

THE

House of Assembly Debates

(OFFICIAL REPORT)

FIRST SESSION 1986-91

HOUSE OF ASSEMBLY

Thursday, April 28, 1988.

Pursuant to the adjournment, the House of Assembly met at 4.30 p.m. o'clock.

PRESENT

His Honour L. A. Weekes, J.P., (Speaker)
His Honour J. J. Payne, (Deputy Speaker)
Hon. L. E. Sandiford, B.A., M.A. (Econ.), J.P.,
(Prime Minister and Minister of Finance and Economic Affairs)
Hon. H. deB. Forde, Q.C., M.A., LL.B., (Leader of the Opposition)
Hon. B. M. Taitt, B.A., (Hons.), M.P.A., LL.B.,
(Hons.), (Minister of Health)
Hon. P. M. Greaves, Q.C., B.A., (Deputy Prime Minister and Minister of International Transport, Telecommunications and Immigration and Leader of the House)
Hon. E. E. Greaves, B.A., Ed.M., (Minister of Trade, Industry and Commerce)
Dr. R. C. Haynes, M.B., Ch.B., F.R.C.P., (Edin.)
Hon. Dr. D. G. Blackman, B.A., M.A., (Minister of Transport and Works)
Hon. M. A. King, Q.C., LL.B., (Attorney General and Minister of Legal Affairs)
Hon. W. O. Franklin, A.I.C., M.I.A.S., J.P., (Minister of Agriculture, Food and Fisheries)
Hon. N. K. Simmons, (Minister of Employment, Labour Relations and Community Development)
Hon. H. A. Blackman, B.Sc., (Econ.), (Minister of Housing and Lands)
Mr. D. A. C. Simmons, Q.C., LL.B.
Mr. O. S. Arthur, M.Sc., (Econ.)
Mrs. M. Barker-Welch, (Parliamentary Secretary, Ministry of Employment, Labour Relations and Community Development)
Hon. C. V. Walker, (Minister of Education and Culture)

Mr. L. L. Brathwaite, J.P. Mr.
E. Bourne Dr. E. A. Simmons,
M.D.

Hon. W. W. Hall, (Minister of Tourism and Sports) Mr.
C. A. Neblett, B.A., (Parliamentary Secretary, Prime Minister's Office)

Mr. C. L. Trotman, M.A.
Mr. R. L. Morris, B.A., Cert. Ed.
Mr. P. J. M. Miller
Mr. R. P. Byer, LL.B., L.E.C.
Mr. D. J. H. Thompson, LL.B.

Prayers w?re led by Rev. Father Ivan Harewood.

Mr. SPEAKER: The House is in session.

MINUTES

Mr. SPEAKER: The Minutes of the meeting of Tuesday, April 19, 1988.

Hon. P. M. GREAVES: Mr. Speaker, I move that the Minutes of the proceedings of this Honourable Chamber on April 19, 1988, be taken as read and approved, Sir.

Hon. B. M. TAITT: I second that, Sir.

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

OREERS OF THE DAY

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

ARRANGEMENTS RE BUDGET DEBATE

Hon. P. M. GREAVES (St. Michael North): Mr. Speaker, before we embark on Government Business for the day, I think we should ay a few words about the arrangements for this sitting.

Today is reserved for the Financial Statement and Budgetary Proposals for 1988. According to the Standing

Orders, Sir, we have two sitting days in which to debate that Statement, Sir. We intend during this time to follow as close as we can the Standing Orders of this Chamber to facilitate the debate. But I shall have, Sir, at some point to move the suspension of certain Standing Orders to assist this process.

It is intended, Sir, that the House be suspended at the end of today's sitting until tomorrow at the similar time of 4:30 p.m., and at the end of tomorrow's sitting, which might very well take us close to 11 p.m., it is proposed to suspend the sitting until Tuesday at 10 o'clock in the morning. We will then carry on right through the day, until somewhere around 10 p.m. That will be some 12 hours of sitting for that day.

SUSPENSION OF STANDING ORDERS

Hon. P. M. GREAVES: We have to, as I said, Sir, suspend some Standing Orders, I now move the suspen-

sion of Standing Orders 6, 16, 18, 20, 31(2), 43, 44, and 45 for the remainder of the sitting, Sir.

Hon. B. M. TAITT: I second that, Sir.

The question that those relevant Standing Orders be suspended for the remainder of today's sitting was put and resolved in the affirmative without division.

GOVERNMENT BUSINESS

ANNUAL FINANCIAL STATEMENT AND BUDGETARY PROPOSALS, 1988

Order No. 1 was called - To present the Annual Financial Statement and Budgetary Proposals for the year 1988.

Mr. SPEAKER: The Honourable Prime Minister and Minister of Finance.

HON. L. E. SANDIFORD:

Mr. Speaker, this is the third in the series of Financial Statements and Budgetary Proposals to be made on behalf of the Democratic Labour Party Government since the people of Barbados returned my party to office in 1986 with such an overwhelming majority. The clear and unmistakable mandate given to us is to seek to implement, over time, a body of measures which will transform economic and social conditions in our country, and which will improve the lot of all our people. We have embarked on that task; and during the past one year and eleven months that we have been in office, we have gained an ever-increasing knowledge and experience of the many possibilities and opportunities, yes, and also of the many complexities and billowy obstacles which lie if our path, as we seek to point the economic ship of state to the balmy waters of greater economic growth and development.

What we are seeking to do, the overall goal we are aiming at, is no more and no less than to build the just society in Barbados, a society in which every man and woman, boy and girl will have an equal opportunity to contribute to the building of the society, and from which every man and woman, boy and girl will draw sustenance in accordance with his or her just deserts. What we are seeking to do is to make our people better off, and to improve the quality of life in our country.

But though idealism, commitment and affirmation are indeed desirable and necessary qualities for the pursuit of that overall goal and that noble aspiration, by themselves they are not enough. We must do something else in addition. We must set ourselves specific economic objectives as a nation, and we must then seek to attain those objectives with purposeful dedication.

The fundamental economic objectives I am setting our government and our nation are as follows:

- (1) the attainment of the best possible rate of economic growth, given the prevailing circumstances;
- (2) the containment of the general level of price increases for goods and services within reasonable limits;
- (3) the maintenance of the balance of payments at levels which we can sustain as a sovereign, independent nation;
- (4) the retention of the existing number of jobs, and the creation of the highest possible number of additional jobs in order to provide employment opportunities for persons seeking work;
- (5) the promotion of a reasonable and just distribution of increasing incomes in accordance with the ability of the employer to pay, and in relation to the growth rate in the economy; and
- (6) the maintenance and enhancement of a Basic Human Needs approach to ensure that all individuals and groups in our nation, particularly the disadvantaged and the vulnerable, are catered for in terms of their health, education, nutrition, housing and other social and cultural needs.

It is through the budget, from year to year, that the goals and objectives, aspirations and the values of a society may be discerned and promoted. For the allocation of money and resources represents an essential, though not the only one, a *sine qua non*, without which our goals cannot be effectively or adequately set in place and maintained.

The budget is the instrument through which the government seeks to raise revenue for spending on its programmes and projects. It is the instrument through which the government may seek to correct any problems in the economy, or to adjust any imbalances within the public finances. Above all, it is the principal instrument for imparting direction, economic efficiency and cohesion to government policy in relation to the national economy.

It is, then, against this background of clearly enunciated national goals, a set of fundamental economic objectives, and a strategic perspective of the crucial role of the budget in the attainment of those goals and objectives, that the 1988 Financial Statement and Budgetary Proposals should be viewed. The task facing this nation is no easy one. The task which as Prime Minister and Minister of Finance and Economic Affairs, I shoulder on your behalf is no easy one. But let it not be said that as a nation, and as individuals, we shirk our responsibilities or draw back from that which it is our clear duty to undertake. In conceptualisation, therefore, and in the diagnosis of our economic problems, as well as in the proposals for solving those problems, I will be forthright and straightforward. I will seek neither to paint a rosier picture than obtains, nor a gloomier one. In all sobriety therefore, I term this statement "The Economics of Development with Realism and Equity".

PERSPECTIVES ON THE ECONOMY 1966-86

In order to understand fully the workings of the Barbados economy today, it is necessary to have a perspective on that economy over recent time.

During the period 1966 - 1973 the Barbados economy in spite of its fragility, openness, smallness in size and narrow resource base, performed exceedingly well. Momentum for diversifying the economy, for reducing its dependence on sugar, and for securing the long term growth and prosperity of the nation continued apace. Sugar declined in importance from 18.0 per cent of GDP in 1966 to 8.1 per cent of GDP in 1971. The economy grew at a real rate of 5.7 per cent a year until 1971; and this growth was solidly based in tourism expansion, government services, and in manufacturing, especially for export to our neighbours. Per capita incomes rose, and so too did living standards.

This pattern of growth was severely interrupted by the first oil shock of 1973 - 1974 when the OPEC cartel sought to assert control over their resources. The price of oil was increased by over 400 per cent, and the world economy was plunged into a novel combination of rampant inflation, unemployment and stagnation, all at the same time! The world economy experienced its worst downswing since the great depression of the 1930s.

The Barbados economy, fragile and open as it was, did not escape. Inflation soared to 38.9 per cent in 1974, and real GDP declined as all sectors of the economy performed sluggishly. However, by late 1975 and into 1976 the economy had made a good recovery. Inflation and unemployment abated, and record sugar prices helped to replenish the revenues. We were able to build up substantial foreign exchange reserves as a cushion against the uncertain course of international economic events.

Fiscal prudence, which had been the hallmark of Government's financial management during the previous ten years, restrained us from undertaking programmes of excessive spending which contributed to the severe economic problems that some of our better endowed neighbours experienced. We were also able to revalue our currency in July 1975 when we fixed the exchange rate of the Barbados dollar at 2:1 against the United States dollar. This move helped to reduce the rate of inflation in 1975, and to bring it down to five per cent in 1976.

It is also noteworthy that on average from 1966 to 1976, Government made a contribution of over 40 per cent to capital spending from its current account surplus. In other words, Government's savings, after meeting debt repayments, financed more than 40 per cent of capital spending. This enviable record among developing countries helped Barbados to survive the recession after the first oil shock, and to emerge ready and able to benefit from the recovery in the world economy between 1976 and 1980. It also holds important lessons for us today.

During the 1976 to 1979 period, the Barbados economy was able to build upon the diversification strategy of the previous decade, and upon the economic recovery of 1975 and 1976. Sugar, non-sugar agriculture, manufacturing, tourism and construction all contributed to an expansion in real output. By this time, too, domestically produced crude oil, first commercially exploited in 1974, was making a significant contribution to the island's energy requirements. Government also began to lay the foundation for developing Barbados as an off-shore financial and business services centre. During the period 1976 to 1980 real output in Barbados increased at an average of 5.2 per cent per annum. But there were danger signals during that period as well. Inflationary pressures were accelerating. Subsidies for transport and housing were creating problems for the budget.

Then came the second oil shock of 1979/1980 when oil prices rose from \$13.50 US per barrel to almost \$36.00 US per barrel. Inflation, stagnation and recession once again characterised the international economy. On this occasion however, unlike the situation between 1973 and 1975, Barbados was not well positioned to withstand the adverse times even though, as in 1975, there was a record sugar crop and high sugar prices. Merchandise exports declined, so too did the number of tourist arrivals. Imports continued to rise. The balance of payments worsened sharply. The overall deficit of the public finances widened due to slow revenue growth, rapid growth in current expenditure, and record levels of capital expenditures. The situation was out of control. The Barbados Labour Party government, at its wits end and with scant regard for the processes of democratic consultation, streaked, cap in hand, to the International Monetary Fund and requested a Stand-by Arrangement in the sum of SDR 31.875 million to support a programme for stabilising the external sector of the economy. A drawing was also made on the Compensatory Financing Facility of the IMF. The economy has not yet fully recovered from the turbulence of those years.

The period between 1981 and 1986 has been characterised by an indifferent economic performance. Problems of high unemployment, lack-lustre performance in tourism, decline in manufactures, increasing debt service payments, and problems in the public finances all reared their ugly heads, and are still with us for correction. It should by now be recognised by all that the Democratic Labour Party government since 1986 has been seeking to pull Barbados out of the economic quicksands in which it found itself during the 1980s. We must all first understand this and then collectively we must take the appropriate corrective action.

This was also the period when the Caricom Multilateral Clearing Facility (CMCF) collapsed and tied up some \$120 million of Barbados' foreign assets. At this time too intra-Caricom trade contracted as a result of administrative barriers and weaker economies. The domestic manufacturing sector had to carry the brunt of this burden as our domestic exports to Caricom fell from a peak of \$120.5 million in 1983 to \$56.2 million in 1986. Unemployment in Barbados rose from 11.4 per cent at the end of 1980 to 19.0 per cent at the end of 1986, and in real terms manufacturing output fell 2.6 per cent a year from 1980 to 1986.

REGIONAL ECONOMIC DEVELOPMENTS

As a small, open economy, Barbados is particularly exposed to influences from regional and international economic developments. We buy and sell goods and services in regional and extra-regional markets. Our dollar is linked to the United States dollar which is an international currency. What happens in those markets is of concern to us. It is therefore appropriate that I should discuss those regional and international developments which are of significance for us in Barbados.

After years of depression, Caribbean economies, with the exception of Trinidad and Tobago, experienced moderate economic growth during 1987. The major sectors contributing to this growth were tourism, agriculture and construction. Our regional trading partners still continued to experience balance of payments problems. Unemployment, though falling, is still high and inflation was high in both Trinidad and Tobago, and Guyana, but moderate in other countries. Intra-regional trade, after contracting for most of the period since 1983, expanded by almost eight per cent in the first nine months of 1987 due in no small measure to the resolve of the CARICOM Heads of Government at their 1987 meeting in St. Lucia.

Real output in the OECS countries rose between three per cent and six per cent, and Jamaica reported five per cent real growth in 1987. Guyana also, recorded modest growth for the fourth consecutive year but in Trinidad and Tobago real output declined by 2.3 per cent. In the mining sector, bauxite production in Jamaica and Guyana recovered but in Trinidad and Tobago oil production declined by 7 per cent.

In the tourism sector long stay visitors to the Caribbean rose by twelve per cent, the largest increase since 1970, but it appears from the available data that the average length of stay declined. The United States remains the most important market for regional tourism; but because of exchange rates and additional promotions there was an approximate 30 per cent increase in arrivals from the United Kingdom and Europe. The number of cruise ship passengers visiting the region also increased by an estimated 20 per cent during 1987.

Manufacturing in CARICOM remained depressed during 1987. In agriculture sugar production declined but there were -gains in most other crops, especially bananas. Available data for 1987 indicate that unemployment remained high even though there was some improvement on the 1986 situation.

The balance of payments in Trinidad and Tobago was again in deficit; but in Jamaica, where the Government reached an agreement with the IMF which fulfilled a precondition for debt rescheduling, the balance of payments was in surplus. The OECS countries, also benefited from higher tourism earnings and the proceeds from the export of bananas.

In summary, the regional economies seemed to be recovering from economic recession. This augurs well for the revival of intra-regional trade, which has been a casualty of the decline in the region's economic fortunes. In spite of the adverse circumstances, it is noteworthy that the member countries of the Organisation of East Caribbean States were second to none in observing the spirit of the Treaty of Chaguaramas. Barbados has always had a special relationship with the OECS countries and we provide a considerable market for their exports. By the same token our exports in their markets continue to increase. For, whereas in 1981 they absorbed 19.5 per cent of our exports to the region, by 1987 that proportion had risen to 58.1 per cent of our domestic exports to CARICOM.

INTERNATIONAL ECONOMIC DEVELOPMENTS

Slower economic growth in the main industrial countries and a deterioration in the external position of many developing countries were the major highlights in the world economy in 1987. The need for greater policy co-ordination among the main industrial countries was underscored by the persistence of the large US external and fiscal deficits and large external surpluses in Japan and Germany. Uncertainty was heightened by the collapse of stockmarket prices in October, although it now seems clear that the impact of that collapse has not been as adverse as had been feared. Interest rates and exchange rates in particular have been extremely volatile, with the only clear movement being a decline in the value of the US dollar against other major currencies. Commodity prices remained depressed, and many developing countries were forced to maintain severe adjustment programmes through 1987.

The turbulence in the financial markets seems to have had only limited impact on economic activity. The US economy expanded by almost 4 per cent in real terms in 1987; the Japanese and the Canadian economies also grew by 4 per cent and 3.7 per cent, respectively, while in the UK real growth was 4.3 per cent in 1987. Only the German economy, where output grew by 1.4 per cent, stagnated in 1987.

The growth in real output was also accompanied by a reduction in the rate of unemployment. Inflation rates were again moderate ranging from less than one per cent in Germany to 4.4 per cent in the USA.

Commodity prices remained depressed, and worsened the terms of trade for the heavily indebted primary exporters. The spot price for UK North Sea crude remained almost unchanged at US\$17 a barrel. Sugar prices reached a peak of 9.21 US cents per pound but fell back to 5.19 US cents per pound at year end, compared to 4.34 US cents at the end of 1986. The price of aluminium, which helped the bauxite industry in Jamaica and Guyana, rose by almost 50 per cent to 90 US cents per pound.

The debt problem still remains a major concern for most developing countries. Efforts to alleviate the crisis have not yet resulted in any significant reduction of overall indebtedness. Servicing the external debt, which absorbs over half of the foreign exchange earnings of developing countries, hampers their ability to maintain the domestic investment so badly needed to expand production capacity.

Nor has the recovery in the world economy brought with it the recovery in trade which is so absolutely necessary for the improvement of the fortunes of developing countries. Indeed protectionist pressures have not abated, but have to be fought at every turn. All reports indicate that in spite of the initial success of the Uruguay Round, the number of "grey area" and anti-dumping measures has increased.

DOMESTIC ECONOMIC PERFORMANCE

The *Barbados Economic Report 1987*, and the *1987 Annual Report of the Central Bank of Barbados*, have already been laid in the House. These two documents examine the performance of the Barbados economy in great detail and I will therefore limit myself to the highlights.

Provisional estimates indicate that real output in Barbados grew by 2.2 per cent in 1987, the third highest rate of growth since 1981. Tourism continued to be the leading growth sector, but output in the other foreign exchange earning sectors, sugar and manufacturing, declined. Compared to the last quarter of 1986, the rate of unemployment for the last quarter of 1987 declined, though slightly. Inflation was again moderate.

Tourism

Real value added in the tourism sector rose by 13.9 per cent in 1987 as the number of long stay visitors to the island rose by 14.1 per cent to 421,859, and cruise ship passengers increased by 57.4 per cent to 228,778. After a moderate winter, summer tourism recorded its best performance ever. As a result, the seasonality which characterises the industry was reduced; in 1987 summer visitors were 63.0 per cent of total visitors compared to an average of 61.1 per cent for the five years to 1986. The fastest growing market was the UK, where more seats, more promotion and the appreciation of the pound sterling against the US dollar helped to secure a 61.9 per cent increase in visitors. Steady growth was also recorded in other major markets, such as the US, Canada, Trinidad and Tobago and West Germany.

There were other encouraging developments in this industry also. Foreign exchange earnings rose by 15.9 per cent to \$750 million or more than half of our exports of goods and services. Hotel bed occupancy rates also rose from 47.0 per cent to 55.4 per cent after declining steadily from 1981 to 1985. Hotel revenues have also improved; but the industry has not yet fully recovered from the financial problems following the deep recession which began in 1981.

There is still a need for extensive refurbishment and, as expectations and cash flow improve, I anticipate that the industry will continue its programme to upgrade the quality of the accommodation. Government will continue to give favourable consideration to requests for relief from taxation on imports required for the process. The property owners should, however, give preference to locally produced materials and equipment.

Construction

The construction sector recorded another good performance in 1987. Real output grew by 6.0 per cent following the 7.2 per cent increase in 1986. Strong private sector demand for housing, renovation and expansion of commercial buildings, the construction of new office blocks, and Government's building helped the construction sector to remain buoyant for the last two years. Demand for housing has been sustained by higher disposable income, and low mortgage rates. Public sector house building activity was also much greater because adequate housing is one of the major planks in Government's social policy.

The other major sectors which contributed to the growth in real GDP in 1987 included non-sugar agriculture (9.1 per cent), wholesale and retail trade 5.5 per cent and Government services (3.5 per cent).

Inflation remained moderate, with prices rising on average 3.4 per cent during the year. Prices rose fastest for housing, food and alcoholic beverages and tobacco.

On average wages rose by approximately 3.9 per cent in 1987 compared with 4.5 per cent in 1986.

The Financial Sector

The financial sector in Barbados continued to retain the confidence of the citizens of this country despite the collapse of Trade Confirmers (Barbados) Ltd. in October last year. The overall level of deposits rose by \$158.9 million or 13.4 per cent; private individuals with higher disposable incomes accounted for more than half the increase in

deposits. This rapid deposit growth was again reflected in usually high liquidity at commercial banks. Excess liquidity at year end was \$90.2 million as compared with \$58.2 million at the end of 1986. Interest rates generally remained at their 1986 levels with the average lending rate at 10.3 per cent.

Total domestic credit rose 13.8 per cent in 1987, just slightly faster than deposit growth, to reach \$1,329.5 million. Private sector credit rose 9.1 per cent, mainly in response to demand from individuals and firms in the distribution and transport sectors. The Government owned airlines, CARICARGO and Caribbean Airways, were mainly responsible for the increase in credit to transport, while credit to the personal and distribution sectors went to finance home construction and consumer imports. Banking system credit to the Government rose by 32.3 per cent as Government drew down its deposits with the Central Bank. These deposits were built up out of the proceeds of Government foreign borrowing in 1986 and early 1987.

The trust companies were again the leading non-bank financial institutions for mortgage finance. Their outstanding mortgage loans were 24.3 per cent higher than at the end of 1986. Lending by insurance companies and the Barbados Mortgage Finance Co. (BMFC) was also 14.4 per cent and 11.9 per cent higher, respectively in 1987, than in 1986.

Long term lending by the Barbados Development Bank declined by \$2.3 million. Loans to tourism and manufacturing fell slightly, while loans to other enterprises fell by \$1.9 million.

