caribbean Broadcasting Corporation, Sir, their long and really earned home, and to make the building worthwhile to be a credit to the staff. I sincerely hope that this will lift their spirits, since I know they work under very difficult conditions, Sir.

This Resolution has already been dealt with in Parliament. It is basically a variation, in the light that some of the money has been borrowed in American dollars, and the bank has asked that we just amend the Resolution to accommodate the completion of it.

I beg to move, Sir, that this Resolution do now pass.

Hon. L. B. BRATHWAITE: I beg to second it, Sir.

The question was put and resolved in the affirmative without division.

ADJOURNMENT

Hon. L. S. CRAIG (St. James North): Sir, this brings me to the end of Government Business for the day.

I am quite sure that we will all agree that we had a rather interesting and quite calm day, Sir. Quite a bit of work has been done, and I would like to thank Members on both sides of the House, my colleagues and Members on the other side of the House, Sir, for the way they have conducted themselves in this debate.

I must confess, Sir, that I have to end on what I consider a relatively sour note. Sometimes newspapers always seem to prejudge a situation. This morning, when I picked up the *Nation* and read: "Heated sugar debate in the House".....

Asides.

Mr. SPEAKER: The honourable Member should be aware.....

Hon. L. S. CRAIG: I am not complaining, Sir.

Mr. SPEAKER: The honourable Member should be aware that he is not allowed to quote from newspapers. If the honourable Member is going to say that an article in the newspaper is a breach of privilege of this House, then he is certainly entitled to make such a complaint.

Hon. L. S. CRAIG: Yes Sir, I am not complaining that it is a breach of privilege, but I am looking at this file that I have here. I came across an article which said, on the 5th November: "Heated Debate In House Today". Now reading that in the newspaper, Sir, and coming in here today, one would have expected that there was going to be an explosive situation, that the Government and the Opposition benches were going to lock horns and the whole of Barbados would have been in an uproar.
7.00 p.m.

I would consider that it has been a placid debate on sugar. The Opposition saw the light of the day, they accepted the Government's approach to the price support for the sugar industry, they agreed, they made a few inputs and that was the end of the debate. I do not believe that even a single voice was heard above these microphones. Yet, the *Nation* newspaper, one Mr. Brandford, could have prejudged what the parliamentarians were going to do, and this is the problem with sensationalism by the Press in this country.

I thought it would have been best to come to the debate and then say there was a heated debate in the House. That would have been my approach. That could

have been a headline — "Heated debate in House yesterday" — but what am I seeing? Mr. Brandford is prejudging the temper of Members of Parliament and condemning them, because he knows, as far as he is concerned, there is going to be a heated debate today, and I do not believe that anyone could go out of in here today and say they were not satisfied with the conduct and the calmness, and the forthrightness of the debate on sugar, Sir.

Those are the comments I have to make. It would do this country a lot of good if we drop some of the sensationalism and deal with the real true and honest facts as they come to hand.

I beg to move, Sir, that this House be adjourned until the 3rd day of December 1985 at 12 o'clock noon.

Hon. L. B. BRATHWAITE: I beg to second that.

Mr. SPEAKER: Before putting the question for the adjournment of this House, I would once again like to refer to May's Parliamentary Procedure, 18th edition, at

page 160 which deals with articles appearing in newspapers:

"The reading of an article in a newspaper does not commit the House to any proceedings against the printer or publisher unless upon the reading it is determined that the article contains matter which the House, having noticed, is bound, in vindication of its privileges, to visit with its displeasure or punishment."

I think we are fast reaching the point where some action will have to be taken against newspapers in this country for prejudging what happens in Parliament. I would wish those responsible to take a look at May's Parliamentary Procedure and note that such actions are really alleged libels on the House.

The question that this House do now adjourn until Tuesday December 3, 1985 at 12 o'clock noon was put and resolved in the affirmative without division, and Mr. SPEAKER adjourned the House accordingly.
7.06 p.m.

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CHELTENHAM, Hon. Dr. R. L. (Christ Church East)

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