Credit unions and finance companies enjoyed another good year providing credit mainly to finance the purchase of motor vehicles and real estate. At the end of March 1987 there were 42 registered credit unions with approximately 25,000 members and with total assets of \$64.5 million compared to \$42.2 million at the end of 1986.

By the end of 1987, the Securities Exchange of Barbados which commenced operations in June of that year, traded 1.5 million shares of 13 listed companies valued at \$3.6 million.

Barbados continued to be an attractive location for off-shore financial and business services. There were five licensed off-shore banks with assets of \$2,290 million at the end of 1987. Twenty-seven new foreign sales corporations were registered and 195 licences were renewed. The number of exempt insurance companies increased by 70 to reach 110 in 1987, and there were 150 active international business companies.

Oil Sector

Not all sectors did as well as those on which I have already reported. Crude oil production declined 12.0 per cent following the decision in mid 1986 to cut drilling operations when the decline in oil prices made domestic production uneconomic and unprofitable. Sales of natural gas have also declined as a consequence, since all of the gas used is found in association with crude oil.

Manufacturing Sector

The manufacturing sector also had another difficult year and real output declined by 6.6 per cent. The production of electronic components declined by 66.0 per cent as a major company closed down and others shed jobs. However, other areas in manufacturing, especially those producing for the domestic market, have begun to show signs of improvement. Data processing and keyboarding have also been major growth areas in manufacturing.

Agricultural Sector

Although agricultural production declined overall by 11.2 per cent, sugar and non-sugar agriculture had completely different fortunes. The performance of the sugar industry was most disappointing. The target of 90,000 tonnes, already almost 20 per cent below 1986 production, was not achieved. Output fell by 25 per cent to 83,432 tonnes, the lowest level of production since 1948. This resulted not only from the cut in acreage under cultivation, but also from the prolonged dry spell, an increase in the number of fires, and some loss in factory efficiency.

Real output of other agriculture and fishing activities rose by 9.1 per cent, owing to an expansion in acreage planted, and an increase in the tonnage of fish landed by the ice boats. Output of traditional root crops was also rising, and cotton production rose by 35.4 per cent to 172,900 kilograms.

The Balance of Payments

The balance of payments was in surplus \$33.0 million, compared with \$6.0 million in 1986. However, repayments of debt to the IMF resulted in a \$7.0 million fall in foreign exchange reserves. The nation's foreign exchange reserves of \$289.6 million at the end of December 1987 was equivalent to 3.2 months of imports. The favourable overall outturn on the balance of payments was achieved mainly through Government foreign borrowing of \$120 million on the capital markets. The current account of the balance of payments was again in deficit in 1987.

Foreign exchange earnings were estimated to have fallen to their lowest level since 1982. Domestic exports declined by almost 50 per cent from \$420.6 million in 1986 to \$214.5 million for 1987. This was due mainly to the contraction in exports of electronic components, and exports of clothing, which have not recovered from the loss of regional markets. Exports of processed foods, which also depend on the CARICOM market, fell by almost a quarter. On the strength of the record visitor arrivals, gross tourism expenditure was 15.9 per cent higher than in 1986. However, the rise in tourist earnings was not sufficient to fill the widening trade deficit.

Imports retained for domestic use declined 10.7 per cent reflecting mainly the rapid fall in purchases of raw materials for the manufacturing sector, especially the electronic components industry. Buoyant construction activity pushed up imports of construction materials by a quarter, while imports of machinery and equipment fell slightly. Higher disposable incomes continued to support the demand for imported consumer goods which rose by 6.0 per cent. Payments for services, spending by Barbadians travelling abroad, and interest on external debt also increased during 1987, and contributed to the current account deficit of \$17.0 million on the balance of payments.

Net long term capital inflows in 1987, resulting from foreign borrowing by Government, are estimated at three times the amount in 1986. In the private sector, a near doubling of loan repayments off-set what little new foreign investment there was. Net capital inflows for the private sector have not been positive since 1982. Businessmen have also been less inclined to use trade credits to finance their imports and the preference for cash settlements has added to the pressure on the foreign exchange reserves. Under these circumstances, Government drawings of \$120 million in market loans were used to amortize both public and private sector loans, to meet repayments to the IMF, and to maintain the foreign exchange reserves at a comfortable level of 3.2 months of imports.

Public Finance

In the fiscal year just ended the provisional fiscal deficit has increased from \$180.3 million to \$283.6 million. The current account was in deficit \$92.7 million, \$77i5 million more than in the previous fiscal year and capital spending rose by 15.% to \$190.9 million.

Current revenue for the fiscal year rose by 7.6 per cent to \$724.7 million due in part to the tax measures in the 1987 Budget which were designed to raise \$51.9 million. With the shift in emphasis from direct to indirect taxation, taxes from income and profits declined for the second successive year. However, indirect taxes of \$450 million more than off-set the decline in direct tax revenue.

Current expenditure rose by 19.6 per cent to \$817.4 million. This sharp increase stemmed from a 26 per cent rise in transfer payments and a 40 per cent increase in outlays on goods and services. Wages and salaries increased by 18 per cent as the retroactive adjustment for fiscal 1986/87, arising from the 1987 public sector wage settlement, was reflected in the 1987/88 financial year. The completion of a number of capital projects helped Government to keep down capital spending in 1987/88.

Government financed its deficit mainly through foreign borrowing. The external national debt rose by \$153.4 million as Government secured a £27 million (\$90 million) loan on the Euro-currency market and drew down \$30 million from a previous Euro-currency loan contracted in 1986; Government also drew down \$51.1 million in project loans during the fiscal year. Domestic financing increased by \$67.4 million; debentures outstanding increased by \$45.0 million while there was hardly any change in outstanding treasury bills.

THE ECONOMIC OUTLOOK FOR 1988-89

I now turn to the prospects for the current financial year which began on April 1, 1988 and will end on March 31, 1989. Economic forecasting is a field that is fraught with many difficulties. Natural disasters, the vagaries of the weather, political crises, wild economic fluctuations, or the quality of available data may all make the forecast inaccurate. For example, the collapse of the stockmarket prices on October 19 last year has only increased the hazards of forecasting trends in the national or world economy. Nevertheless we must take a forward look based on certain assumptions.

It is projected by some that the US and the European economies will grow by about two or three per cent. Others project a slow down in the expansion of output, or even a recession by the last quarter of 1988. It has also been suggested that erratic fluctuations in the financial and commodity markets will continue through 1988 into 1989.

Such low growth rates or instability do not augur well for Barbados. The Barbados economy is expected once again to show growth, though moderate, of about two or three per cent during the 1988/89 financial year. That growth is expected to be based mainly in tourism, construction and distribution. Though the winter tourist season was fair, it was not as robust as anticipated. It is expected that summer tourism will once again be strong. Intensified promotional efforts, an increase in real disposal incomes in the US, and high visitor arrivals from Europe and the U.K. based on the appreciation of European currencies against the US dollar, should all combine to make Barbados a more attractive destination. The construction sector should continue its buoyancy for yet another year, and so too should the distributive sector.

Unemployment should be further reduced, but this will be dependent upon the growth in real output and positive responses in the private sector.

Barbados will continue to face a tight balance of payments situation unless private capital inflows increase, unless exporters recover lost ground, and begin to penetrate those markets which are available through the CBI, Caribcan and the Convention of Lome, and unless import demand is dampened. The foreign exchange reserves are expected to be at the equivalent of approximately three months of imports. The national debt is projected to show some small increase, and debt service will continue to make a substantial claim on available resources.

If we are to achieve even that modest rate and stimulate the export sectors, so essential for creation of new employment, the Barbados Development Bank will have a crucial role to play. The Bank will have to focus attention even more on its developmental role, which means that it must be prepared to nurse its customers through the difficult periods and help them install the management and accounting systems which are needed to keep control of their operations. The Bank should, after very careful assessment of each case, be prepared to reschedule the debts of those clients who appear still to have viable businesses.

Fiscal Prospect

I turn now, Mr. Speaker, to the fiscal prospect for year 1988/89. Parliament recently approved current expenditure of \$801.9 million and current revenue of \$753.4 million, resulting in a deficit of \$48.5 million on the current account.

Capital expenditure is estimated at \$179.2 million which means that the projected overall deficit is \$227.7 million or 8.8% of estimated GDP for 1988.

That current account deficit must be eliminated, and consequently the overall deficit will be reduced. Therefore, I will introduce various measures later with these objectives in mind.

I have already given the message to my Ministers that Supplementary provisions will not easily be approved; any such requests will be most meticulously examined for their justification.

During the year, the staff of the Budget and Management Services Section of the Ministry of Finance will be visiting Ministries, Departments, and those statutory corporations which are financed entirely out of the Consolidated Fund, to keep check on their expenditure, to assist them in setting up proper systems of accounting where necessary and to bring to my attention at an early date, any trends in expenditure which are going in the wrong direction.

The Parliamentary Secretary in the office of the Prime Minister will have special responsibility for expenditure control and, in order to ensure that the Ministry of Finance has adequate staff to carry out its functions, I have decided that the two posts of Finance Officer/Chief Accountant which were assigned to the State Enterprises Unit will be returned to the Management and Accounting Section of the Ministry of Finance.

With respect to those Government corporations which do not receive a subvention from the Consolidated Fund, the Ministry of Finance will be paying very careful attention to their financial statements for, since they are owned by the Government, if at any time they run into financial difficulty, the Government will have to rescue them. Therefore, it is important for us to know what their financial position is and to be aware of any developments, desirable or undesirable, which may be taking place.

It has been my observation that a number of the corporations are very late with the preparation of their financial statements. I therefore expect that from now such statements will be prepared promptly so that they can be made available to me within the time provided in the various pieces of enabling legislation after the close of the fiscal year.

Also, the revenue collecting agencies, especially places such as the Inland Revenue Department and the Customs Department, will be taking steps to enhance the efficiency of their operations, not only from the point of view of collecting all of the revenue which is due to the Government for the fiscal year, but also in an effort to collect a significant portion of the arrears which remain outstanding. Let me assure you however, that in the collection of arrears, Government will not adopt the attitude of Shylock but will seek reasonable arrangements for the collection of such funds that are due.

THE BUDGET JUDGMENT

The background I have just outlined, involving as it does considerations of the nature of the economy, the position of the public finances, and the performance of the economy of Barbados within the wider regional and international economic environment, has highlighted certain issues and problems which are in need of urgent attention. I have therefore, ineluctably, formed the judgment and come to the conclusion that the financial Statement and Budgetary Proposals for 1988/89 should be directed towards the following main objectives:

- (1) to reduce the fiscal deficit;
- (2) to improve the position of our balance of payments and the foreign reserves;
- (3) to stimulate the manufacturing and agricultural sectors, with special emphasis on exports; and
- (4) to expand employment opportunities.

These objectives are interlinked and dependent one upon the other. We cannot concentrate on one to the exclusion of the others. The reduction of the fiscal deficit is essential to the protection of Barbados' external position, so too is the stimulation of exports. The creation of new employment opportunities also depends on a strong export performance.

None of us would wish to see our economy slide into unsustainable positions which would then require very bitter austerity measures as a corrective. We therefore need to act, and to act decisively now. I shall therefore turn to an examination of each of the objectives I have identified.

THE FISCAL DEFICIT

In "*David Copperfield*", that favourite novel in English Literature by Charles Dickens, the impecunious Wilkins Micawber once philosophised about the nexus between income, a deficit and human misery. "My other piece of advice, Copperfield," said Mr. Micawber, "you know. Annual income twenty pounds, annual expenditure nineteen, nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery. The blossom is blighted, the leaf is withered, the god of day goes down upon the dreary scene, and in short you are forever floored".

While there is a difference between the individual household and the government in terms of their earning capacity, prudence and commonsense both dictate that individuals, households, business and governments should exercise great care in matters relating to income, expenditure and the fiscal balance.

Government revenues are made up of all income from tax and non-tax sources, including proceeds from loans, which may flow into the treasury. Government expenditures relate to all payments from the treasury including payments for such current expenditure items as salaries, police services, purchases of pens and paper, maintenance, subsidies to ailing statutory corporations and transfer payments for welfare and other grants, as well as for such capital expenditure items as the construction of roads, schools, bridges and the purchase of equipment and materials.

I subscribe to the principle that in developing countries, current expenditures should normally be met from current revenues, and that if the current revenues are inadequate to meet current expenditures, then the revenues should be stimulated. I also subscribe to the principle that capital expenditures should substantially be met from loans. In other words, current expenditures and revenues should balance, with something left over as a contribution to capital expenditure, which should for the most part be met from loans. If there is a deficit on current account, that deficit can only be financed by borrowing, with damaging repercussions through the economy.

Government's medium term objective is to reduce the overall fiscal deficit from its current level of 7.6 per cent of GDP to a level between three and five per cent of GDP. This process will start with this budget.

Every year since 1984 the overall fiscal deficit (adjusted for expenditure on amortization) has increased as a percentage of GDP. From 4.6 per cent of GDP in 1984 the fiscal deficit now stands at 7.6 per cent of GDP.

How the public finances have operated in relation to the principle I have just outlined, can be seen from an examination of the balance on current account since 1966. Government consistently ran a surplus on current account from 1966 to 1973. The current account surplus of \$0.4 million in 1966/67 was followed by surpluses of \$1.6 million and \$6.6 million in fiscal years 1967/68 and 1968/69, respectively. From 1969/70 to 1972/73 the surplus on current account ranged between \$1.7 million and \$9.6 million. Government recorded current deficits in fiscal years 1973/74 and 1974/75 of \$15.2 million and \$17.2 million but this situation was reversed in 1975/76 when there was an \$18.6 million surplus. Between 1976 and 1986 the current account was in deficit six times and in surplus only four times.

On a national income accounts basis, Government consumption expenditures have, since 1981, been declining as a proportion both of gross domestic expenditure, that is the sum of consumption and investment expenditure, and as a proportion of gross domestic product itself. Government is therefore consuming a smaller share of a larger cake. Since 1981 Government consumption expenditure has declined from 25.2 per cent of gross domestic expenditure to 18.1 per cent in 1986 and 17.3 per cent in 1987. Government consumption expenditure in GDP remained relatively unchanged at an average of 16.7 per cent from 1981 to 1984; it then rose sharply to 18.9 per cent in 1985 before declining to 17.7 per cent in 1986 and to 17.1 per cent in 1987. This certainly does not present a picture of run away Government spending.

Fiscal Review

I turn now, Mr. Speaker, to the fiscal review.

Current Revenue

Current Revenue for 1987/88 was originally estimated at \$698.1 million. The Budgetary Proposals of 7th April, 1987, excluding the Transport Levy which did not go into the Consolidated Fund, were expected to yield additional revenue of \$51.9 million, making a total of \$750.0 million. The provisional data at 31st March suggested that the current revenue for the year was \$724.7 million, some \$54.9 million or 7.6 per cent more than for the previous year.

But it now seems clear that the current revenues for 1987/88 were over-estimated or that the budgetary measures of 1987 did not yield the expected income. Instead of collecting some \$750.0 million in revenue as was anticipated, Government collected only \$724.7 million, a shortfall of \$25.3 million.

Current Expenditure

Current Expenditure was originally estimated at \$716.6 million. During the year under review, supplementary provisions in the sum of \$79.4 million were approved by Parliament, making a total provision of \$796.0 million.

The provisional data at 31st March suggested that current expenditure for the year 1987/88, including the operations of the Post Office, was \$817.4 million, some \$131.6 million or 19.1 per cent higher than in the previous year.

The difference between the provision of \$796.0 million and the actual expenditure is due to the fact that Statutory Personal Emoluments increased as a result of the salaries settlement which took effect from 1st April, 1986, but which was paid in the fiscal year 1987/88. In addition, statutory expenditure under Head 22, Charges of Debt, increased as a result of new loans and the weakening of the dollar against other currencies. Since the expenditure was statutory, there was no need to supplement the particular votes to meet the additional expenditure as was necessary in the case of the voted expenditure.

In recent months, there has been much discussion in this House and other places about the level of current expenditure last year. The argument, as I understand it, is that the expenditure could have been kept to a much lower level since some of the additional spending was not necessary.

Implicit in that statement, is the view that there might have been some element of mismanagement on the part of the Government in the first instance, or even perhaps, on the part of this Chamber. Therefore, as Minister of Finance, I consider that I have an obligation to clarify the issue for the benefit of all concerned.

In the first place, the expenditure was much higher than normal, because, during 1977/88, increased salaries which related to the fiscal year 1986/87, were paid in addition to the increases which were due in 1987/88.

The provision of \$318.2 million in the 1987/88 Estimates for Personal Emoluments was based on the 1986/87 salaries; no provision was made for higher salaries because negotiations were not concluded at the time when the Estimates were being prepared. The wages settlement in respect of fiscal year 1986/87 was approximately \$18.6 million while that for 1987/88 was approximately \$7.0 million.

Therefore, it meant that during 1987-88, the Personal Emoluments component of the current expenditure was \$25.6 million more than 1987-88 even though in fact, only \$7.0 million related to 1987-88.

Secondly, the 1987-88 Estimates provide for amortisation, interest payments and sinking fund contributions of \$133.1m as follows:-

(a)	Amortisation	\$ 56.8m
(b)	Interest	74.3m
(c)	Sinking Fund Contributions	2.0m

\$ 133.1m

When the estimates were approved, no provision was made for the servicing of the Euro-Sterling Syndicate Loan which was signed in May, whereas the Estimates were approved in March of that same year.

In addition, as the dollar weakened against the yen, the pound sterling, and other currencies, the cost of servicing the debt increased significantly. The result was that the provisional data at the end of the fiscal year, showed that debt charges in respect of local and foreign debt were \$162.0 million or \$28.9 million more than provided as follows:-

(a)	Amortisation	\$ 62.6m
(b)	Interest	92.9m
(c)	Sinking Fund Contributions	6.5m

\$ 162.0m

Thirdly, a number of supplementary provisions for goods and services, which the Government considered necessary in the public interest, were provided. The major ones were:-

(a)	Transport Board	\$ 13.0m
(b)	Severance Payments Fund	7.0m
(c)	National Conservation Commission	10.5m
(d)	Tourist Board	2.8m
(e)	Ministry of Housing	1.9m
(f)	Prime Minister's Office	1.2m
(g)	Queen Elizabeth Hospital	1.9m
(h)	Child Care Board	0.5m
(i)	National Assistance Board	0.6m
(j)	Drug Service	3.9m

\$ 43.3m

All of the above sums of money were provided for the continuation of existing services which the Government considered vital to the well being of the entire country.

For example, if the Government had not provided additional funds to enable the Transport Board to pay its creditors there would have been disruption in the transportation services and the travelling public would have experienced severe difficulties in getting to and from work or social activities.

The matter of the loan to the Severance Payments Fund was discussed at length in this Chamber. However, I am forced to repeat a few salient points on that matter. The Severance Payments Fund had run into difficulty as a result of the many failures which the private sector companies had experienced during the last years of the previous administration.

Section 27(2) of the Severance Payments Act, Cap. 355A provides that "any temporary insufficiency in the assets of the Fund to meet the liabilities of the Fund under this Act shall be met from such sums as Parliament may advance for the purpose." Therefore, there should not be any misunderstanding of the Government's decision to provide temporary assistance to the Severance Payments Fund by way of advance from the Consolidated Fund. It was a legal obligation.

However, if we put aside the legal position for a moment and look at the practical situation, we will notice that there were three options which were open to the Government.

Firstly, the Government could have left the Fund in its difficulty and permit those unfortunate persons who were waiting on payments to endure prolonged hardship.

When an employee has been severed, that is the very time the employee is most in need of money. Therefore, if the company in question is unable to meet its financial obligation, the Fund is expected to make the payment and to recover the amount of money from the firm in due course. There is no way that a Government which cares about the plight of unfortunate persons could have allowed the Fund to remain without money, when individuals who had been severed were waiting for a long time to receive their money.

Therefore, it was either that the Government would make a loan to the Fund as the law provides, or allow the Severance Fund to get into further debt to the National Insurance Fund since by accident, money which was due to the National Insurance Fund had been credited to the Severance Payments Fund.

Furthermore, the National Insurance Fund was already under pressure from a number of other schemes and it was considered unwise to impose any further burden on that Fund at the particular time. Therefore, the only option left was to make the loan from the Consolidated Fund and act in accordance with the law.

The provision for the National Conservation Commission was used to carry on work on the beautification programme which had been started earlier. With the unusually heavy rain, the island was covered in bush and we considered it necessary not only to remove the bush, but to plant trees and grass in a number of areas in order to beautify and landscape the country.

In the case of the Tourist Board, it will be recalled, that the provision was granted so that the Board could intensify its promotion efforts in North America and Europe. Tourism plays an important role in the development of our country and I consider that any money which is spent, to assist with that effort, is money well spent.

The provision under the Ministry of Housing and Lands was to assist the National Housing Corporation with its re-organisation, so that it would be able to carry out its function much more efficiently.

The provision under Prime Minister's Office was for the activities which were planned to mark the twenty-first anniversary of Independence. Twenty-one years is a milestone in any country's life and I am sure that no one will disagree with the decision to treat it in a special way.

The provisions for the Queen Elizabeth Hospital, the Child Care Board, the National Assistance Board and the Drug Service, were essentially the result of increases in the cost of supplies and not of any expansion, except in the case of the Drug Service, where there was a significant increase in the number of prescriptions which were filled.

These supplementary provisions which I have identified amount to \$43.3 million. The cost of the salaries settlement was \$25.6 million, while the additional expenditure on amortisation, interest and sinking fund contributions was \$28.9 million, making a total of \$97.8 million out of the excess of \$100.8 million, over the original estimates of \$716.6 million. Therefore, unless other services were drastically reduced, and unless public workers were retrenched bringing hardship to Barbadians, particularly the poor and the disadvantaged, the level of expenditure could not have differed significantly from the \$817.4 million, that was actually spent. I refute the charge of run away spending.

Capital Expenditure

Capital expenditure was originally estimated at \$177.4 million. During the year under review, supplementary provisions in the sum of \$39.4 million were granted by Parliament, making a total of \$216.8 million.

During the last few months of the fiscal year a greater effort was made to achieve the deadlines of the major projects. As a result the provisional data at 31st March, suggested that capital expenditure for the fiscal year was \$190.9 million some \$25.8 million or 15.6 per cent higher than the previous year.

The above information shows that there was a current account deficit of \$92.7 million and an overall deficit of \$283.6 million or 9.7 per cent of the gross domestic product at market prices. However, when amortisation is excluded from the current expenditure and is shown in the financing table as is the practice by the international organisations of which we are a member, the overall deficit is reduced to \$221.0 million or 7.6 per cent of the gross domestic product, and when the surplus of the social security fund is included, it is further reduced to 6.6 per cent of GDP.

Finally, on the question of expenditure, it is interesting to note that current expenditure for 1987/88, represents 28.1 per cent of the gross domestic product at market prices compared with 25.9 per cent in 1986/87 and 27.6 per cent in 1985/86. However, if you reduce the current expenditure by the sum of \$18.6 million which represents the arrears of salaries for 1986/87 and increase the expenditure for 1986/87 by the same amount, the adjusted expenditure for 1987/88 would be \$798.8 million or 27.4 per cent of GDP compared with 26.6 per cent for 1986/87, a difference of 0.8 per cent.

The revenue raising measures which I shall outline as this statement develops will seek to reduce the deficit to under 5% of GDP. This is the first step on the road to the recovery of a sound fiscal position. All sectors in the economy and the society will have to share in this effort to restore the fiscal health of the economy. Fiscal prudence is the key to maintaining the confidence of those investors who have or will participate in our foreign borrowings or who have chosen Barbados as a base for their manufacturing or off-shore business operations. Fiscal prudence is also essential to prevent domestic speculation against the Barbados dollar. This speculation can only be prevented by restoration of confidence and the Government's financial health is critical in this process.

I shall later in this presentation announce measures to eliminate the fiscal deficit on current account which now stands at \$48.5 million and in addition make a contribution to the Government's capital programme.

BALANCE OF PAYMENTS AND THE RESERVES

I now turn to the matters relating to the balance of payments. As a term, the balance of payments may seem to be far distant from the concerns of the ordinary Barbadian citizen. On closer examination, it will be seen that this should not be so. The balance of payments is the record of all economic transactions requiring payments from the residents and government of one country to the residents and governments of other countries during a given year. The transactions include the cost of import and export of goods, the cost of import and export of services such as tourism, which are recorded in the current account, and borrowing and lending overseas, including transactions in certain financial assets, which are recorded in the capital account.

The balance of payments is said to be positive, favourable or in surplus if the payments made from Barbados are lower than the receipts coming into Barbados. On the other hand, if the payments made from Barbados exceed the receipts coming into Barbados, then the balance of payments is said to be negative, adverse or in deficit. If the balance of payments is negative, the Foreign exchange reserves, maintained by the central bank in internationally trading currencies, are drawn down in order to meet those payments that could not be met from earnings or borrowings. On the other hand, if the balance of payments is positive, the foreign exchange reserves are increased.

It is instructive to view the balance of payments over the years. In 1976 the balance of payments deficit on current account was \$128.4 million, and this improved slightly in 1977 to \$103.2 million or 13 per cent of GDP. In 1978 and 1979, the deficit was about 5 per cent of GDP. In 1980 that deficit was about 3.6 per cent of GDP and rose to over 15 per cent in 1981 or about \$250.6 million. In 1982 and 1983 the current account deficit was almost 5 per cent of GDP. There were small surpluses in 1984 and 1985, but deficits of less than one per cent of GDP emerged again in 1986 and 1987.

Barbados, like most developing countries, has over the years, then, generally run a chronic deficit on the current account. We import more than we export. Our foreign reserves are therefore under constant pressure. A steady flow of foreign investments and loans is therefore necessary, at some times more so than at others, in order to maintain a healthy economy.

However, a steady flow of foreign investments and loans, from governments, multi-lateral development banks or private sources, is dependent upon the credit-worthiness of our country. I shall as a matter of policy, continue to maintain the credit-worthiness of Barbados at the highest possible levels. The assessment of that quality is generally the result of very subtle and somewhat obscure indices. However, I shall generally seek to promote the social and cultural development of our people, improve the infrastructure further, and maintain the financial integrity of our system by meeting our external obligations when they become due.

Merchandise trade plays a most crucial role in the balance of payments. The record, as I have already indicated, has recently been rather disappointing, starting in the mid-nineteen eighties. In 1984, our domestic exports stood at \$583.6 million, they fell to \$496.4 million in 1985, to \$420.6 million in 1986, and to \$214.5 million in 1987. Correspondingly, the adverse balance on visible trade dropped from \$537.2 million in 1984 to \$513.8 million in 1985, then climbed to \$628.7 million in 1986, and to \$722.1 million in 1987. In the Caricom market, the situation has been equally disappointing. Exports to Caricom countries dropped from \$175.8 million in 1984, to \$160.5 million in 1985, to \$96.0 million in 1986 and to \$74.8 million in 1987.

But we cannot concentrate on exports and ignore our imports. In 1987 our total imports for domestic use declined by 10.7 per cent but imports of consumer goods rose by 6.2 per cent from \$371.7 million to \$394.9 million. Barbadians also spent an estimated extra \$5.0 million or 8.6 per cent more on foreign travel in 1987. These trends in consumer behaviour are contrary to the movements in our foreign exchange earnings which are falling, and therefore are not sustainable. It seems that too much of the additional disposable income of individuals has found its way into consumption rather than into real investment. The fiscal measures which I will outline later are also designed to dampen excessive demand for consumer imports.

The world economic recession of 1981 - 82 impacted heavily on third world economies. At the regional level, Jamaica devalued its currency and introduced a multiple exchange rate system. Trinidad and Tobago rationed foreign exchange through a rigid foreign exchange control regime and a comprehensive import licensing system, and other member states began to introduce measures designed to protect their own markets.

Clearly, however, we must take steps to reverse the declining situation in respect of our exports. The policies which I shall pursue are directed towards the protection of our balance of payments and foreign exchange reserves, and the enhancement of Barbados' international economic situation.

EXPORTS

In the long run, the quality of life in Barbados depends on our ability to sell our goods and services to the rest of the world. If we are unable to do so we will not earn the foreign exchange we need to pay for the necessities of life such as the drugs and other medicines, or for the luxuries we enjoy. Therefore, I will provide assistance to our major foreign exchange earning sectors to help restore their competitive edge in the regional market and to enhance their ability to penetrate the extra-regional market.

Penetrating extra-regional markets is not proving to be an easy task. Manufacturers have to determine the needs of the market and provide products at their highest quality in time to meet tight delivery schedules. They must also provide reliable after sales service. Government is in the preliminary stages of investigating the role that an export trading company can play in the export drive. This is a model that has been very successful in Japan and Korea and certain other South-east Asian countries, and we will wish to see how it can be applied to Barbados.

Agriculture is also a sector which can earn substantial amounts of foreign exchange from the export of both traditional and non-traditional commodities. Some limited success has been achieved in cotton and in some non-traditional crops. A greater push is now necessary to benefit from the openings which are available to the industry. Discussions are nearing completion on an Integrated Sea Island Cotton Project which will take the industry beyond the simple ginning to the spinning of yarn and the weaving of materials. The existing supports and incentives for the agricultural sector will remain in place.

In spite of the strong performance of the tourism industry in 1986 and again in 1987, this sector needs to improve the quality of the available accommodation. Extensive refurbishing and upgrading of existing hotel rooms and facilities must be carried out over a period of at least three years. I will further extend to the hotel sector, large and small, such exemptions from customs duties and consumption taxes on the inputs needed for this exercise for improving the physical plant of our major foreign exchange earning industry. I expect that hoteliers will seek first to use local materials and only when these

are not available will they turn to imports. Government's contribution to this effort is estimated to be approximately \$1.8 million a year in revenues not realised. A new set of guidelines will be worked out between the Government and the Barbados Hotel Association.

Barbados has been successfully promoted as an off-shore financial and business centre and, in keeping with this, Government is seeking to enhance the attractiveness of the services now provided. Government will therefore be extending its double taxation treaty network and will be reviewing the legislation governing such areas as the operations of international business companies and exempt insurance companies. This review is largely in response to accumulated experience of enterprises operating under these laws and will add to our reputation as a sympathetic domicile for legitimate businesses.

Government, with the assistance of the World Bank, will be undertaking a comprehensive study of the incentives available to the tourism and the manufacturing industries. This review, which will also concentrate on export marketing, will begin later in this financial year and extend into fiscal year 1988/89. By the time it is completed it will provide Government and the industries with guidelines for the way forward.

THE NATIONAL DEBT

I turn next to the issue of the national debt, about which in recent times there has been considerable discussion and concern, particularly in relation to its causes, its consequences, its size, and the appropriateness of its distribution between foreign and domestic holders. I shall examine these aspects of the debt, and outline the strategy of my Government for its management. But first, let us set the scene.

The national debt is the amount of money that has been borrowed by the Government from domestic and foreign sources and that is currently outstanding. At the end of September 1976, that debt stood at \$241.1 million. By December 1981, it had risen to \$685.9 million, and to \$1,266.5 million in 1986. At the end of 1987, it stood at \$1,487.3 million. The nominal value of loans contracted by the Barbados Government since 1976 are as follows:

1976 - \$ 25.5 million
 1977 - \$ 25.4 million
 1978 - \$ 63.3 million
 1979-\$13.9 million
 1980 - \$ 70.6 million
 1981-\$92.3 million
 1982 - \$ 22.2 million
 1983-\$110.0 million
 1984-\$125.6 million
 1985 - \$ 73.4 million
 1986 - \$126.0 million, and
 1987-\$175.3 million.

The domestic component of the national debt was \$780.4 million at the end of December 1987. That figure includes \$287.7 million in long-term debt, and \$492.7 million in short-term paper, mainly treasury bills. Perhaps I should point out that the level of Government's domestic debt is not entirely as a consequence of the size of the fiscal deficit. Sometimes Government issues special debt instruments or takes specific actions on the basis of monetary policy: for example, the issue of \$20 million in two-year debentures, and the increase in the authorised limit of savings bonds in 1986, or the increase in the amount of treasury bills issued in response to short term excess liquidity in the banking system.

I should point out also that at the end of 1987, 31.8 per cent of the Government's local debt or \$247.1 million was held by Government agencies such as the National Insurance Fund, the Barbados Water Authority, and the Barbados Port Authority. This is money which the Government in a sense owes to itself, and on which it pays interest to itself.

While we should not be thoughtless or careless over the size of the domestic component of the national debt, we ought to bear in mind that the domestic debt is owed to people and institutions in Barbados, and from whom the Government also extracts its revenues. In other words, the domestic debt does not transfer funds from Barbados to foreign countries; rather it transfers funds from one set of people in Barbados to another set of people in Barbados.

Discussion of the national debt should therefore quite properly focus on the external portion of the debt. For it is in servicing this portion of their debt that some developed countries have experienced difficulties, and that some developing countries are experiencing difficulties.

At the end of September 1986, the foreign component of the national debt was \$49.1 million. By the end of December 1980, the foreign debt had risen to \$163.9 million and to \$287.0 million by the end of December 1982. It had spiralled to \$365.3 million by the end of December 1984. By the end of 1986 the foreign debt jumped again to \$553.5 million, rising still further to \$706.9 million by the end of 1987. Looked at in another way, at the end of September 1976 the foreign debt of Barbados was 20.3 per cent of the total debt. It jumped to 37.8 per cent by the end of 1981, and to 43.7 per cent by the end of 1986. It now stands at 47.5 per cent. Looked at in yet another way, the commercial component of the foreign debt, which stood at 44.1 per cent in 1976, rose to 51.5 per cent in 1981, to 53.0 per cent in 1986, and now stands at 61.0 per cent.

It is useful to compare Barbados' debt statistics with those of other countries using internationally recognised indicators. Data from the World Debt Tables published by the World Bank are available only up to 1986. These show that Jamaica's debt accounted for 235.7 per cent of GNP and Mexico's debt for 428.1 per cent of GNP. Indonesia - a country which performs relatively well by international standards - held outstanding foreign debt of 278.1 per cent of GNP. In comparison, Barbados' debt accounted for 65.9 per cent of GDP.

Similarly, public and publicly guaranteed debt as a percentage of exports amount to 220 per cent of Jamaica's exports of goods and services, 419.7 per cent for Argentina, 210.8 per cent for Indonesia and 303.8 per cent for Nigeria. Barbados' public and publicly guaranteed debt accounted for 42.7 per cent of its exports of goods and services.

To continue the comparison, interest payments on public and publicly guaranteed debt represented 24.0 per cent of Brazil's exports of goods and services, 34.7 per cent of Argentina's and 13.5 per cent of Indonesia's. Total debt service payments as a proportion of exports of goods and services amounted to 33.2 per cent, 50.4 per cent and 29.3 per cent respectively. It is worthwhile noting that interest payments represented 4.7 per cent of Barbados' exports of goods and services and total debt service payments 9.4 per cent. Further, Barbados' foreign exchange reserves at December 1987 represented the equivalent of 3.2 months imports compared with Jamaica 0.7 months and Nigeria 1.9 months.

Conventional ratios used by international institutions to judge the burden of debt, when applied to Barbados therefore, indicate that its foreign debt burden is considerably lower than that of many other countries. We can therefore safely say that by international standards our debt service and debt to GDP ratios are not in the danger zone. Our international obligations are within manageable limits.

However, there can be no doubt that our total debt, and particularly the foreign debt, is very high by historical standards in Barbados. When we take our narrow resource base into account, and any other adverse factor which may reduce our ability to compete in international markets, then it becomes quite clear that that level of the national debt presents a challenge to us. We cannot rest on our laurels. We must continue to be cautiously prudent in assuming new foreign debt, conscious always of the need to be able to service that debt comfortably.

We should particularly note the changing character of the loans which have been contracted during the nineteen eighties. Loans from multi-lateral development banks, which usually have longer maturities and are tied to specific projects, declined as a consequence of the higher level of commercial borrowing. As a consequence too, the maturity of our external debt has been shortening, and the cost has been rising.

The debt management strategy which I shall use to correct the situations I have just described will be as follows:

- (1) I shall make only judicious use of the international capital markets, and that for the purpose of securing additional foreign exchange needed for our development efforts, for retiring maturing debt, and for restructuring existing debt;
- (2) I shall seek to use as much local resources as possible without displacing or crowding out the funds available for the private sector;
- (3) I shall seek to effect greater co-ordination of all phases of Government borrowing, spending and taxation.

If this strategy is to be successfully followed, it will be imperative that we eliminate the fiscal deficit on current account. Otherwise foreign funding will dry up, since lenders are no longer prepared to finance current spending by governments of developing countries, including Barbados. It will also be imperative to seek to eliminate the deficit on the current account of the balance of payments unless it is clear that such a deficit arose as a result of higher imports of capital goods and equipment, or of other imports which will enhance our production capacity. As a nation, we just cannot afford to borrow to finance current consumption, the error of our ways would soon find us out.

Because of high borrowings during the nineteen eighties, Barbados will need an average \$150 million a year until 1992 to repay both the public sector and private sector foreign debt. The Government has a responsibility to ensure that these funds are available, and they can only come out of our foreign exchange earnings and through foreign borrowing. Our foreign exchange earnings are expected in the current year to show a moderate increase only. I have therefore been examining a number of proposals for foreign borrowing in 1988, and I will very shortly be coming to this Honourable House with a firm proposal for a new loan. This new loan will be in keeping with the debt management strategy that I have just outlined and will enable the Government to replace some of the existing short-term funding for infrastructure projects by lower cost funds, with a longer maturity more suited to the pay-back period of such investments.

The Government will also continue to use the resources of the multilateral development banks such as the Caribbean Development Bank and the Inter-American Development Bank, as well as the World Bank, where we are contesting their policy which would graduate us from the status of a borrowing member of that institution in three or four years' time.

UNEMPLOYMENT

Unemployment remains one of the major perennial problems afflicting our economy. It is a matter of very great concern to me and to my Government that there are so many persons who are actively seeking employment, but who cannot find employment. Let me make it clear however, that this problem did not suddenly arise since 1986. Statistics show that between 1981 and 1985 the problem of unemployment grew progressively worse. In 1981, the average unemployment rate for the year defined as the number of unemployed persons as a percentage of the labour force, was given as 10.8 per cent. That rate jumped to 13.8 per cent in 1982, and to 15.0 per cent in 1983. In 1984 it rose to 17.1 per cent, rising further to 18.7 per cent in 1985. However, in 1986 the rate decreased to 17.7 per cent, and in 1987 it stood at 17.9 per cent. At the same time it should be noted that the unemployment rate at the end of the period October to December, 1986 was 19.0 per cent and this fell to 18.9 per cent for the corresponding period in 1987.

Conversely, the statistics indicate that the number of persons employed in 1981 was 100,100. By 1985, the number had progressively declined through the intervening years to 92,100. There was a welcome increase to 96,200 in 1986, and a further increase to 97,000 in 1987.

In spite of the recent signs of moderate improvement, the rate of unemployment squats as an unacceptable scourge on the social conscience of this nation. Those who are out of work undergo severe hardship. They tend to build up debt; their living standards are reduced. Unemployment represents an undesirable underutilization not only of the major resource in our country, namely our human resource, but also of plant and equipment. It is a grievous psychological blight on our people, scarring them indelibly with the marks of frustration, uncertainty, and unfulfilled hopes and dreams.

Clearly something must be done to deal with the problem. But what? Let us understand that we will never be able to reduce the rate of unemployment to zero. The labour market is a dynamic place in which some jobs may be disappearing and others arising; workers may be looking for new jobs, or may be in between jobs. There may be fluctuations in agriculture or construction. There will always be this kind of frictional unemployment in our economy. In addition, because of the third world or developing nature of our economy, there will be unemployment resulting from structural factors, for example, changes in technology, in capital equipment and in the requirements for skilled labour.

Frictional and structural factors apart, I do not subscribe to the view that very high levels of unemployment need be with us for ever. We must never get into the defeatist psychological state of thinking that we should do nothing about it, that we should just sit it out and wait. At the same time, we must not believe that the problem will disappear overnight.

People are gainfully employed when they are engaged for wages in producing goods and services which other people demand. If the demand is not there, there is no requirement to produce the goods and services, and hence, people will be put out of work. Those of us who remain at work will then have to provide for those who are out of work, in addition to the responsibility of providing for ourselves, and for those, like the children and the aged, who are not in the labour force. The problem is an economic one, it is a social problem; above all it is a moral problem. It must be approached with creativity and imagination.

An old approach, which has been given a modern cloak by neo-conservative economists, is to see supply-side economics with its emphasis on production, rather than on the demand side of the economic equation, as the cure-all for economic problems, including the problems of unemployment. The supply-siders argue that high taxation and excessive government spending are the twin factors responsible for the world's economic woes, and that such taxation and spending should be severely cut back. The resources so saved, together with further concessions, should then be made available to the private sector, which would convert them into production, growth, high employment and increased purchasing power.

Alas, there is little evidence to suggest that substantial amounts of money resulting from tax cuts will not, without elements of compulsion, find their way into consumption spending, thereby fuelling the fires of inflation and creating balance of payments problems. Secondly, there is little evidence to suggest that concessions and other resources available to the business sector will be converted into significantly higher production and greater employment, in proportion to the quantum of such concessions and resources. Thirdly, there is the question of how long a time span will have to elapse before the response of the business sector will have a meaningful impact on the levels of unemployment.

Three things are certain. One is that any effect of a cut-back in taxation is felt painfully and immediately, in the revenue available to government. The second is that any cut-back in Government spending is felt painfully and immediately, not among the upper middle classes and the wealthy, but among the poorest and most vulnerable groups in our nation. The third certainty is that the grant of concessions to one sector leads ineluctably to a demand from other sectors or sub-sectors for similar concessions. The irony is that in trying to solve economic problems, we may create social problems, and then further economic problems as well.

It is patent therefore that greater efforts at job creation are required, both in terms of the retention of the existing number of jobs, in terms of the generation of new jobs and in terms of greater equity in the distribution of jobs which may become available through vacancies or new opportunities. In this regard, I propose to adopt the following approaches during the current financial year in respect of the problem of unemployment:

- (1) The package of concessions granted to the private sector in July 1986 will substantially remain in place, except for modifications required to correct the fiscal deficit;
- (2) The private sector has a responsibility to act with a greater urgency in seeking to transform the concessions and additional resources available to it into significantly higher employment opportunities in a more timely manner;
- (3) I am impressed by the call from private sector and other groups for greater consultation on economic issues, including the issue of unemployment. In this regard, I propose to improve the process of consultation through regular meetings with leaders of private sector organisations, trade unions, Government agencies, and economists. I propose further to establish a very small body of economic advisers to study and advise on overall developments in the economy, including developments relating to unemployment;
- (4) I propose to offer a further inducement to employers to increase the number of persons they employ. I will indicate the mechanism to be used later when I deal with the fiscal policy;

- (5) Fairness and equity suggest that in situations where high rates of unemployment exist, measures should be undertaken to share certain vacant or additional jobs among those who are seeking employment. I • therefore intend to set up a Committee involving Government, Employers' and Workers' Organisations to consider the feasibility of implementing a job-sharing programme. I stand ready to implement speedily any appropriate recommendations which may result especially, though not exclusively, in relation to those who are in the 15-29 age group, where unemployment is greatest.

MONETARY POLICY

I next turn to the question of monetary policy. Let me stress very early how essential it is that the monetary policies we pursue should be consistent with our fiscal policy. They must be designed to prevent any erosion in our present economic situation and to promote optimum growth. Monetary policy by itself cannot achieve these objectives, but inappropriate policies will send incorrect signals which could frustrate our efforts. We therefore need to pay careful attention to the broad money supply, to money creation through Government borrowing from the Central Bank, and to interest rates. These are all inter-related.

An increase in the money supply, broadly defined as the sum of currency with the public, the demand deposits and time and savings deposits, the monetary liabilities of the financial system, will lead to a lowering of interest rates. But more critically, such an increase provides the potential for heavy spending with adverse consequences for our balance of payments, and ultimately for inflation. While therefore, we may be tempted to seek the benefit of the low interest rates which should accompany an increase in the liquidity of the banking system, the consequences for our external reserves and our price level are considerations that must not escape the attention of the Minister of Finance.

It is therefore, a matter of judgment to strike the correct balance between the growth in the money supply, the rate of interest, the rate of inflation and a viable external position. However, we must be careful not to abandon the other instruments of economic management and rely solely on monetary control which is so fashionable in the major developed countries.

Government is well aware of the dangers inherent in excessive money creation through its own borrowings from the Central Bank. Every year since 1983 the Government has been able to reduce its borrowings from the Central Bank and has relied on the commercial banks, the National Insurance Board and the non-bank private sector to provide its domestic financing needs. In 1987, however, the Central Bank provided \$19.0 million in credit to Government. I will take steps to reverse that situation in 1988, as part of the strategy to protect the balance of payments and to reduce the excess liquidity in the banking system.

In 1987, Government removed the selective credit controls which had hobbled the commercial banks for ten years. At that time, Government made it clear that the situation would be kept under review, and that if necessary the restraints would be reintroduced. I am happy to say that this is not necessary. The availability of the new credit to households was used to purchase land and finance home construction, repairs and improvement, activities which Government wishes to encourage. But in spite of the expansion in credit by commercial banks, liquidity is still very high and Government has the responsibility to remove some of this from the system through attractive short and medium term instruments.

Finally, consideration of the role of monetary policy would be incomplete without a restatement of Government's philosophy on exchange rates and interest rates. First the exchange rate: The Government of Barbados is committed to a fixed exchange rate regime which is appropriate for a small, open economy. I am also satisfied that there is no need to adjust the present exchange rate of BDS\$2 to US\$1. However, the implications that flow from this must be clearly understood and adhered to. The system of exchange rate management we have chosen imposes upon us the need for fiscal discipline, and the need to follow sensible wages policies based on sharing the gains of real growth. Failure to follow such policies will erode our external position, will reduce confidence in our economic management, and we will no longer enjoy the benefit of a sustainable balance of payments position based on the sale of competitive goods and services and the proceeds of judicious foreign borrowing.

With respect to policy on interest rates, I shall be pursuing the following four principles:

- (1) local lending rates should be as low as is feasible, taking account of underlying trends in foreign interest rates;
- (2) there should be the greatest possible stability in the domestic rates;
- (3) depositors should earn a reasonable return bearing in mind the margin that all banks, whether local or foreign, require for their viability; and
- (4) the movement in the domestic rate should reflect the local demand and supply of credit.

Government is philosophically committed to a low interest rate regime because local firms depend heavily on bank credit for capital. If credit is cheap firms should be able to price their output more competitively. Small changes of one point or so up or down, well-spaced over time, should not be too disruptive of business activity, but large increases in rates may be harmful, especially to exporters and to small businessmen who cannot readily influence the prices of the products they sell. High rates also make mortgages more expensive and dampen the housing market.

However, the balance of payments may suffer badly if domestic rates are kept significantly below comparable rates in the US and the UK. Barbados imports about over \$1,000 million a year; at any time a substantial amount of these imports will be supplied on credit. On occasion, the amount of trade credits outstanding have been in excess of \$100 million. That credit carries foreign interest rates. I must stress this point once again. If domestic credit is much cheaper than credit from abroad, traders will be tempted to borrow from local banks, purchase foreign exchange and pay their suppliers cash. This causes a significant one time decline in foreign exchange reserves. Furthermore, if domestic interest rates are very much lower than those available abroad, exporters of goods and services may be forced to give their customers credit for a longer time in order to keep the business, or may hold their funds abroad for as long as possible, seeking to make a turn at the higher rates. All firms will also seek to repatriate their profits much earlier to benefit from the higher rates available in their homelands.

Rapid erratic changes in interest rates are a strong disincentive to investment. Firms have difficulty under these circumstances in projecting their costs and households may be unwilling to commit to mortgages and other long-term investment for fear they may not be able to sustain them. In periods of interest rate uncertainty long-term investment dries up and short-term speculative activity takes over. To ensure local interest rate stability it is necessary to identify underlying trends in the international

economy. These should be used to guide the movements of local rates. It may be necessary to tolerate some deviations between local and foreign rates from time to time when, in our judgment foreign rates are excessively high; these deviations, however, can only be sustained for a short time.

The deposits of households in Barbados have grown with some persistence, often with relatively low interest rates. Nonetheless, depositors are entitled to a fair return. It is not necessary to match rates to inflation but the deposit rate should not remain far below the rate of inflation over an extended period; if that happens the real value of deposits will be seriously eroded.

The interest rate should be allowed to adjust the demand for credit to the available supply; when funds are relatively scarce, rates should rise; of course, that may shut out a few of the less profitable borrowers and some individuals whose finances are less sound. However, special facilities are provided by the Central Bank, the Barbados Development Bank, the Barbados Mortgage Finance Corporation and other official agencies to ensure that small businesses and less privileged households do not suffer unduly in times of credit shortage. When funds are abundant, rates should fall. Banks may then be able to entertain some viable though less profitable ventures.

The Central Bank stipulates some interest rates to provide guidance to the financial market. The rates are selected in such a way as to allow the market considerable leeway to adjust to the circumstances of borrowers and the strategies which different financial institutions may wish to pursue.

Loan rates in Barbados at the moment, are at levels comparable to those on international financial markets and local deposit rates are generally a little lower. The US prime rate today is 8.5 per cent and a depositor could obtain $7 \frac{5}{16}$ per cent for six months money or $7 \frac{11}{16}$ per cent for one year money in the Euro-dollar market today. The best rate available in Barbados on six-months deposits is 5 per cent, and 6.5 per cent for one year money. The minimum savings deposit rate, which has been raised to 4 per cent is now just above last year's rate of inflation 3.4 per cent. The inflation rate this year is expected to be in the same vicinity. Banks in Barbados now lend to their prime customers at between 9.0 per cent and 9.25 per cent while the latest computed average lending rate is 10.2 per cent.

Interest rates in Barbados are at levels comparable to those in Trinidad and Tobago and generally lower than in Guyana and Jamaica. The Barbados discount rate of 8 per cent compares with bank rates of 7.5 per cent for Trinidad and Tobago and 14 per cent and 21 per cent for Guyana and Jamaica, respectively.

The local rates are moderate by historical standards. The best available rate on six-months time deposits has ranged between 5 per cent from 1976 to 1979 and 1986/87 and a high of ten per cent in 1982. The best available prime lending rate recorded in the last fifteen years has been 7.5 per cent in 1977 and the highest was 13 per cent in 1981. The recent rise in interest rates therefore does not represent a change of Government's policy on this subject.

FISCAL MEASURES

Now I turn finally to the fiscal measures. These are designed to balance current expenditure with current revenue and to leave a small surplus towards the capital development programme of our nation. They are also designed to stimulate the tourism and manufacturing sectors of our economy. Over the past months, representations have been made to me by the Barbados Manufacturers' Association, the Chamber of Commerce, the Barbados Hotel Association and other organisations about the various ways in which the Government can further assist the business sector. After very careful consideration of the submissions, I have decided to introduce a number of measures to assist the manufacturing and tourism sectors.

All of us are aware of the substantial benefits which the country will enjoy if we succeed in revitalising the local manufacturing sector by making it more competitive, both in the regional and extra-regional markets. Two of the most likely results from the resurgence of the manufacturing sector are increased job opportunities for our people and a stronger balance of payments position.

StampDuty

On this occasion I will deal with three measures. The first relates to the stamp duty on Caricom imports. In the interest of continued good relations with our Caricom partners, and in an effort to place our manufacturers, who export to the region in the same position as their counterparts, I have decided to remove the stamp duty on imports from Caricom countries.

However, I recognise that it may be necessary for some of our trading partners to introduce legislation to facilitate a reciprocal arrangement with Barbados, and will begin discussion immediately on an effective date which is mutually acceptable. It is hoped that from that date, our manufacturers will have reasonable access to all regional markets in the same way that others have access to our market.

Secondly, in a further effort to improve the competitiveness of our manufacturers, with immediate effect, the 15 per cent stamp duty on raw materials and packaging materials from extra-regional sources will be removed for all manufacturers who are registered with the Customs Department. With respect to the packaging materials, I wish to point out that the Ministry of Trade will be monitoring the situation very closely to make sure that businesses do not import articles which can be produced by the local printing industry.

While I welcome increased production for the local market, I would like to see a much greater emphasis being placed on exports for reasons which I have mentioned already. Therefore, I now urge those companies which are well established in the local market not be content with their success at home but to use that support at home as a base for venturing into the regional and extra-regional markets and so help the country to earn much needed foreign exchange.

As a further step to assist with the growth of exports, during the year, I will take steps to improve the capabilities of our country to penetrate foreign markets more effectively. There will be a shift in emphasis from exhibitionism to an actual sales and marketing thrust, and the desirability of establishing an export trading company for this effort will be examined. In addition, some of our foreign missions will be provided with commercial attaches.

As far as tax incentives for exports are concerned, there is already in place an export allowance under the Income Tax Act and only a few companies have been making use of it. Therefore, it does not appear to me that any further incentives should be given at this stage.

The removal of the stamp duty on imports from the Caricom region is expected to result in revenue loss of \$20.0 million in a year, and that on raw materials and packaging materials is expected to result in a loss of \$35.0 million.

Levies

Over the years, measures such as the transport levy, the health levy, the training levy and more recently, the employment levy have been introduced as revenue raising measures. These levies are in essence payroll taxes and constitute part of the cost of conducting a business. Philosophically, I am opposed to levies and look forward to the time when the fiscal position will be strong enough to permit their abolition without a reduction in the level of services which are being provided. At this time, I am unable to go to that extreme.

I consider it necessary, however, to respond to comments that the health levy should not be collected since the National Health Scheme as proposed by the last Administration is not being pursued. According to the Estimates for 1988/89, the health levy is expected to bring in revenue of \$29.5 million. The Drug Service which is one of the areas of expenditure financed by the health levy is estimated to cost \$10.2 million, leaving a balance of \$19.3 million to cover all of the other services which were provided by the polyclinics and are still being provided.

In addition, we must not overlook the fact that this year the Government will be spending the sum of \$140.6 million, including capital expenditure of \$23.0 million on the health services of the country. We do have a comprehensive national health service in this country, and we have had it for many years. But, it has to be paid for; since good health is not only a goal in its own right but is also a productive investment in the quality of our human resources.

It will be recalled, however, that in 1986 it was decided that all levies except the Transport Levy would be paid into the Consolidated Fund. I will on this occasion, complete that process. Effective from June 1, 1988 the transport levy will be paid into the Consolidated Fund. There will have to be ongoing discussions between the Government and the Transport Board on what further steps should be taken to contain the deficit of that statutory body.

Consumption Tax

Our present fiscal situation is a difficult one, and no one will be so unreasonable as to expect the Government to give up such large sums of money without introducing measures to recover part, if not all.

Therefore, with immediate effect, all existing ad valorem Consumption Tax Rates except those relating to motor vehicles will be increased as follows:-

(a) the basic rate will be increased from 6 per cent to 9 per cent, that is an increase of three percentage points;

(b) all other rates will be increased by 5 percentage points.

The rates on motor vehicles will remain unchanged. In addition, certain specific rates will be increased as follows:-

Present Proposed

Caricom Non-Caricom Caricom Non-Caricom

Tariff No.

Ex 22.01

22.02	Waters including Spa waters and aerated waters	lOc.per container	lOc. per container	lOc.per container	15c. per container
	Lemonade, flavoured Spa waters and other nonalcoholic and vegetable juices falling within heading 20.07	lOc.per container	lOc. per container	lOc.per container	15c. per container
22.09	Whiskey (ii) Other	\$12.00 per litre	\$12.00 per litre	\$12.00 per litre	\$15.00 per litre
22.09.02	Brandy (ii) Other	\$12.00 per litre	\$12.00 per litre	\$12.00 per litre	\$15.00 per litre
22.09.04	Gin	\$12.00 per litre	\$12.00 per litre	\$12.00 per litre	\$15.00 per litre
22.09.05	Vodka	\$12.00 per litre	\$12.00 per litre	\$12.00 per litre	\$15.00 per litre
24.02.01	Cigars, Cheroots, Cigarillos	\$20.00 per kg	\$20.00 per kg	\$22.00 per kg	\$22.00 per kg
24.02.02	Cigarettes	40c. per 5	40c. per 5	45c. per 5	45c. per 5
24.02.03	Snuff	\$15.00 per kg	\$15.00 per kg	\$18.00 per kg	\$18.00 per kg
24.02.09	Other	\$15.00 per kg	\$15.00 per kg	\$18.00 per kg	\$18.00 per kg

These changes to the consumption taxes are expected to yield an additional revenue of \$71.0 million this fiscal year. The net effect of reductions in Stamp Duty and the increases in Consumption tax are expected to increase the cost of living by less than one per cent.

Petroleum Prices

Our policy on energy prices is that when the cost of petroleum products falls, the consumers should benefit in the form of reduced prices and when the cost rises, the consumer should carry the burden. Since July, 1986, the cost of product for kerosene, diesel and fuel oil has risen beyond the 1986 level, but consumers have continued to pay the same prices because the Government gave up revenue to maintain those prices.

Recently the price of crude oil has started to rise and is expected to continue in that direction over the next few months. Therefore, with immediate effect, adjustments will be made to the consumption tax on petroleum products so that the retail price of gasoline, diesel and fuel oil will be increased as follows:

- (1) gasoline \$ 1.05 per litre instead of 95c.
- (2) 48/52 diesel, 90c. per litre instead of 80c.
- (3) 43/47 diesel, 68c. per litre instead of 58c.
- (4) fuel oil 23.655c. per litre instead of 22.655c.

There will be no change in the price of kerosene. Also, the wholesalers' and dealers' margins will remain unchanged. The additional revenue from the above increases is estimated at \$12.0 million in this fiscal year.

Aviation Fuel Charges

The charges on aviation fuel were fixed since 1980 and it is felt that it is time for a small increase. Therefore, with effect from 1st May, these charges will be increased as follows:

	<i>Present</i>	<i>Proposed</i>
(1) AV GAS 100	2c. per litre	3c. per litre
(2) Jet A-1	0.8c. per litre	1c. per litre

Additional revenue from this source is estimated at \$600,000 in this fiscal year.

Turf Club

Over the years, the Barbados Turf Club has made a significant contribution to the development of the country and has been a provider of a large number of jobs. I have taken note of the various representations which have been made about the difficulties which the Club is experiencing as it seeks to improve the facilities at the race track and to preserve the existing level of employment. Therefore, I will use existing legislation to provide assistance to the Turf Club in the same way that assistance is provided to other sectors of the economy.

Income Tax

The Government remains committed to the principle that, wherever possible, more money should be placed at the disposal of the individual. However, it is just not possible to maintain the existing level of services, and in addition expend substantial sums of money in our effort to stimulate the productive sectors, without introducing alternative revenue raising measures. At the same time, I do not subscribe to the view that the full burden should be placed on indirect taxes, since those persons at the bottom of the income ladder are likely to be affected greatest by indirect taxation. As I indicated during the debate on the Estimates, there are certain corrective measures which are necessary; and even though I have embarked on a process of reviewing the entire tax system, with the aim of tax reform, it is necessary to make certain adjustments to the present income tax system at this point in time.

Effective from 1st May, 1988, there will be a temporary surcharge on incomes. The surcharge which is separate and distinct from the existing income tax regime will be administered as follows:

(a) Employees

All employers paying emoluments to employees for services rendered shall withhold from such payments a surcharge on the following basis, the surcharge being paid monthly to the Commissioner of Inland Revenue:

- (1) the surcharge will not apply on the incomes of those earning \$15,000 or less per annum nor on the first \$15,000 of income for those individuals earning over \$15,000 per annum.
- (2) 5 per cent of net emoluments will apply to incomes over \$15,000 per annum but not more than \$35,000 per annum, after the special allowance of \$15,000 has been deducted.
- (3) A surcharge of 7.5 per cent of net emoluments will apply to incomes over \$35,000 per annum, after the special allowance of \$15,000 has been deducted.

For example, to illustrate how the surcharge will work, take the case of an employee earning \$15,600 per annum. The employee will be entitled to the special allowance of \$15,000; the surcharge of 5 per cent will therefore fall only on the remaining \$600 which works out to be \$30 per year or \$2.50 per month.

In addition, all employees will be required to make a special return to the Commissioner of Inland Revenue in which they must report their income from all sources, including any travelling and entertainment allowance in excess of \$7,200 annually in each case, and shall pay any balance of the surcharge to the Commissioner on or before 30th April, 1989.

(b) Other Individuals

In the case of other individuals, including the self-employed, a surcharge of 5 per cent will be collected on net income from all sources, of more than \$15,000 annually but not more than \$35,000, after the special allowance of \$15,000 is deducted.

Where the net income is over \$35,000, the surcharge will be 7.5 per cent after the special allowance is deducted. Moreover, persons in this category starting from 15th June, shall make a prepayment of 50 per cent of their normal income tax prepayment, in respect of the surcharge.

The dates on which the prepayment of the surcharge shall be made to the Commissioner of Inland Revenue will be 15th June, 15th September, 15th December.

All persons in this category, including the self-employed, are required to file a special return and include therein income from all sources, and after deducting the special allowance of \$15,000, shall pay any surcharge which is due after any off-set of prepayments, to the Commissioner of Inland Revenue on or before 30 April, 1989.

I wish to state that the surcharge is in addition to any income tax which is now payable in accordance with the existing legislation and that no part of it is refundable. The surcharge will apply for fiscal year 1988-89; specific action will be required if it is decided to run the surcharge for a further period.

The surcharge is expected to yield additional revenue of \$15.0 million this fiscal year.

At present, taxpayers are permitted to claim unlimited sums of money for repairs to dwelling houses. During the past year, the Inland Revenue Department which is already heavily burdened, had the additional task of differentiating between repairs and improvements. As a result, there have a number of disputes between the staff of that Department and individuals over what constitutes repairs as distinct from improvements. It is my belief that the objective of providing incentives for persons to maintain their houses and by so doing, enhance the beauty of the country, can be achieved by limiting the claim and including improvements. Therefore, effective from this income year, the claim will be limited to 7.5 per cent of the improved value but will be allowed for repairs or improvements or both.

In the case of chattel houses which do not have an improved value, the taxpayer will be allowed to claim up to \$5,000 annually for repairs or improvements or both.

The Ministry which has responsibility for Co-operatives is now reviewing the regulations which affect such institutions. Therefore, it is not my intention to make any major changes in relation to Co-operatives at this time. However, I consider that a minor change should be made to that section of the Income Tax Act which permits a claim for savings with a Co-operative Society.

It has been drawn to my attention that in the initial stages, some frustration is experienced by those persons who join a Co-operative society after the month of January. As a result, I have decided that effective from this income year, the relevant section of the Act will be amended to allow a deduction for any contributions during a particular calendar year, up to a maximum of \$3,600 during an initial period of two consecutive years and for each subsequent year an amount not exceeding \$1,800.

Present evidence suggest that there are a number of self-employed persons who are not paying their fair share of personal income tax. If all of us pay our share of taxes, the Government will be better able to provide all of the services which are necessary, and still be in a position to reduce the burden on individuals.

Therefore, I wish to issue an advice to all of those persons who are now delinquent in their payments of whatever kind, and in particular to those persons who are not within the tax net in spite of the fact that their incomes are in excess of \$15,000 annually. The Inland Revenue Department will be improving its operations in the coming months. It will also be launching an island-wide campaign to collect any outstanding amounts, and to extend the tax net by encompassing those entities which should be within the net.

Corporations

Although the concessions granted in 1986 will remain largely in place. I have decided to impose a temporary surcharge of 7.5 per cent on the profits of corporations from this income year but am prepared to refund up to 2.5 per cent if additional employment is provided by the particular corporation. The refund will be on the basis of one tenth of 1 per cent of the surcharge up to a maximum of 2.5 per cent for every additional person employed. The persons should have been employed by the corporations for not less than 3 months up to 31st December, 1988 and must be still employed at the date on which the corporation tax return is filed.

The surcharge shall be paid on 15th October and 15th March and should be calculated on the same basis as the 35 per cent Corporation Tax. At the end of this fiscal year the surcharge will be reviewed and at that time I will decide if it will be extended or not.

This surcharge is expected to yield revenue of \$10.0 million after refunds have been made.

At present corporations are permitted to carry forward losses for 7 years. However, effective from this income year, the maximum period for carrying forward losses will be 5 years, and the losses brought forward in any one year should not reduce the tax liability of the corporation by more than 50 per cent.

This change in the existing manner of dealing with the carry forward of losses, is expected to save revenue of \$2.0 million this fiscal year.

Bus Fares

While I consider that there might be a continuing need for the Government to provide some subsidy to the Transport Board in the interest of those persons who rely on public transport, I also believe that as the cost of operating the service increases, some of the additional burden must be borne by the users of that service. Therefore, effective from 2nd May, the bus fare will be increased to \$1.00, with school children paying half-fare. Additional revenue to the Transport Board is estimated at \$6.0 million. Steps will be taken to improve the service.

Old Age Pensions

I am ever mindful of the contribution which our senior citizens have made to the development of our country, in spite of the great odds against which they had to struggle. I could not conclude this evenings proceedings without mentioning them. Therefore, effective from 23rd May, the non-contributory Old Age Pensions will be increased from \$50.00 per week to \$52.00 per week and as a consequence, the National Insurance Pensions will be adjusted accordingly. These increases are expected to result in additional expenditure to the National Insurance Fund of \$3.0 million in this fiscal year.

Net Revenue

The measures which I have just outlined are expected to make a net contribution of \$55.6 million to the Consolidated Fund as follows:

<i>Revenue Gains</i>	\$110.6m
Consumption taxes on goods	71.0m
Consumption Tax on petroleum products	12.0m
Tax on aviation fuel	0.6m
Surcharge on personal incomes	15.0m
Surcharge on corporate profits	10.0m
Change in method of dealing with the carry forward of losses	2.0m
<i>Revenue Losses</i>	55.0m
Removal of stamp duty on Caricom imports	\$20.0m
Removal of stamp duty on extra-regional raw materials and packaging materials	35.0m
<i>Net Revenue Gains</i>	\$55.6m

I have eliminated the current deficit and have created a small surplus to go towards the financing of the capital development programme. In short, we are returning to those days when we were able to finance the current expenditure out of current revenue and to make a contribution towards capital expenditure. It is our intention to continue on such a path and during this fiscal year every effort will be made to keep the current expenditure in line with the current revenue. Proposals for increases in wages and salaries have recently been received by the Government from the unions and other bodies representing the various categories of public employees. I expect that negotiations on these proposals will commence shortly. I also hope that these negotiations will be concluded expeditiously.

It will be recalled that at the outset of this Budget, I made the statement that one of the fundamental objectives of this nation and my Government is the promotion of a reasonable and just distribution of incomes in accordance with the ability of the employer to pay, and in relation to the growth rate in the economy.

At the same time, I am a believer in the processes of collective bargaining and I have therefore not attempted to pre-judge the outcome of the negotiations. No provision has therefore been made in these Budgetary Proposals in anticipation of the nature of any settlement. When the outcome of the negotiations is known, I will return to this Honourable House, with such measures as may be necessary.

CONCLUSION

Permit me, in conclusion, to observe that the people of this country have been subjected to the most intense speculation and political posturing in the period leading up to the presentation of this budget, that I have ever witnessed during all of my years as a Member of Parliament. Matters which were previously never seen as issues have suddenly become major concerns: matters like the date of the budget and what will be the style of the presentation.

Many positions have been urged upon me, some of them mutually exclusive: to raise more revenue but not to raise taxes; to reduce expenditure but not cut Government services; to withdraw the concessions given in 1986 and not to withdraw them. I have chosen to face reality.

The fiscal deficit is not a myth, but a hard reality. The threat to our balance of payments and to the foreign exchange reserves is not a myth, but an ever-present reality. The national debt is not a myth, but a hard reality. Unemployment is not a myth, but an ever-present hard reality and a potentially dangerous social problem.

We must act, and act courageously on these matters. History deals harshly with those who do not face reality. This applies to individuals and to nations. It would be irresponsible for us, as individuals or as a nation, to seek refuge in escapism or in a sea of excuses. Clearly adjustments are required so that growth and development may take place with realism and equity.

I wish to re-emphasize that the central thrust of this Budget is to create the conditions for yet another year of growth in our economy as well as growth in the medium term, by seeking to correct those situations which are patent threats to that growth.

I have presented a Budget that seeks to maintain momentum in Barbados. I call upon all Barbadians to recognise that we must all work together to solve our economic problems. I call upon all Barbadians to pull their weight. This is a time to demonstrate our collective sense of responsibility and our collective common sense.

We have made a small and temporary adjustment to personal income taxation. We have introduced a small and temporary adjustment in the rate of corporation tax. We have made a small adjustment in the consumption taxes and petroleum prices. These small and temporary measures are, however, intended to lay the foundation for long and lasting improvement in our economy.

We have a great opportunity to create a better and more just society in our land. Let us seize the opportunity to promote growth and development through increased productivity. Let us seek to promote growth and development so that new jobs may be created for the unemployed. Let us seek to promote growth and development so that our commerce, industry and manufacturing, and our agriculture may flourish. Let us seek to promote growth and development so that the economic cake in Barbados may expand and so that all of us can get a bigger share in equity and justice. But above all let us now make and support the corrections that will permit that growth and development in the future. In the end, a strong economy and a just society remain as the fundamental objectives of my Government. We have not and will not change from the pursuit of these objectives.

SUMMARY OF BUDGETARY PROPOSALS

1. Removal of stamp duty on imports from Caricom Countries on a date to be agreed. Revenue loss of \$20.0 million is expected this fiscal year.
2. Effective 28th April, stamp duty on raw materials and packaging materials which are imported from extra-regional sources will be removed for manufacturers who are registered with the Customs Department. Revenue loss of \$35.0 million is expected this fiscal year.
3. Effective 28th April, the basic rate of consumption tax will be increased from 6 per cent to 9 per cent and all other rates except the rates which apply to motor vehicles, will be increased by 5 per centage points. Additional revenue of \$71.0 million is expected this fiscal year.
4. The transport levy will be transferred to the Consolidated Fund from 1st June.
5. Effective 28th April, the consumption taxes on petroleum products will be adjusted so that the retail price on gasoline, diesel and fuel oil will be as follows:-
 - (i) gasoline \$ 1.05 per litre instead of 95 cents;
 - (ii) 48/52 diesel 90 cents per litre instead of 80 cents;
 - (iii) 43/47 diesel 68 cents per litre instead of 58 cents;
 - (iv) fuel oil 23.655 cents per litre instead of 22.655 cents.

Additional revenue of \$12.0 million is anticipated.

6. Effective 1st May, charges on aviation fuel will be increased as follows :-
 - (i) AVGAS 100 3 cents per litre instead of 2 cents per litre
 - (ii) Jet A-1 1 cent per litre instead of 0.8 cents per litre.

Additional revenue of \$600,000 is expected.

7. Effective from 1st May, 1988, there will be a surcharge on personal incomes in excess of \$15,000 annually as follows:-
 - (i) A special allowance of \$15,000 will be granted to every individual before the surcharge is applied;
 - (ii) Incomes in excess of \$15,000 but not more than \$35,000 per annum at the rate of 5 per cent;
 - (iii) Incomes in excess of \$35,000 per annum at the rate of 7.5 per cent.

Additional revenue of \$15.0 million is expected.

8. Effective from income year 1988, the claim for repairs or improvements or both will be limited to 7.5 per cent of the improved value. Owners of chattel houses will be permitted to claim up to \$5,000.
9. Effective from income year 1988, the claim for savings with a co-operative society will be for any contribution made in a calendar year.

10. Effective from this income year, corporations will pay a surcharge of 7.5 per cent on corporate profits. Provided that additional persons are employed, a refund of 0.1 per cent of the surcharge will be granted per additional employee up to a maximum of 2.5 per cent of the surcharge. Additional revenue after refunds is anticipated to reach \$10.0 million.
11. Effective from this income year, companies will not be permitted to carry forward losses beyond 5 years and will not be allowed to use losses to reduce their tax liability by more than 50 per cent.

It is expected that \$2.0 million will be saved through this adjustment.

12. Effective 1st May, 1988, bus fares will be increased to \$1.00.
13. Effective from 23rd May, Non-Contributory Old Age Pension will be increased from \$50.00 per week to \$52.00 per week. National Insurance Pensions will be adjusted accordingly.

'Additional cost to the National Insurance Fund this fiscal year is expected to be \$3.0 million.

Mr. Speaker, I beg to give notice of the following Resolution:—

WHEREAS the Government is pursuing the following national objectives namely;

- (1) the attainment of the best possible rate of economic growth, given the prevailing circumstances;
- (2) the containment of the general level of price increases for goods and services within reasonable limits;
- (3) the maintenance of the balance of payments at levels which we can sustain as a sovereign, independent nation;
- (4) the retention of the existing number of jobs, and the creation of the highest possible number of additional jobs in order to provide employment opportunities for persons seeking work;
- (5) the promotion of a reasonable and just distribution of increasing incomes in accordance with the ability of the employer to pay, and in relation to the growth rate in the economy; and
- (6) the maintenance and enhancement of a Basic Human Needs approach to ensure that all individuals and groups in our nation, particularly the disadvantaged and the vulnerable, are catered for in terms of their health, education, nutrition, housing and other social and cultural needs.

AND WHEREAS in the pursuit of these objectives the 1988 Financial Statement and Budgetary Proposals are specifically directed towards the goals of —

- (1) reducing the fiscal deficit;
- (2) improving the position of the balance of payments and the foreign reserves;
- (3) stimulating the manufacturing and agricultural sectors with special emphasis on exports;
- (4) expanding the employment opportunities.

AND WHEREAS the measures announced in the 1988 Financial Statement and Budgetary Proposals by the Prime Minister and Minister of Finance and Economic Affairs are directed towards the attainment of the foregoing objectives and goals.

BE IT RESOLVED that this Honourable House take note of the 1988 Annual Financial Statement and Budgetary Proposals and approve the measures therein.

Hon. P. M. GREAVES: Mr. Speaker, I second the resolution and reserve my right to speak.

SUSPENSION OF SITTING

Hon. P. M. GREAVES (St. Michael North): I move that this sitting be now suspended until 4:30 p.m. tomorrow, Friday, April 29, 1988.

Hon B. M. TAITT: I beg to second that, Sir. 7.40 p.m.

Hon. H. deB. FORDE (Christ Church West): Speaking on the suspension, Sir, the Leader of the House has circulated a roster concerning arrangements which it is hoped Your Honour will accept for the participation of other honourable Members in this debate. I saw it, of course, when I came into the House.

Obviously, the proposals, having regard to the length of time of the speech of the Honourable Prime Minister and Minister of Finance, cannot fit into the schedule which the Leader of the House has given to us, and, obviously, I would expect that there will be some, discussions between the Government and the Opposition on the schedule.

I really wish to draw particularly to the Leader's attention that the convention which has been followed in recent years, where the last spokesman on behalf of the Opposition, the Leader of the Opposition, speaks immediately before the winding up speech on behalf of the Government, has been departed from in this schedule. Normally it has been followed, and certainly it was followed last year. It was followed during our time in Government and the Democratic Labour Party's time in Opposition, and I would expect that in those discussions we will revert to that position, Sir.

I can understand that we have a difficulty about time, given the Rules of the House. The honourable Member has not set aside the particular Standing Order. After the suspension today, I am certainly available to discuss the matter with the Leader of the House, if he wishes to discuss the matter at all, in the circumstances that I thought a convention had developed.

So I would expect, Sir, that we would look at the schedule. Obviously every honourable Member in this House would wish, if he has an opportunity, to speak. I would also like to think, Sir, that the convention which had been established, of an hour for the person who spoke immediately before the winding up speech, is also followed.

Hon. P. M. GREAVES: Mr. Speaker, I do not know why the Honourable Leader of the Opposition would involve Your Honour in this particular matter, since he suggests that there should be some consultation between us, and I think that could be done without involving the whole Chamber in this particular matter.

As regards, Sir, the length of speeches, I think the Honourable Leader of the Opposition knows quite well that because of the Standing Orders, which limit the debating time to two days immediately after the presentation of the Budget, it will not be easy, Sir, to slot in every single Member who wishes to speak, and assuming that they all wish to speak, to fit them into the debating time that is available over those two days. So what I have presumed to do, Sir, is to follow the Standing Orders of this Chamber in terms of the debating time permitted to the Leader of the Opposition.

The Member speaks, Sir, about convention. There has been no convention on this. Probably about three or four years ago, Sir, the then Government decided that it would not observe the Standing Orders of the Chamber and introduced rules to govern its own debating time. But that, Sir, only developed about four or five years ago, and I do not see how he could be suggesting that four or five years could be considered a convention. I feel the Honourable Leader of the Opposition will have to agree with that.

However that may be, Sir, during last year's debate, if I may just refer honourable Members to last year's debate, when the Honourable Leader of the Opposition came virtually to the end of 30 minutes of his speech, he said:

"And I now want to deal very briefly, in the limited time available to me;" "

at which point, Sir, Your Honour interjected. And the then Leader of the House, now Prime Minister, Sir, suggested that, with the leave of the House, the Leader of the Opposition could have a time equal to that of the Prime Minister, who had spoken, I believe, Sir, for about 45 minutes during last year's debate immediately before the Leader of the Opposition.

But, Sir, there is no such person now who would have that additional time. The Honourable Prime Minister is now Minister of Finance, and his reply would be as Minister of Finance or as Prime Minister, as he cares to reply. But there is no extra time given to the Government benches as a result of that.

Because of the situation, I do not see how, Sir, there is a matter for discussion between us. I will find it very difficult, Sir, to see how we can observe the Standing Orders in the time permitted and allowed to us, and at the same time allow time additional to that to the Leader of the Opposition.

Sir, I am quite prepared to discuss the matter.

SUSPENSION OF SITTING

The question that this sitting be now suspended until Friday, April 29, 1988 at 4.30 p.m. was put and resolved in the affirmative without division, and Mr. SPEAKER suspended the sitting accordingly. 7.47 p.m..

ON RESUMPTION Mr.

SPEAKER: This sitting is resumed.

Order No. 1, the debate on the Financial Statement and Budgetary Proposals, is resumed.

The honourable Member for St. Peter.

Mr. O. S. ARTHUR: Mr. Speaker, I will come straight to the point. Yesterday this Honourable House was regaled with what was meant to have been the Financial Statement and the Budgetary Proposals of the Minister of Finance. I think it would be fair to say that the only part of the presentation which is worth responding to in a serious, analytical way is the latter section, which took no more than 45 minutes, and in which the Minister managed to establish for himself a reputation and the infamy as being the most vicious tax collector in the history of this country.

During the course of the debate on the Estimates, Mr. Speaker, I had intimated to the Minister of Finance that in his attempt to deal with one financial mess, he seemed, and I feared, poised and intent on creating an even greater financial mess. These words of warning seem not to have fallen on the ears of the wise, and he has introduced a set of measures which have gone too far, and which will simply not have the kind of beneficial impact on the Barbados economy as he would have wanted us to believe. I will deal with that particular theme later in my presentation.

Much of his time was taken up in dealing with elementary and amateur' economic principles, all of which he managed to convey and communicate with all of the emotions of original discovery.

I do not think, Mr. Speaker, that the Prime Minister and Minister of Finance needs to establish that he is a novice in economic matters. He certainly does not embellish nor adorn the high office which he now ' occupies when he feels compelled to explain, for his own benefit, I suspect, as much as that of this House, what is meant by the balance of payments, the simple principles of public finance, and thereafter to venture into the economics of David Copperfield.

I want to submit to the House, Sir, that if there was one legacy that Tom Adams bequeathed to this country, it was that of raising the level of economic literacy among the people of Barbados, and I do not believe that the Minister will find that concepts such as the foreign reserves, the balance of payments, fiscal deficits, with which he struggled so mightily, have not passed into the common vernacular of the people of this country. The effort, therefore, to explain the obvious was not one of his finest hours. Happily, there will be finer things for which he will be remembered, such as the sterling contribution to the development of education in this country.

He went, Sir, to great lengths to establish that he will be meeting in the future with members of the trade union movement, the private sector, Government agencies and economists. One immediately wonders, Mr. Speaker, with whom was he meeting in the past? But then we are immediately sobered by reflection that this, indeed, has been one of the major concessions in this Budget, since, in the admission of the former Minister of Finance, he never met with his Minister of Economic Affairs and the Prime Minister of this country during the three months' when he occupied the same premises on Bay Street.

It is also to be supposed that the Investment Council, which was established last year as a deliberate policy by the Democratic Labour Party, has never been convened. We, therefore, must be thankful for small mercies and thank the Prime Minister for at last agreeing that it is necessary for a Minister of Finance and the Prime Minister of this society to meet with the economists of the country, members of the private sector, the trade unions, and Government agencies.

I am saying all this, Mr. Speaker, because the Minister of Finance did manage to compress what ought to have been a presentation of no more than one hour into a speech lasting for well over three hours. The only service that he did was to uplift the standards of truth in public life, to some extent, by establishing that, the debt position of Barbados, as left by the Barbados Labour Party, is far more comfortable than that which faces better endowed economies, by establishing that there was no massive expansion in the relative claims by the public sector on the national resources under the Barbados Labour Party, and by establishing beyond all reasonable doubts that all of the economic problems experienced by Barbados over the course of the last two years can be directly attributed to the policies pursued by the party which he has the honour to lead.

The point of greatest significance, Mr. Speaker, in the Prime Minister's speech was obviously the political point. The Prime Minister and the Minister of Finance in the course of his speech publicly and completely repudiated and discredited the economic policies by which the Democratic Labour Party was elected to office. That is a fact.

He has also established beyond any shadow of a doubt that that policy was a complete and total failure. And what this Budget of this year now sets out to do is to toss the DLP's manifesto through the window and to replace one set of irresponsibility with another. We will get to that particular issue later in this debate.

In his budgetary presentation, Mr. Speaker, the Prime Minister and Minister of Finance lambasted what he called supply-side economics as a neo-conservative economic philosophy. He says supply-siders argue that high taxation and Government spending are the twin factors responsible for the world's economic woes. The House will immediately recognise that this is the exact version that the Democratic Labour Party gave the people of Barbados as an explanation of the economic problems which faced this country in 1986. It traced the problems, as all supply-siders face the problem, to high taxation and Government spending. So the Prime Minister has clearly identified that the Democratic Labour Party believes in and practises supply-side economics, which he now dismisses.

He added that the supply-siders propose that such taxation and spending should be severely cut, and that the resources so saved should be made available to the private sector. Again, Sir, this House will recognise that these are the exact policies as enunciated by the Democratic Labour Party and put in effect in the July Budget of 1986. So there can be no doubt that when the Prime Minister criticises those who practise supply-side economics, he is really criticising his own party.

Then, Mr. Speaker, in a moment of profound revelation, he said that there is little evidence to suggest that the substantial amount of money resulting from the tax cuts will not find its way into consumption spending, thereby fuelling the fires of inflation and causing balance of payments problems. 4.40 p.m.

These, Sir, were exactly the points put to the Democratic Labour Party by the Barbados Labour Party when we set out to point out to them the particular weaknesses in the economic policies centred around major cuts in taxes, that they would, of necessity, Mr. Speaker, lead to high levels of consumption spending and put pressure on the balance of payments in the process.

He also asserted, Mr. Speaker, that the certain impact of tax cuts such as those introduced by the Democratic Labour Party is to painfully and immediately reduce the revenues available to the Government. This is a revelation, Mr. Speaker, that has come two years too late, because it is precisely the issue over which the 1986 election was fought, and it is precisely, Mr. Speaker, the fact that the Democratic Labour Party, by many different devices, has been seeking to conceal from the people of this country for the last two years, that large tax cuts, as we said, would lead immediately to painful and severe cuts in the revenues available to Government. We are hearing this now from the Prime Minister two years too late.

He concluded, Mr. Speaker, that the fiscal deficit that has been caused by his party's economic policies is no longer a myth, but a part of a hard reality. He advanced the argument, Mr. Speaker, that the drain in the balance of payments and foreign reserves caused by the policies of his party are no longer a myth, and I am using his words, but part of our reality. And he also put the case, Mr. Speaker, without any fear of contradiction, that the National Debt that has been caused by the tax cuts of his party is now also not a myth, but part of the contemporary reality of this country in which we live.

In short, Mr. Speaker, the Minister of Finance and the Prime Minister of this country has at last conceded that everything that the Barbados Labour Party said about the possible impact of the policies articulated and put into effect by the Democratic Labour Party was correct from the start, and has been proven to be true. He is now prepared to confirm that, in fact, the Democratic Labour Party misled the people of this country to begin with, and that it knowingly, and premeditatedly, inflicted on the people of Barbados a very heavy dose of economic slow poisoning.

He is also prepared, Mr. Speaker, to confirm that in the course of the past 18 months Government finances have been devastated, the balance of payments has been undermined, our foreign reserves have been drained away, that there has been an increase in the level of foreign debt, and that, at the end of the day, there has also been an increase in the level of unemployment.

Let this House, Mr. Speaker, clearly understand that the Democratic Labour Party stands condemned in the words of its leader. He said enough, Mr. Speaker, to suggest that the former Minister of Finance can be rightly accused

of incompetence and gross mismanagement. And under the guise, Mr. Speaker, of now appearing to take courageous and realistic decisions, he will have us now believe that he is the victim of circumstances to which he did not contribute, and like King Lear of Shakespeare tragedy, he is a man more sinned against than sinning.

I submit to this House this evening, Mr. Speaker, that the responsibility in this matter is a collective responsibility which must be shared by all members of that Government, and not least of all by the present Minister of Finance and the Prime Minister of Barbados. Indeed, Sir, his role in this matter was a pivotal role. I must remind this House, Sir, that the planning of the Democratic Labour Party's tax policies of 1986 began in 1984, when a Parliamentary Question was asked by the honourable Member for St. Michael South (Hon. L. E. Sandiford), who is now the Minister of Finance and the Prime Minister of Barbados.

He asked a Parliamentary Question, Mr. Speaker, requesting information on the number of persons in respect of tax bands and the amount of income paid to those respective people. The former Prime Minister, Mr. Tom Adams, as you know, was perfectly honest in these kinds of matters, and he supplied the information to the Democratic Labour Party, and the Democratic Labour Party used that information requested by the honourable Member for St. Michael South to do their estimate of the cost of the tax proposals. Mr. Adams, Sir, cannot now be held responsible if they did not use the information properly, and ended up showing that the tax cuts would cost, not \$100 million, but something in the vicinity of \$35 million, as was stated by the former Prime Minister in 1986, Mr. Errol Barrow.

But Mr. Adams sensed what was coming, and in the 1984 Budget, his last Budget to this House, he told the people of this country that calls by the Opposition for impossible levels of tax relief are part of a political game which can be ignored. They are called for, he said, not because they are feasible, but to give the Opposition a chance to accuse the Government of not doing what in their heart of hearts they knew could not be done. They were Adams' words in 1984 in response to the Parliamentary question put by the now present Prime Minister for information about tax bands and income paid by the persons in those various bands.

I must remind the House, Mr. Speaker, that the former Prime Minister, Mr. Errol Barrow, implicated everybody in the Democratic Labour Party in this mess when he said on the floor of this House that the full Democratic Labour Party team, working with a group of experts, had laboured for seven and a half long months in putting together the tax proposals. And the DLP manifesto, Sir, from which the Minister of Finance would now wish to dissociate himself, was first presented to the people of this country at a political mass meeting, if you will recall, Mr. Speaker, not

in the constituency of St. Michael South Central, but in the constituency of St. Michael South, Deighton Road,' immediately in front of his constituency office. It was a meeting in which he played a prominent part, in which a major effort was done to promote his cause as a potential Deputy Leader of this country, and neither he, Mr. Speaker, nor any member of the Democratic Labour Party, has done anything at any stage over the course of the last two years to say that the manifesto of the Democratic Labour Party was a flawed document. What he had, indeed, was the full support of the Prime Minister, full support by all the members of the Democratic Labour Party, and there was the most merciless condemnation of anybody who stood in opposition to those tax proposals, and who was concerned with issuing warnings about the collision course on which this country was being set by the policies of the Government.

I, therefore, Mr. Speaker, submit to this House that if we are to hang one, then we have to hang all. Let it also be clearly understood, Mr. Speaker, that in discarding its initial economic policy and by introducing an entirely new one, the Democratic Labour Party has stripped itself of any political mandate for the course of action on which it is about to embark. I want to stress the point, Sir, because it is the political point that this Budget raises. By discarding its initial economic policies, Mr. Speaker, and by introducing an entirely new one, the Democratic Labour Party has stripped itself of any political mandate or moral authority for the course of action on which it is about to embark. 4.50 p.m.

The people of this country were not asked to vote for tax increases. They were asked to vote for tax cuts. The people of this country were not asked to vote for expensive government. They were told to vote for one which, it was alleged, could have reduced waste and extravagance, and decrease rather than increase, public spending. The people of this country, Mr. Speaker, did not, and were not asked to vote for increased foreign debt. They were told to vote for a Government which could keep the debt of this country stable. The people of this country were not asked to vote by the Democratic Labour Party for increased unemployment. They were told that in voting for the tax measures of the Democratic Labour Party, the level of unemployment in this country would have been reduced.

It is clear, therefore, Mr. Speaker, that the Democratic Labour Party has not fought the good fight, it cannot finish its course, nor does it intend to keep the faith! When a Government, Mr. Speaker, so entirely, by its own admission, betrays the confidence and the faith reposed in it by the people of this country, I submit to this House that the time has come for it to allow the people again to decide their own destiny. Let us, on the basis of this Budget, go back to the people of this country and let them decide for themselves.

The argument I am putting, Mr. Speaker, is all the more compelling when we look at the new thrust of the Government policy, which now falls to be considered. Despite all the fancy talk by the Minister of Finance, the new policies of the Democratic Labour Party are meant to serve one purpose, and one purpose alone. They have nothing to do with the growth and the development of Barbados. They have nothing to do with the building of a just society. They are meant purely and simply to rescue, extricate, the Government from the deep financial hole in which it has placed itself in the face of consistent and sober warning over the course of the last few years. Every sector and every section of the Barbadian community is now being called on to pay for the irresponsibility and the mismanagement of the Democratic Labour Party.

The Prime Minister has tried to show that he intends to follow the precepts of sound financial management by setting out to close the Current Account gap as the basis of his overall economic policy. He has tried to show that he will take in \$110 million in taxes and that he will give back \$55 million in taxes, and by that means close the current deficit of \$48 million and allow some \$7 million to be held in reserves to help finance Government's Capital programme.

If this, Mr. Speaker, was the intention, then I am submitting to this House this afternoon that his measures have gone too far, that they are too onerous. In fact, I will show this House, beyond any shadow of a doubt, that the Prime Minister has raised more taxes than are necessary if his intention was only that of closing the Current Account deficit. He has gone too far by refusing to do his homework, which is the normal practice of the Democratic Labour Party.

He has also, Mr. Speaker, made the percentage tax increase appear ingeniously small and modest, when in fact, it is quite substantial. The Consumption Tax rate is made to appear to increase from 6 per cent to 9 per cent. But that is not a 3 per cent increase. It is, in fact, a 50 per cent increase, and the Prime Minister should have had the decency to tell the people of this country that he was increasing the Consumption Tax by 50 per cent on most of the commodities produced by the local manufacturing sector in this country.

The people of Barbados have not yet come to understand the thunderbolt which is about to hit them. When you use small numbers like 6 per cent and 9 per cent, the people feel that you are talking about modest rates of taxes. But it is, in fact, a 50 per cent increase in the Consumption Tax.

Asides.

Mr. SPEAKER: Order, please. No interruptions.

Mr. O. S. ARTHUR: You must forgive them, Sir. Empty vessels make the most noise!

Overall, Mr. Speaker, the Consumption Tax increase is meant to raise Government's revenues from that source alone by 48 per cent. That point was not clearly brought across yesterday when the Honourable Minister of Finance gave his presentation to the House.

It is also ludicrous to suggest, Sir, that a rate of increase in the Consumption Tax of this order of magnitude will cause inflation to rise by only 1 per cent. I will show that this evening in the course of my presentation to this House.

I will suggest to the House that the increase in the Consumption Tax is tantamount to the reintroduction of the Sales Tax, for which the Democratic Labour Party was famous in the past.

I will also substantiate, Mr. Speaker, that Government's Consumption Tax increases, together with the increase in bus fares, will bear most heavily on the lower income groups of this society. I will also establish that they will also adversely affect the tourism and construction industries, which are supposed to be the two main areas of growth this year, and in so doing will cause the rate of growth in this economy to decline in 1988.

The surcharge on incomes was at no stage properly introduced nor explained to the people of the country by the Minister of Finance. I will establish in the course of my presentation that that will completely wipe out any gains that have been realised by the lower middle and the middle class sections of the Barbadian society. I am speaking here, Sir, of persons like the teachers of this society, the policemen of Barbados, the civil servants at the middle management and the lower levels of the society, the young professionals of Barbados, the young graduates of Barbados, and particularly the self-employed people in this society who are using their ingenuity to try to carry forward the society. Those are the persons who will be wiped out by the severity of the surcharge, not explained by the Minister of Finance, but which the Opposition has the responsibility and duty to explain this afternoon.

Mr. Speaker, what is so very distressing about that surcharge is that many of those lower middle and middle class persons in this society would have taken the Democratic Labour Party at its words, and would have made commitments, like the undertaking of mortgages, based on expectations of a permanent income, and are now to be left in the lurch by the draconian measures which the Minister of Finance chose to introduce to the House yesterday. 5.00pm.

I venture to suggest, Mr. Speaker, that the surcharge is the most vicious piece of taxation ever introduced into not only this society, but any society in the Caribbean region. It is a piece of taxation, Sir, that takes people's incomes off the top and does not give them a chance, as is the case with the ordinary Income Tax, to claim a refund on the income so snatched away.

There are many persons, among them the nurses of this country, the young doctors, the young lawyers, the young university graduates, who fall in that income bracket ranging from \$15 000 up, and whom I am regarding this evening as the lower middle and the middle class, who will be wiped out, Mr. Speaker, and find themselves left in a financial lurch as a result of the twists and turns of the policies of the Democratic Labour Party. And the Minister of Finance, Sir, and the Prime Minister of this country, rather than spending a long two and a half hours discussing simple economic principles and wondering about the past economic history of this country, could have spent some time explaining to those persons what that surcharge meant, why it was being imposed, and the precarious position in which it will place those young professionals on whom the future of this country depends. It is a vicious piece of legislation, and this Opposition, Sir, will under no circumstance be supporting that kind of fiscal action.

The Corporation Tax, Sir, in our view, will have only a minimal impact on employment. It obviously introduces an extraordinary element of instability in the area of corporate planning. The Government must understand that when people seek to make investments, they want to make investments within the context of a financial framework where they can predict the parameters within which the investments are to work themselves out. By cutting now and increasing tomorrow, Sir, the Government is only serving to undermine the confidence of the corporate sector in the intentions and fullness of Government economic policy.

I will also, Mr. Speaker, have to clarify the manner in which the changes in the Corporation Tax are going to have an impact on the corporate sector. But I will, above all, Mr. Speaker, want to establish beyond any shadow of a doubt, since the Minister of Finance did not at any stage venture into this particular area, that the way in which the Corporation Tax is being adjusted is of such a character that it is going to have its most disastrous impact on those sections of the private sector which are just recovering from years of downturn, which have just started to realise a little profit. They will find that the limitations on their ability to write off past losses against present profit is now a major impact on their cash flow position.

Aside.

Mr. O. S. ARTHUR: The financial recovery, I am saying, of major and important sectors of the tourism industry, particularly the small hoteliers, and major and important sections of the local manufacturing industry, will be affected by the way in which the Prime Minister has adjusted the provisions pertaining to the carrying forward of losses and the ability to write off losses incurred in one year against profits realised in another. And during the course of my presentation, I have a responsibility to this House to go into these financial issues which the Minister of Finance has been entirely silent about.

The old age pension, Mr. Speaker, is farcical, we can agree, when taken in conjunction with the increases in the Consumption Tax.

The increase in bus fares, Sir, has to be looked at in the context, and I shall do that later in my presentation, of the financing of the deficit of the Transport Board, in the context of a situation that the Transport Levy is no longer being made available to finance part of that deficit, and in the context of a situation, Mr. Speaker, when the operational costs of running the Transport Board will be increased by the imposition of the Consumption Tax on tyres as well as the increase in the price of energy products, such as diesel and gasoline. Therefore, Mr. Speaker, one anticipates, and I will establish, that the Government, given the composition and the combination of policies that it has introduced, may well find itself either having to come back to this House to ask for a very large supplementary for the Transport Board, or having to take draconian measures to ensure that the deficit of the Transport Board does not get out of hand.

The Government's interest rate policy, as announced, Sir, is ill-conceived, and it will make it even more difficult for the very goals that Government has set itself, the goals of expanding employment and exports. I will address that issue as well.

The Government's monetary policy, and the Government's balance of payments policies, are also ill-conceived. The Opposition will this evening be dealing with those things as well.

Although the problem of export development has been recognised, it has only been dealt with in a sketchy way. Indeed, Mr. Speaker, I will even go to the length this evening of even making a suggestion to the Government as to how this particular problem of export development can be dealt with.

As regards unemployment, Sir, Government came very close to conceding that there is need for a new employment task force. But the House will agree that the Minister of Finance has yet to articulate a clear and

consistent policy for dealing with the problems of unemployment in Barbados, which he acknowledges to be the most pressing problem facing the society at this time.

In total, Mr. Speaker, having lurched towards one dangerous extreme previously, by the extent and the scope of its tax cuts, the Government now intends to lurch towards an equally dangerous extreme, by the excessive tax increases which are now to come into place because of the imposition of the tax measures brought to the House yesterday.

There is also, Sir, the possibility of increased foreign borrowing. I am also going to be suggesting, Mr. Speaker, that the tax changes introduced by Government are going to hurt, rather than help, the main growth areas of Barbados, construction and tourism, and that Government has not brought forward any alternative policies to mitigate the impact of its tax increases on those two critical sectors, which are supposed, as you know, Sir, to provide the engine of growth this year.

I also, Mr. Speaker, have to establish that the local manufacturing sector will be adversely affected, because it will have to carry the burden of the Consumption Tax increases at a time when the disposable income of the Barbadian people will be decreased by the imposition of the surcharge on their incomes.

There is no change in Government's agricultural policy, so we can anticipate that the agricultural sector will remain in the state of stagnation in which it has found itself.

We can with good reason, Mr. Speaker, anticipate continual high levels of unemployment and a resurgence of inflation in this country as a result of tax proposals which the Democratic Labour Party has brought to this House.
5.10p.m.

These, Sir, are the precise areas of concern which this Opposition wants to raise this afternoon, and in due course. Sir, I will come to the particular issues. But I feel that I have a responsibility to this House to set the stage, and to explain the background against which these measures have become necessary, by asking the House, Mr. Speaker, to look at the workings of the economic policies of the Democratic Labour Party over the course of the last two years.

The Prime Minister, Mr. Speaker, is absolutely correct when he dismisses the policies of his own party as policies of a neo-conservative group of economists which could only have done great damage to the Barbadian society. That sentiment, Sir, is not new, neither is it being heard for the first time. What is new, Sir, is that we are now hearing it from the lips of the Democratic Labour Party.

It has always been the position of the Barbados Labour Party that the tax measures proposed by the Democratic Labour Party in April 1986, and put in place in the Budget of July 1986, were the wrong things, in the wrong place, at the wrong time. And it is important, Sir, for the benefit of this House, for us to set the record straight as regards the basis and out-turn of that policy, which now has made it necessary for this House to contemplate the approval of the largest set of tax increases ever imposed upon the people of Barbados.

It is well-known, Sir, that between 1981 and 1982, Barbados experienced a recession. That is a matter of historical fact. By 1983, the economy started to recover, but only slowly. Steadier growth was realised in 1984, and every effort was made to carry that growth into 1985 and 1986, and the records will show it.

We, however, diagnosed, Mr. Speaker, that despite the growth of the Barbadian economy, the main problem facing the economy in 1985 and in early 1986 was the problem of export growth and the need to re-orient this economy from depending on one export market to depending on another. So we adopted for two years a clear and consistent set of economic policies based on the economic philosophy that we could not have afforded to increase domestic purchasing power in Barbados until such time as we had given the economy to move from depending on the Trinidad market to penetrating extra-regional markets, and such time as there was a growth in export earnings in this society to cushion the impact of any increase in domestic spending.

We thought «hcn, and I still feel now, that it would have been fatal for the Barbadian economy were we in 1985 and 1986 to have increased domestic purchasing power at a time when we knew the country was facing some problems as regards its access to export markets, because, as you know, Sir, a large part of the purchasing power in Barbados goes into financing the demands for imports. And it is a foolhardy economic policy for any Government, whether BLP or DLP, to cause the people of this country to believe that you can increase their domestic purchasing power and sustain that increase in domestic purchasing power at a time when the export earnings Of this country are falling. That, Mr. Speaker, as simple as it is, was the case that we put to the people of Barbados.

You will observe, Mr. Speaker, that in the two Budgets of 1985 and 1986, the Barbados Labour Party conscientiously set about the task of turning around the Barbadian economy by creating a basis for this country to become a creator and exporter of goods and services to the extra-regional markets of this world. How did we do it, Sir? We put in place a system by which companies in Barbados earning profits from the sale of goods in extra-regional, markets could claim rebates on those profits equivalent to 80 per cent of the profits. In 1985, we said that if you were

an exporter in Barbados and you earned profits from the sale of goods to extra-regional markets, you could put the first \$80 out of each \$100 earned in your pocket, and only pay tax on the \$20 that remained.

We also, Mr. Speaker, introduced in this country the first important set of tax proposals to get the private sector of Barbados genuinely interested in export development and marketing. It is our view, Mr. Speaker, that for too long market promotion and spending on market promotion were seen in this country as responsibilities of the state, and the state alone. What did we in the Barbados Labour Party do? We said that those functions ought most properly to be seen as a normal part of the behaviour of any ordinary business, because marketing is a normal and integral part of the operation of any enterprise. And we decided to put our money where our mouths were, and the Barbados Labour Party introduced market research and development allowances so that if you spent Si.00 on market research and development, you could claim a deductible expense not of \$1.00, but \$1.50. We did this both for the tourism and the manufacturing industries, because we believe, Mr. Speaker, in the ability of the private sector of this country, given appropriate incentives, to do what any private sector in any part of the world can do - go out and find markets, develop those markets, and exploit those markets to the benefit of the people of this society.

We also, Mr. Speaker, brought in a tax concession which made it possible for construction firms and other professional organisations which went out and found work in the rest of the world and earned foreign exchange for Barbados to put the first \$50 out of each \$100 of such foreign exchange earnings in their pockets, and pay taxes on the balance. Because we recognised, Mr. Speaker, as I said, that before we could talk anything about increasing domestic purchasing power in Barbados to finance imports, we had a responsibility to get seriously into the task of increasing the foreign exchange earnings of this society.

We also, as you know, Sir, made initial investment allowances available for extra-regional imports and the like. A clear and consistent framework was therefore set by the Barbados Labour Party for export development in this society, because we believed that the critical problem facing the society at that time was the problem of export development, and therefore, our policies had to be consistent with the problem as diagnosed. 5.20 p.m.

What did the Democratic Labour Parly do, Sir? The Democratic Labour Party, in my view, and I am sure in the view now of a wide cross section of the people of this society, adopted an economic policy based purely on political opportunism. I say that because, if in 1988 - and I am using 1988 deliberately - a Minister of Finance in this country came and said that he was going to increase the

threshold income below which Income Tax was not paid by 50 per cent, he was going to extend that general concession to everybody in Barbados, he was going to increase all personal allowances by 50 per cent, he was going to cut land tax, he was going to cut Stamp Duty on certain commodities, he was going to cut the Corporation Tax, you would think, and argue rightly, that the Minister of Finance had taken leave of his senses. And if in 1983 a Minister of Finance had come to say that he would give everybody in Barbados \$15 000, cut the Corporation Tax, increase all allowances by 50 per cent, cut Stamp Duty, cut land taxes, the country would rightly argue that the Minister of Finance had taken leave of his senses. But 1986 was an election year, and it became the policy of the Democratic Labour Party to practise what is, in my view, a modern and sophisticated form of corned beef and biscuits politics, Mr. Speaker, by promising the people of this country a momentary and temporary ease in their standard of living which they knew could not have been sustained. If these same policies were prescribed today, the people of this country would rightly say that the Minister of Finance is only making sport. But it was an election year, and the policies were based on political opportunism, because deep in their hearts they knew that there was no way such a massive change in Income Tax could be put in place simultaneously with a change in the Corporation Tax, Land Tax, at the same time as you decrease the Stamp Duty on certain commodities. There was simply no way that it could have been done without a very adverse impact on this country's economic and financial position.

The Barbados Labour Party, Mr. Speaker, argued a very simple case to this Government. We said, first of all, that the policies prescribed by the Government would lead to a loss of revenue of at least \$100 million a year if the policies were allowed to remain in effect for a full financial year. We also argued that the policies would have led to a deficit which could not have been sustained, and that that large deficit would, sooner rather than later, require corrective measures in the form of the introduction of new taxes to replace the taxes which had been given up. Those arguments were put very carefully by the Barbados Labour Party.

We also argued that the Dems were putting the cart before the horse where expenditure cuts were concerned. If you are going to make a permanent cut in your taxes, Mr. Speaker, you need to know in advance the areas in which you intend to make permanent cuts in your expenditure. But at no stage was the Democratic Labour Party in a position to identify the areas in which it was going to put the cuts, and we argued all along that they had a responsibility to tell the people of this country where the cuts were going to be made, and unless that was the case, all they were simply doing was putting the cart before the horse.

We also argued, Mr. Speaker, if I must remind you, that the tax cuts of the Democratic Labour Party would

stimulate a demand for imports and would put tremendous pressure on the balance of payments of this country. We also urged on them that they were not addressing the problem of export development, and that our policies, which were meant to set Barbados in the direction of greater export growth, should have been allowed to remain in place before alternative measures were taken to increase domestic spending by the Barbadian society at large.

Indeed, Sir, I summarised it before this House in a statement on July 22, 1986 which has constantly been misrepresented by the Democratic Labour Party. I said simply that although the policies of the Democratic Labour Party at face value looked attractive, within 18 months they would undermine Government's financial position and put the balance of payments of this country in jeopardy. Those were my exact words. The members of the Democratic Labour Party have tried to distort them by talking maliciously about economic collapse, which I never said. I said specifically, Mr. Speaker, that within 18 months it would undermine Government's financial position and put the balance of payments in jeopardy.

I also said that the manner in which the tax proposals were introduced was such that the Minister understood that he would have to come within a short period of time to bring new taxes to bear to replace those which he had given up. All those things, Mr. Speaker, are part and parcel of the records of this House. The Democratic Labour Party did not choose to follow the advice which was given, and it went ahead and took its tax cuts into the second year.

Again, Mr. Speaker, I must refer this House to the substance of the debate which took place in this House of Assembly during last year's Estimates and last year's Budget Debate. First of all, Sir, we told the Government that it was over-estimating its revenues by between \$20 million to \$30 million. That is a fact, Mr. Speaker, recorded in Hansard, the official record of this House of Assembly. I told the Minister of Finance that his financial planning was awkward and wrong because it was based on an over-estimation of the revenues by between \$20 million and \$30 million, and I heard the Minister of Finance yesterday come and confirm that, indeed, last year Government over-estimated its revenues by \$25 million.

Lest the Government forgets now, let us recall what was the argument then. In 1985, the income taxes of Barbados yielded \$134 million. On the assumption of a 3 per cent rate of growth in the economy, we in the Barbados Labour Party projected that we would have realised \$159 million in income taxes in 1986. For the first three months of the year, between April and June, before the Income Tax system came under the Democratic Labour Party, income taxes yielded \$41 million. But for the entire financial year 1986-87, income taxes, which yielded \$41 million in the

first three months of that financial year, only yielded \$79 million for the full year, and I told the Minister of Finance that in his estimates of expenditure for financial year 1987-88 he had included an estimate of income tax of \$100 million, but if he was reading the signs correctly, he would have seen that of the \$80 million of Income Tax for the previous financial year, \$41 million arose in the first three months and only \$39 million was gained in the last nine. 5.30p.m.

It is, Mr. Speaker, a matter of simple calculation that an Income Tax system that yields \$39 million in nine months of a financial year cannot by magic thereafter yield \$100 million in the next financial year, and it was on that basis, Mr. Speaker, that I told the Government that it was overestimating its revenue by an amount between \$18 million and \$30 million. Indeed, Mr. Speaker, I had also told the Minister of Finance in the previous year that for his tax cuts on income to have had the impact he would have had to have given back refunds to the people below \$15 000 in 1986, and for persons above \$15 000, he would have to have given a tax free month in 1986, for the full cost of the tax proposals to have been felt in calendar year 1986. That, Sir, was laughed at.

This party, Sir, on whose behalf I have the honour to speak, warned the Government last year that it was overestimating its revenues by between \$20 million to \$30 million. The Minister of Finance has now confirmed that a large part of the fiscal deficit for last year was caused by the overestimating of revenue by \$25 million. What a shame!

Secondly, Sir, we pointed out to the Government that it did not make proper provision for expenditure which had to be brought to account, and I speak here, Mr. Speaker, precisely in relation to the bringing to account of the wage settlement of 1986. It is simply not true for the Minister of Finance and Planning to say in his Budget presentation, as he said yesterday, that those numbers could not have been shown in the Estimates for last year because they were brought to the House too late.

Mr. Speaker, what were the facts? By September of 1986, the Barbados Workers Union had settled with Government for 9 per cent at the bottom and 1 1/4 per cent at the top. Only the politically naive, Mr. Speaker, would believe that a Government, in which there are three members of the Barbados Workers Union, would settle for 9 per cent with the union and then agree with another union for a larger number. The issue was over once the Barbados Workers Union and the Government agreed in September of 1986 that it was 9 per cent at the bottom and 1 1/4 per cent at the top.

The President of the NUPW, Sir, having led long, angry marches against the Barbados Labour Party, had the need to keep the spirits of its troops high, and he battled on, Mr. Speaker, until January - this is confirmed in the words

of the former Prime Minister in January - when he, too, settled for 9 per cent at the bottom and 1 1/4 per cent at the top.

Let me remind this House of what happened subsequent to that. The wage increase legislation enabling the wage increases was brought to this Assembly in early February. The House adjourned for two weeks and it could not have been discussed. When we reconvened, Mr. Speaker, the former Prime Minister could not attend the House, because it was alleged he was having dental problems, and the 22 other persons constituting the Government could not sit down and discuss with us the business of agreeing on the legislation for the wage increase merely because one man, the Prime Minister, was having a dental problem. By that system of delay, Mr. Speaker, it was not possible for the legislation to be passed in time for the Estimates to reflect the amounts spent on the wage increases. But it is not true, Mr. Speaker, that the Government did not know in advance what the increases were. They knew from early January, and I am saying, Sir, that financial planning should have provided for the fact that they knew that an amount of \$45 million had been agreed to and would have to be paid during the course of the financial year. Indeed, Mr. Speaker, it was very bad cash flow planning, in any case, for any Government of this country to allow a two-year wage settlement to have to be paid in the course of one year. These, Mr. Speaker, were the things that we were telling the Democratic Labour Party,

We were also, Mr. Speaker, telling the Democratic Labour Party that on the basis of information provided to us, Government was not paying its bills, and that sooner or later its delinquencies in those respects would have to catch up with it.

During the course of the last financial year, Mr. Speaker, supplementaries came to this House of Assembly for the payment of bills incurred by the Barbados Tourist Board in 1986 which had to be settled in 1987. It is also true that supplementaries came to this House in 1987 to pay bills incurred by the Ministry of Transport and Works in 1986. But when we were telling the Government in the Estimates Debate that it was not paying its bills in 1986 and would have to carry commitments over into 1987, we were told that we did not know what we were talking about.

In addition, Mr. Speaker, we charged that the Democratic Labour Party was adopting an approach to government whereby it felt that it could get more for less, a Crazy Eddie approach to Government. My colleague reminds me, Sir, that there is an appliance dealer in the United States whose business slogan is that no one undersells Crazy Eddie, because at Crazy Eddie you get more for less. We pointed out to the Democratic Labour Party that it was practising false economy when it was cutting things like utility bills for Ministries on the basis that you could get more for less. And it is a matter of fact,

Mr. Speaker, that in June and July of last year we had to be coming back to this House, after two or three months of the financial year, to supplement areas of expenditure in which the Government had deliberately underprovided. All of this was part and parcel of an effort on the part of the Democratic Labour Party, to which all Members on the other side subscribed, to overstate revenues and understate expenditure, with a view, Mr. Speaker, to showing the most favourable possible deficit for the financial year 1987-88, because they wanted to prove that the Barbados Labour Party was wrong in what we had said.

I went on record last year as saying that when once these things were taken into account, Government's overall deficit would not have been anywhere near the \$190 million that was suggested, but that it would have been in the vicinity of \$274 million. I put my professional reputation as an economist on the line behind it, and I was given nought out of 25 by the former Minister of Finance, and the present Minister of Finance rose up on his hind legs to say that my speech was the worst possible speech that was ever heard delivered in this House of Assembly, that I had said everything wrong. He came to the House yesterday, Sir, to tell us that it was not \$274 million, but \$283 million. I would prefer to be wrong in managing the affairs of this country to reach \$274 million, when the deficit is \$283 million, than to be \$198 million when the deficit is going to be \$283 million. We are left, Mr. Speaker, to wonder what would have been the situation had not those tax impositions been put on.

The Minister of Finance is also misleading the House when he says that the overspending could not have been prevented. Mr. Speaker, what are the facts? He said that part of the overspending had to do with a provision for the Transport Board. That is true, but it was the Democratic Labour Party which said that the deficit from the Transport Board could have been kept down to \$7 million. And not only did they say it, in the financial year 1987-88, all they did was to provide \$7 million in support for the Transport Board, \$2 million in subsidies on-budget and \$5 million allocated to the Transport Board through the Transport Levy. The deficit, Mr. Speaker, eventually was \$21 million, rising from \$15 million in the year before, and it becomes the responsibility of the Democratic Labour Party, when it says that it could not have curbed overspending, to explain what would have been the circumstances which would have caused the deficit of the Transport Board to increase from \$14 million to \$21 million, requiring supplementaries to the level that this House was then called on to agree. 5.40p.m.

Secondly, Mr. Speaker, the Government embarked on a crash programme, or debushing programme or a beaudification programme, however, you wish to have it. Here, I have to remind the members of the Democratic Labour Party of its own history.

In 1985, a certain young man, whose name I cannot call because I have not asked for permission, ran against my colleague in St. Thomas. Immediately after the election he was asked what would be his solutions to the problems of unemployment in Barbados, and he said that he would spend \$15 million on a crash programme. The Democratic Labour Party in 1985, as part of its general deception, disassociated itself from the views expressed by the unfortunate victim in St. Thomas. In fact, the late Prime Minister said that rather than have a crash programme involving debushing, he was going to have a crash programme in manufacturing based on the tax cuts. The words of the Democratic Labour Party were that no Democratic Labour Party Government would ever have a crash programme of \$15 million.

Mr. Speaker, therefore, when the supplementary for an additional \$10 million came to this House to allow the Democratic Labour Party to conduct a \$15 million crash programme, for which it had condemned the victim in St. Thomas, I said, on principle, that I had to abstain from voting for it, not because I did not want the people to work, but because it is wrong for a party to depart so far from the very principles that it set for itself. And that increase of \$10 million in the crash programme was a large part of the cause of overspending in the last year, which the Minister of Finance is now saying could not have been prevented.

There was also the additional \$1.2 million for Independence celebrations. Eighty thousand dollars was voted by the House for Independence celebrations in the year before, and \$80 000 is also now being voted for Independence celebrations this year. I say to the Democratic Labour Party that Barbados is no less independent in its 22nd year than it was in its 21st, and it was no less independent in its 20th year of independence than in its 21st, and if the financial situation did not permit that level of expenditure, then the Government had a right to be financially prudent.

There was also the supplementary for the St. Joseph Hospital, and I want, Mr. Speaker, to talk about that a little bit.

In November of 1985, we were approached by persons representing the St. Joseph Hospital with the news that the St. Joseph Hospital was to be closed in less than two months, and that Government should seek to purchase it for \$15 million. We said then that we were not in a position to purchase the hospital for \$15 million, because we had not identified a use for it, neither did we have the \$15 million budgeted to buy the hospital at that time. We just simply could not have afforded it.

The Democratic Labour Party made a big political issue out of the purchase of the St. Joseph Hospital, and promised that what we could not have done in two months they would do immediately on assuming office, if elected.

It has taken the Government two years to purchase the St. Joseph Hospital, and last year they had to increase spending in this country by an amount of \$6 million for the hospital. But that is not the point.

The point is that when this matter first arose in late 1985, early in 1986, the honourable Member for St. Michael South Central (Dr. R. C. Haynes) went on record in this House as saying that the St. Joseph Hospital was not worth more than \$2 million or \$3 million, and the Government, to my certain knowledge, is now in possession of a private sector study which recommended that the St. Joseph Hospital should not be bought for more than \$3 million. Yet, the Government paid \$6 million for it, and would have us believe that overspending could not have been controlled!

On November 3, 1987,¹ I asked the Minister of Health a question. My question was simply this: Will the Minister please state the amount of money Government has agreed to pay for the St. Joseph Hospital, the use to which Government intends to put the said facility, and if Government intends to use the facility as an acute general hospital, the projected capital cost which would be incurred in remodelling the hospital, and the projected cost of running the hospital in each of the first three years of its operations?

The response was that \$6 million was for the purchase of the hospital. As regards its use, the Government said the hospital is being purchased in pursuance of Government's clear policy to enhance the quality and type of patient care available to residents and visitors to Barbados, including especially the people of the northern parishes of St. Peter, St. Lucy, St. James and St. Andrew, who were dealt a serious blow when the previous Labour Party Government allowed the hospital to be closed. They have not yet said whether it is going to be an acute hospital or whatever else - they made a broad political statement. As regards the cost of refurbishing and running it, this is the answer provided in this House by the Minister of Health:

"Planning for the reopening of the hospital has not yet been finalised, so it is impossible and premature at this time to supply the detailed information of the capital and recurring costs being sought by the honourable Member."

The Government bought a pig in a poke. They bought a hospital without knowing what use they are going to put it to, and without being able to identify the cost of refurbishing the hospital and running it in, at least, its first three years of operation. The hospital, if it is to be run as a general hospital for the north, will have to undergo substantial modification, and Government would have, as well, to put in the Estimates of Expenditure monies each year to operate it. There are no funds included in this year's Estimates to run the hospital, nor to refurbish it. Yet the

Government would have us believe that the hospital is to be opened some time this year, and that it is still continuing to be interested in controlling overspending in this society.

I say to the Government, and the House, that its attitude towards the purchase of the St. Joseph Hospital is a classical case of financial mismanagement. It has bought a facility without knowing what it intends to do with it, and it has bought a facility without having the resources to put it to any particular use. I also say, Sir, that it has paid twice as much for the facility as the facility is worth. And when the Minister, therefore, tells me that he could not have controlled overspending, I must ask of him, Mr. Speaker, why did he buy the St. Joseph Hospital last year but cannot open it this year, unless he comes to this House to ask for a supplementary to vote funds so that the hospital can be operated? I cannot at all accept Government's arguments as regards the fact that overspending could not have been controlled. 5.50 p.m.

In discussing the financial situation last year, there are a number of things that the Minister of Finance should have told us as well. He should have told us of the true extent to which the Central Bank was called on to finance Government's deficit. I think he said \$19 million, Sir. But the March statistics of the Central Bank indicate that, certainly for the period July - September, some \$57.1 million in Central Bank financing was used to help finance Government's deficit, and from October - December, some \$69.4 million. I would agree, Sir, that between April - June, Government was, in fact, a net lender to the Central Bank to the extent of \$39.9 million.

The point I want to make, Sir, is a very simple point. When the Democratic Labour Party was in Opposition, it made the Central Bank's financing of Government's deficit appear to be the biggest crime in this country's economic affairs. Indeed, Mr. Speaker, the former Minister of Finance went on record in his Budget Reply of 1984 as saying that, if returned to office, the Democratic Labour Party would make it a criminal offence for any Minister of Finance to borrow money from the Central Bank. And he said, Sir, that that criminal offence would be one that would subject the Minister of Finance to imprisonment.

Between July and September of 1987, Sir, the Government utilised \$57.1 million in Central Bank financing. If the principles as outlined by the Minister of Finance in 1984 were to be applied to him, he would now, Sir, be serving time in Glendairy Prison at Her Majesty's pleasure. I suppose that the present Minister of Finance would escape with a suspended sentence, because he would be able to plead innocence in these matters. But he, too, Sir, used \$69.4 million of Central Bank financing between October and December after the Democratic Labour Party had gone on record as saying that it should be made an offence, punishable by imprisonment, for any Minister of

Finance to borrow money from the Central Bank of Barbados.

The Prime Minister gave us a clean report card yesterday when he pointed out, for the benefit of the people of this country, that between 1983 and 1985, when we were supposed to be mismanaging the affairs of this country, we did not utilise Central Bank financing at all. But I am addressing this point, Sir, because the Democratic Labour Party has shown that Central Bank financing of Government's deficit is one of the principal causes of the drain of a country's reserves. It for that reason that the former Minister felt strongly enough about it to say that a Minister of Finance who does that should be committed to Glendairy Prison. Both now, Sir, would be in Glendairy Prison if we were to believe the Dems!

Laughter

Mr. O. S. ARTHUR: The distribution of the tax burden was a matter that the Minister of Finance did not talk about either. It is a matter of fact, Mr. Speaker, from the information available in the Economic Report, that more monies were collected from the people of Barbados in 1987-88 as levies than as Income Tax. It is a significant point. Some \$61 million in levies was collected as against \$56 million in income taxes. You must immediately, Mr. Speaker, begin to understand the implications of what that means, that a lot of the poor people of this country, who were previously not paying income taxes in Barbados, were called on during the course of 1987 to carry more than their fair share of the tax burden of this country, by contributing to the levies which they could not reclaim.

I think, Mr. Speaker, that one of the most telling and wicked aspects of the policies of this Democratic Labour Party is that this country could have been put in a position where levies, payable by even the lowest person at the bottom, were called on to finance a larger proportion of Government's expenditure than Income Tax.

Laughter.

Mr. O. S. ARTHUR: In the absence, therefore, Mr. Speaker, of taxes for 1987, the deficit would have been well over \$300 million, and the collapse of the balance of payments, and the collapse, Mr. Speaker, of Government finances, would have been accomplished well before December of 1987.

I now turn, Mr. Speaker, to what is my main preoccupation this afternoon, a discussion of the financial measures that have been brought to this House by the Minister of Finance.

The Minister of Finance, Mr. Speaker, purports that it is his intention to use tax increases this year to close the Current Account deficit. The projected Current Account

deficit is \$48 million, and the Minister of Finance is proposing that he wishes permission to raise \$110 million and to pass back \$55 million through the reduction of the Stamp Duty, giving him, in net terms, \$55.6 million, which would be an amount just roughly larger than his Current Account deficit.

Mr. Speaker, if that is the principle which has guided the Minister of Finance, the tax increase which he has imposed is too stiff. The \$110 million which he sets out to raise will be virtually raised. The surcharges come off the top of people's incomes and cannot be refunded. So it is quite likely, Mr. Speaker, that the total package of taxation introduced by the Prime Minister will raise at least \$110 million. What is not certain, Sir, is whether he will have to give back \$55 million, as he purports. That is the key to the issue, because if he needs to raise, in net terms, \$55 million, and he raises \$100 million and gives back \$55 million, then there is no problem. But if, Mr. Speaker, there is no need to give back the \$55 million, clearly there would be no need to raise the \$110 million in the first case. And the issue that we want to discuss with the Government this evening concerns the need and the degree of certainty surrounding the return of \$55 million through the reduction in the Stamp Duty.

As I understand it, Mr. Speaker, the reduction of the Stamp Duty on CARICOM goods is part of a general CARICOM policy to remove stamp duties by September 1, 1988. As I also understand it, the removal of the Stamp Duty on CARICOM goods will only come into effect when reciprocal arrangements are put in place by other CARICOM countries. It is estimated, and the Minister of Finance had said in his Budget presentation, that the loss in a full financial year would be \$20 million. I am asking, Mr. Speaker, if the measure can only come into effect by September 1, and if, indeed, reciprocal arrangements have to be put in place before the reduction of the Stamp Duty on CARICOM goods can begin to have a negative impact on Government's revenues, why is it that the Minister of Finance is showing the full cost of the reduction for a full year, when he knows that the measure cannot be put into effect for more than at least a third of the financial year? 6.00p.m.

If you look at the thing logically, Mr. Speaker, the Government should not now be calculating that the reduction in the revenues to be caused by the removal of the Stamp Duty on CARICOM goods should be \$20 million, because it cannot, as we understand it, come into effect before September 1, and it may not even come into effect before September 1. It depends on arrangements to be agreed between Barbados and Trinidad, Barbados and St. Vincent, and other people. So it is quite likely, Mr. Speaker, that the cost of this measure will most properly be no way near the \$20 million that the Minister of Finance has purported, and if it is not anywhere near \$20 million, he has unreasonably imposed taxation on the people of this

country, because, as I said, he is raising taxes of \$110 million to compensate for the fact that he believes he has to give back \$55 million.

Secondly Sir, as regards the reduction in the Stamp Duty on raw materials and packaging, I respectfully submit to the House and to the Minister of Finance that that measure is going to have an impact on the cash flow position of companies rather than represent itself as a reduction in Government revenues, where it applies to people who are exporting commodities from Barbados. I say so because persons in Barbados who are now producing commodities for export are allowed refunds on Stamp Duty which they pay on the raw materials. They get back the money, in any case. So by removing the Stamp Duty on raw materials, all the Prime Minister is ensuring is that the Stamp Duty does not have to be paid up-front, causing financial cash flow problems. He is not affecting Government revenues at all, because producers get back the Stamp Duty. It is refundable. Why therefore, Mr. Speaker, should the Prime Minister come to the House and make a calculation for a loss of revenues due to the removal of Stamp Duty on raw materials particular to use for exports? He should know that that is subject to refund in the first case.

When you put those two things together, Mr. Speaker, it seems abundantly clear to us, at least, that the Minister of Finance has obviously over-estimated the amount of loss that will be incurred by the reduction of the Stamp Duty on raw materials and on CARICOM-produced goods. If this is so, I really think that before we approve in this House this package of tax measures, which would impose a tremendous burden on the people of this society, this matter ought to be cleared up, and any such adjustments as are required should be put in place. Because there is no point our raising taxes to a level that is higher than is absolutely necessary.

I could not believe, Mr. Speaker, that we could be a part of a House of Assembly where we impose a higher level of taxes on the people of the society than is required by the circumstances of the situation merely because of a miscalculation of the Minister of Finance and Planning. We have gone through that already. Let us learn from the mistakes of the last two years. I am asking, therefore, for the Minister of Finance to get this matter cleared up so that we can truly know what is the full and accurate cost of these tax cuts he is making, and put this House in its proper position of levying only that amount of taxes on our citizenry as the circumstances require.

As regards, Mr. Speaker, the specific measures that were introduced, it is quite clear that the Minister of Finance did not go into all the ramifications of his surcharge. He just rushed through it. He was in a mood to talk about economic theory and the economic history of Barbados, but he could have spent a little time telling us about some of the ramifications on the surcharge.

When he did, Sir, he uses an example to show that it is not too bad, because a person earning income of \$16 000 would only have to pay a surcharge of \$2.50 a week. What he should have showed is that for persons like teachers, earning \$20 000 a year, this surcharge will, as of May 1, add an additional \$250 to their tax bill. For persons earning \$30 000 a year, their taxes will increase by \$750. For persons earning \$35 000 a year, and I am talking about the middle class, young professionals in Barbados, their tax will increase by \$1 000 a year. For persons earning \$40 000 a year, their tax will increase by reason of this surcharge by \$1 875.1 want to close the middle class at \$50 000, and for persons earning up to \$50 000 a year, the impact of this surcharge is \$2 625.

Mr. Speaker, there is a large pool of Barbadians caught within that range that I have just cited who might have been misled by the Prime Minister in believing that the impact of this surcharge is going to be minimal. But a lot of young professionals in Barbados, who might have just bought their first homes and taking on mortgage responsibility because of the promises put forward by the Democratic Labour Party, may well find themselves in a position where their tax increase will be as much as \$1 500 this financial year alone. That is wickedness! A lot of policemen, nurses, schoolteachers, young doctors and lawyers who are struggling to make a stake in this society will find a lot of their savings wiped out by this surcharge, and they will have to postpone fundamental decisions as regards owning anything in this country.

Mr. Speaker, it is a draconian measure. I will not, of course, go into the impact on persons such as the honourable Member for St. Michael South Central, whose surcharge may well run into tens of thousands of dollars. His surcharge is not really as bad as that, Sir, but I am dealing only with the lower middle and middle classes.

It is also true, Mr. Speaker, that the manner in which this surcharge has been introduced is such that persons must report their incomes from all sources. It means, Sir, that pensions and interest on Government bonds and other supposedly tax free instruments, which are presently not subject to tax, could find themselves coming under the penalty of the surcharge. Many people in Barbados who might have retired early and have gone and taken on a second job will find that whereas they were enjoying a tax free income before, the pension now has to be added on to the income, and from what I can gather, Mr. Speaker, the pension and the income will now be lumped together and you are going to have to pay a surcharge on the two. 6.10p.m.

I do not for the life of me understand how this measure could have passed through the Honourable Minister of the Public Service, because he is one of those persons who is in the position of having a pension and having an income as well. I am very grateful, if he saw it, for the tremendous contribution he is making to the

financial development of Barbados, because I will tell him that when you add his pension to his income and apply a 7 and a half per cent surcharge, he and persons like himself are going to take a very serious beating.

I want it to be made clear, Mr. Speaker, and I want clarification from the Minister of Finance, whether it is the Government's intention to apply the surcharge on interest earned by persons who have invested in Government securities on the pretext and understanding that the interest earned on those investments should be free of tax. It must be a breach of faith for Government to encourage its citizens to invest in its own securities on the understanding that those earnings from the investment would be free of tax, and then come in this back-hand way and impose a tax on the interest earned. I want to hear the Minister speak to this matter, because the Minister did say all employees will be required to make a special return to the Commissioner of Inland Revenue in which they report their income from all sources, including any travelling and entertainment allowance in excess of \$7 200. So if a person is an employee and earns an interest from having invested in a Government saving bond, which is supposed to be tax free, he is now, as I understand it from this Government, going to be charged a surcharge on the interest earned, after the Government had led him to believe that his investment was going to be a worthwhile investment.

We need to hear the Minister of Finance, Mr. Speaker, speak about this rather than speak about economic theory and the history of the Barbados economy. We need to hear a clarification on this. If it is the intention of Government to now impose a surcharge on interest earned by persons who have invested in Government securities, it is a piece of wickedness and it should not be pursued. It is a breach of faith between a Government and its citizens. You have led the people to believe one thing and now you seek to do something else.

Mr. Speaker, I also want to enquire whether this is a form of retroactive taxation. As I understand it, and I am seeking clarification, the surcharge becomes effective on May 1. But, as you know, Sir, for the purposes of the collection of Income Tax the normal tax year is not the fiscal year April - March, the normal tax year is the calendar year January - December. The proposals do not state when the surcharge for the first four months of the calendar year 1988 are to be paid, but it does say that any balances due to the Commissioner of Inland Revenue must be paid by April 1989. So many people, and many taxpayers in this country, could possibly find themselves faced with a situation in which they have on April 15, or whenever, of 1989 to make a large lump sum payment to the Commissioner of Inland Revenue for the surcharge that was due and payable on their income earned during the calendar year 1988, to which the Income Tax legislation applies.

I am seeking, Mr. Speaker, a clarification from the Minister of Finance as to whether this surcharge is going to

be applied on the income earned during the first four months of the calendar year, as is normal in matters pertaining to the administration of the Income Tax. If it is to be so applied, Sir, let the people of Barbados know that in April 1989 they might well be called on to make large settlements with the Commissioner of Inland Revenue for that surcharge that they should have paid, although they did not know at the time that they would have had to pay it.

This seems to me like a form of retroactive taxation, and if indeed the surcharge is to be administered like the Income Tax, then we are going to have a situation where the financial plans of a large number of middle class people in this society, and people earning more than \$15 000, are going to be seriously disrupted. Those are the persons who have taken on mortgages in the course of the last year. They do not expect this sudden lump sum approach to the payment of taxes to the Government, and I am begging the Minister of Finance to be more forthcoming in this matter, to set our minds at rest as regards the question of whether we are now to expect a retroactive surcharge in Barbados in 1988.

Dividends which were affected last year by a reduction in the dividend credit from 50 per cent to 15 per cent are now also to be subject to the surcharge like any other income, at a time, of course, when we are trying to stimulate investment through the Stock Exchange and things of this character. You really must begin to wonder exactly what can be the purposes of Government finances.

Mr. Speaker, the situation as regards the self-employed is even worse. The surcharge is the stiffest for them. I have read the statement of the Minister of Finance as carefully as I can, and I want clarification on a specific point.

As I understand it, where the self-employed people in Barbados are concerned, the surcharge is to be payable on a quarterly instalment basis on the quarterly income imputed to the particular employee, so my colleague, the Member for St. Thomas (Mr. D. A. C. Simmons), who is a self-employed person, will be required to pay the surcharge on a quarterly basis, beginning June 15. The Minister said that on June 15, self-employed people in Barbados would not be required to make the payment on a quarter of their annual income, they will be required to pay a surcharge on 50 per cent of their annual income, apparently to make up for the fact that the surcharge has not been collected for the first half of the year. 6.20 p.m.

Sir, a lot of people who are self-employed in Barbados will find that on June 15 they are going to get a serious flogging at the hands of the tax man, that they are going to have to pay a 7 and a half per cent surcharge. A self-employed person whose income is \$50 000 a year will have to pay half of the \$2 600 that is payable in the course of one

full year on June 15. He has not been prepared for it, Sir, and I begin to ask myself, what manner of country can we have when persons can be treated in this fashion, and the full implications of it not pointed out to them by the Minister of Finance in the course of three hours and more of presentation in this House?

You may feel that it was unkind to the Minister of Finance when I made my comments early about how, in my view, he spent too much time talking about economic theory and the history of Barbados. He should have been spending time, Mr. Speaker, taking the people of Barbados into his confidence, because what we are indulging in in this debate goes to faith between the Government and the people, and beyond any shadow of a doubt, the Government has breached the faith with the people and is no longer deserving of their confidence. When a Minister can just introduce these measures in this fashion without explanation, I say they do not deserve to be the Government. They have left the people of this country in the lurch.

First of all, the surcharge, is coming off the top of people's income and it is not to be refundable. It would have been better, Mr. Speaker, if the Democratic Labour Party was truly interested in the people of this country, for them to have adjusted tax rates and give people a decent chance to use their ordinary allowances to mitigate the impact of the tax man's hands on them, than to use this kind of draconian method which takes incomes off the top, and then tell the person who has to pay it that it is not refundable. It is wickedness, Mr. Speaker.

As regards the Corporation Tax adjustment, Mr. Speaker, I refuse to believe that persons would just arbitrarily employ new workers in the hope of being able to get an employment tax rebate. Obviously, Mr. Speaker, there is a cost involved, and what will have clearly to be measured, among other things, is the cost of employment *vis-a-vis* the return realised from the rebate that it has been offered against the Corporation Tax.

I really do not believe, Mr. Speaker, that we are going to find that people are going to go out and employ 25 persons and incur the cost of employing 25 persons, without sometimes not having anything for them to do, merely as to get the meagre rebate that the Government is offering against the Corporation Tax. I do not think, Mr. Speaker, that it is a policy that will work now, just as it was a policy that did not work in the past, and one becomes surprised as to why cannot Government learn from the mistakes of the past. They have gone this way before; it did not work then, it will not work now, and those who are hoping and praying that the rebate on Corporation Tax payable for persons employed seem not to understand that there is a cost to employment, and that there has to be justification for somebody to want to take on persons just willy-nilly. So, to my mind, Sir, that is no concession at all.

My real concern, Mr. Speaker, pertains to the impact of these corporation taxes on our export industries as well as our industries which are just becoming financially viable again. You will remember that in 1985-86 the Barbados Labour Party put in place a system of tax adjustments to make it possible for companies earning profits from the sale of exports to extra-regional markets to take the first 80 per cent of the money as a rebate and to pay Corporation Tax at the existing Corporation Tax rate on the balance. In effect, at that time, when the Corporation Tax was 45 per cent, the effective rate of taxes for those companies was about 9 per cent. With the drop in Corporation Tax to 35 per cent, companies earning manufacturing exports in extra-regional markets were, in fact, paying an effective rate of tax of 7.5 per cent.

What the Government has done by putting a surcharge on profits on companies whose rate of tax is 35 per cent, and remember it applies to those companies, is to double the effective rate of tax. I ask this House, Mr. Speaker, how can we be really serious in Barbados about wishing to develop our export industries and to develop export industries in extra-regional markets when in one year the Government can effectively double the rate of tax on companies producing foreign exports?

In the case of the construction companies, to whom we gave a 50 per cent rebate on earnings from exports, this tax now is going to make that concession less generous. The Government has to go into all of the ramifications of this particular matter, because the Barbados companies which are involved in the construction business can sometimes bid lower on contracts abroad because, given the rebate on profits, their effective tax rate is that much lower. To that extent, by raising the effective rate of taxes on construction companies, the Government will be putting those companies in a position where they would become uncompetitive in international biddings.

It is a pitiable thing, Mr. Speaker, when Government enters these tax arrangements without going through the whole ramifications of what it is doing, and I am asking the Government, Mr. Speaker, for a clear statement of policy as regards the impact of these surcharges on corporations which are now enjoying rebates, because they are earning foreign exchange for the people of this country. Can Government really be serious, Mr. Speaker, about wanting to decrease taxes on companies that earn export receipts from extra-regional markets? Can Government really be serious about wanting to penalise construction companies that go out and earn foreign exchange for Barbados by putting their services at the disposal of countries abroad? This policy, Mr. Speaker, is a nonsensical policy where it applies to those types of companies, and, obviously, this House cannot feel comfortable about wanting to adopt this kind of policy.

My basic concern pertains to the removal of the carry forward of losses and the reduction in the amount that

companies can claim on the losses that they carry forward from year to year. This kind of tax measure shows absolutely no regard, and has absolutely no sensitivity, for what is happening in Barbados. Many of our companies endured many difficulties during the early years of the recession, and I am speaking particularly of a lot of our small manufacturers and a lot of our small hoteliers. Their corporate liabilities have been under stress for years. Some of them now are in a position - I will concede it - because of an improved tourism performance to begin to perhaps realise a profit. But what the Government is doing is now telling those companies which have in the past few years been enduring losses is that they cannot now carry forward those losses and write them off fully against profits they realise, which is precisely what were the conditions that prevailed when the companies made the investment in Barbados in the first place. 6.30 p.m.

Mr. Speaker, this measure will not affect the companies that are making profits. It will not affect the large distributive companies in Barbados. It will effect the people in the hotel industry who need the improved financial cash flow to do the refurbishing of which the Minister of Finance spoke. And it is unconscionable, it has to be, for a Minister of Finance, recognising that you have a corporate sector in which certain parts are still in a difficult financial position, to come and impose this kind of policy at this point in time.

This measure cannot aid the financial recovery of the companies in Barbados which stand in need of help. The Opposition will have, obviously, to take the strongest stance against it and ask the Government what does it anticipate to be the loss to the revenue that would ensue if it did not apply this draconian measure, and, since it has already over-estimated the amount of the cost to the Treasury in the reduction of the Stamp Duty, to please give those companies which still have to carry forward losses a break at least for this financial year. See if you can find it in your 'heart of hearts to help them. This is a wicked piece of legislation, because it imposes a burden precisely on the companies of this country which need help at this time.

Mr. Speaker, I do not know if, year by year, we will have to be debating the Corporation Tax in this House, but last year the basic rate of Corporation Tax was raised by 20 per cent. It was adjusted from 5 per cent to 6 per cent, and then there was a 20 per cent change, and if you were to look at the index of consumer prices, you will find that whereas the average rate of inflation for Barbados over the course of the entire year was about 3 per cent, on a point to point basis, that is, comparing December 1987 with December 1986, the rate of inflation was 6 per cent. And if you were to analyse the statistics carefully, you will find that prices in Barbados did not rise for the first three or four months of the financial year, but they did, in fact, rise by almost to the full extent of the 6 per cent consequential on the change in

the Consumption Tax last year, coupled with, obviously, the Stamp Duty, and to some extent aided and abetted by the fluctuation in currencies.

The Consumption Tax this year is designed to raise more money than the total package of tax measures introduced last year. We are also going to have, as far as I can gather, continued fluctuation in the United States dollar. It becomes ludicrous for the Government, therefore, to suggest that a change in the Consumption Tax by 20 per cent last year could have virtually assisted in causing a 6 per cent increase in prices, but that a change of the Consumption Tax this year by 50 per cent in the case of locally-manufactured goods will only cause a 1 per cent change in the inflation rate, particularly given the fact, as I said, that a lot of the arrangements pertaining to the reduction in the CARICOM Stamp Duty are yet to be put in place. It is ludicrous, and, I think, an insult to the House, for the Minister of Finance and Planning to tell us this kind of story in the face of what we know has gone before. These consumption taxes, which contributed to a rate of inflation of 6 per cent last year when the Consumption Taxes were only raised by 20 per cent, clearly must lead to a higher rate of inflation this year when the Consumption Tax has been raised by 50 per cent. That is clear.

Let us also, Mr. Speaker, begin to try to unravel what is going to be the impact of this increase in the Consumption Tax on the economy in general, because the Minister of Finance has been too narrow in his discussion of the impact of these tax measures. He sees taxes only as a way of raising revenue - he is a tax collector! - but taxes affect people's cost. They affect cost in the tourist industry, because the tourist industry purchases a large number of the items under Consumption Tax as part of its general operations. We are now in a position where we are relying on the tourist industry to a greater extent than at any other time in our history, and at this precise time we institute a change in the Consumption Tax that can have a tremendous adverse impact on the rate of growth of cost in the tourist industry of this country!

Remember as well, Mr. Speaker, that in addition to the tourist industry, Government has stated that the construction industry will have to continue to be an area of growth. It is setting about to take away a lot of the income of potential homeowners through the surcharge on the incomes, and it is now multiplying its confusion by ensuring that costs in the building industry, which rose last year, will continue to rise this year, because many of the products used in the building industry carry the Consumption Tax.

I cannot, for the life of me, understand how the Government can, therefore, continue to believe that you are going to have a robust growth in the construction and tourist industries, but the construction industry, particularly, if you take away the income through the surcharge, and if

you also increase the cost of construction. The Government has to be consistent. If it comes to the House and says that the growth in domestic incomes led to the growth in housing last year, it must follow that a decline in incomes caused by an imposition of a surcharge should cause housing to experience a little problem, and when you add to that an increased cost in housing, it seems to me, if it does not seem to the Prime Minister, that the Government is, in fact, undermining the two sectors which it, itself, has earmarked as the sectors of potential growth in the Barbados economy. That, Mr. Speaker, is an evaluation that must flow when one begins to look at the impact of taxation not just in terms of a housekeeping exercise, but from the point of view of its wider implications for the function of the economy.

I also believe, Mr. Speaker, that the local manufacturing sector, which is under strain, will find itself under increased strain again this year. Why do I say that, Sir? Because the major change in the Consumption Tax this year comes from increasing the base rate from 6 per cent to 9 per cent, and the base rate, put in simple terms, is the Consumption Tax paid on goods produced in Barbados and CARICOM. So when you increase the base rate from 6 per cent to 9 per cent, that is a 50 per cent change, you are increasing the Consumption Tax predominantly on locally-produced manufactured commodities, cement and so on.

At the same time as the Government is doing that, it is also imposing a surcharge on incomes, although it had said that it was the increase in incomes last year which led to a little resurgence in the local manufacturing sector. So we are doing two things to the local manufacturers by these measures - increasing the price through the Consumption Tax at the same time as applying the surcharge on incomes. Those, obviously, are going to drop demand. I ask the Minister of Finance to consider, therefore, what could- be the impact of that kind of policy on the functioning of the local manufacturing sector. Can he truly believe that that will give rise to growth in the manufacturing sector? 6.40 p.m.

I go so far as to say that unless the local manufacturers 'can this year quickly begin to penetrate extra-regional markets, tough times lie ahead for them. They are carrying, Sir, the largest proportion of this \$71 million increase in the Consumption Tax, and I really, Mr. Speaker, do not know how Government will bring about the rate of growth that it says it can bring about in circumstances where it will put pressure on tourism, construction, and local manufacturing. It will also put pressure on export manufacturers, because the surcharge now on their profits double the effective rate of taxes on them. The construction industry, which has been exporting services, will find, too, that its effective rate of taxes increases. I cannot find any sector of the Barbadian economy which will not be adversely affected by what Government is doing.

I turn to transport and the operation of the Transport Board within the context, Sir, of his fiscal deficit position.

Last financial year, the Transport Board incurred an overall deficit of \$21 million. This year, the Transport Board is to be provided with \$5 million in subsidies in the Estimates and on-budget, and it is now to get an additional \$6 million in increased revenue from bus fares. The Transport Board now cannot look to the Transport Levy to assist it in financing a part of its deficit, because the levy has now been brought in to the Consolidated Fund.

Aside.

Mr. O. S. ARTHUR: As the Minister of Transport is saying, Sir, that is not what I have done. He is confusing me, Sir, with the Minister of Finance.

Mr. SPEAKER: I am only hearing the honourable Member for St. Peter.

Laughter.

Mr. SPEAKER: I have not heard any other comments.

Laughter.

Mr. O. S. ARTHUR: I am warning him, Sir, not to challenge the present Minister of Finance and Prime Minister of the country!

Last year, as I said, the Transport Board incurred an operational deficit of \$21 million. This year it has been given \$5 million on-budget, and an increase in bus fares of \$6 million. So it would have to improve its financial position in net terms by \$10 million so as not to exert any claims on Government. That is a straightforward analysis. Ten million dollars in adjustment in one year is a lot, even for the present Minister of Transport and Works, who has promised, but has not succeeded, to reduce the operational deficit in the Transport Board to \$7 million.

But if you remember, Mr. Speaker, when last the Minister spoke in this House, his argument for believing that the deficit of the Transport Board could be kept to \$7 million is if Government would agree to remove the Consumption Tax on things like tyres and so on. Where does he find himself this year? He needs to make a financial adjustment of \$10 million just to break even and not exercise a claim on Government's revenues now that the levy has been brought into the Consolidated Fund. And at the same time, rather than remove the Consumption Tax on tyres, the Government has increased the Consumption Tax on them. And it has gone further, Sir, it has also, as you know now, Sir, increased the price of energy products - gas and diesel - that are used by the Transport Board. So it seems to me, Sir, that the operational problems of the Transport Board will get worse rather than improve, precisely because, (a), its full deficit, as far as we can discern, has not been provided for on-budget, or through the increase in the bus fares; and (b) with the increase in the

Consumption Tax on tyres, and the increase in the price of gasoline and diesel, it is obviously clear that the operational cost of the Transport Board must increase.

The Prime Minister, Sir, has stated that steps will be taken to improve the service. I want to hear more specific arguments from him.

Aside.

Mr. O. S. ARTHUR: The honourable Member says I have to hear from him. Perhaps I am confusing him with the Prime Minister.

I want to hear clearly how the Transport Board, which last year got \$21 million in financing from Government, and which this year, including an increasing in bus fares, is only getting \$11 million, proposes to deal with the deficit that it has, together with the increased operational cost, given what the Minister of Transport and Works has already told this House, that the only way you can bring down that deficit to low dimension is through the removal of Consumption Tax on tyres and things of that character.

I want to hear from them now. I want to hear the steps that will be taken. I look forward to the response of the Minister of Transport and Works when he becomes involved in this debate. Because the Consumption Tax increases are going to hurt him! The increase in the price of gasoline and the price of diesel are going to hurt him! And, Mr. Speaker, the taking of the Transport Levy into the Consolidated Fund, unless Government earmarks a proportion of it to be designated to the Transport Board, is also going to hurt him!

Asides.

Mr. O. S. ARTHUR: Because once it gets into the Consolidated Fund, Mr. Speaker, there is no reason why it needs necessarily be used to finance the Transport Board.

Asides.

Mr. SPEAKER: Order, please, from both sides of the House!

Mr. O. S. ARTHUR: We need to hear some straight talk, Mr. Speaker, from the Government as regards this particular matter.

Aside.

Mr. SPEAKER: You have until 7.32 p.m.

Mr. O. S. ARTHUR: Mr. Speaker, the increase in energy prices now indicates that the Government, obviously, is putting itself in a position where it is going to be enjoying the worse of both worlds. It is claiming that

because of decreased prices of oil, it has to cut oil production in Barbados, leading to an increase in the import bill for oil. But it is at the same time telling us that because of the increases in the price of oil, it has to raise the price of gasoline, diesel and other things. I want it, Sir, to make up its mind. It cannot simultaneously tell this House that falling energy prices has caused it to cut production, leaving this country to import perhaps about \$36 million in oil from abroad, and at the same time tell us that rising energy prices is forcing it to increase the cost of gasoline, diesel and so on. Tell us which is which! 6.50 p.m.

I therefore, Mr. Speaker, have the greatest difficulty, "given what the Government has already said about its energy production programme, to accept that it can only be increases in the price of oil that is putting pressure on Government now to increase the price of gasoline. It should logically be saying that it will be holding down the price of gasoline because it is not in a position to increase them, just as it is not in a position to expand production. It cannot have it both ways. I want, Mr. Speaker, to hear a clear statement of policy from the Democratic Labour Party as regards its energy pricing policy.

Aside.

Mr. O. S. ARTHUR: The Member is saying that I am making the same point I need to make the same point, because these are the eternal contradictions of the Democratic Labour Party. It will deceive the public into believing that low energy prices have caused oil production in Barbados to decrease and high energy prices have caused oil prices and gasoline prices to increase. You cannot have it both ways. It is time that this Government gets itself out of the tangled web of deception that it is creating for itself and deal with the public of this country on a level basis.

In the time remaining, Mr. Speaker, there are various aspects of Government policy that I really have to deal with. Last year, the problem of our export trade emerged as one of the major economic problems facing this society. Our exports fell by 49 per cent in 1987 as compared to 1986, and we are a country which import from the common pin to the computer. It would seem to me that in circumstances where Government finds itself in a position of having steep falls in the value of its exports, the most carefully conceived programme should be put in place to address that particular difficulty. There is nothing that poses a graver danger to the continued viability of Barbados as an economy than the continued deterioration in our export performance, and it must be arrested. I am not at all satisfied, and I do not think anybody on the Democratic Labour Party can at all be satisfied, that the Government is doing enough to deal with and arrest the problem of export deterioration.

For two years, Mr. Speaker, this Opposition has come to this House and pleaded with Government to increase

rather than decrease the subventions that it is making available to the Export Promotion Corporation. Despite that argument from this side, at a time when our export earnings are falling, Government finds it necessary and desirable to cut expenditure on export promotion, while at the same time we can spend money to buy hospitals to lie idle and things like that. Its export promotion policies, Mr. Speaker, seem not to have been carefully thought out, and we therefore have to draw attention to the need for Government to do something very seriously about addressing the problem of export development in this country.

This problem, Mr. Speaker, is very critical, because Barbados is now in a position where the variations in the United States dollar relative to other currencies create both economic advantages as well as disadvantages. One would have thought, Sir, that you would have heard from the Prime Minister an export development strategy that was designed to take the fullest advantage of the relative weakness of the United States dollar in European markets as the basis on which we begin to optimise the export opportunities that that has created.

It is clear to us that it has created opportunities for tourism. The relative weakness of the United States dollar *vis-a-vis* European currencies makes it cheaper for Europeans to come to Barbados and have a holiday. But we can hear nothing from the Government as to how it is now seeking to penetrate European markets at a time when the relative weakness of the U.S. dollar *vis-a-vis* the European currencies will make it more feasible for that to happen than was the case in the past. What we are hearing, Sir, is that Government has \$30 million in concessional funding earmarked by the EEC lying idle, when it is having at the same time to go to places like Japan and borrow money on commercial terms of a short-term basis.

Until the Export Promotion Corporation can be equipped to allow it to lead the charge in areas like the EEC and assist businessmen of this country in taking advantage of variations in exchange rates as part of its normal function, there is no hope for the Export Promotion Corporation, and there is, perhaps, no hope for us as a country. I have gone on record before, Mr. Speaker, as saying that, in my view, the Export Promotion Corporation must become the most important single economic institution in this country. It is a very distressing aspect of Government policy that, for the second year in succession, the Government commits itself to this foolish policy of cutting the subventions of the Export Promotion Corporation.

Exchange rates do not only bring opportunities, they bring disadvantages. One would have thought, Mr. Speaker, that the Minister of Trade and Industry would see it as part of the flexible responses to managing delicate trade positions, in the context of a changing exchange rate policy, to have continuing discussions and work out a work

programme with people like the Chamber of Commerce to try to steer Barbados's imports more towards dollar areas and away from areas where the European currencies are used. I must cite it as a consideration, because not even the Government itself is doing it.

The Minister of Finance will remember that during the course of the last financial year, a supplementary came to this House asking the House to agree that more funds should be provided for the Ministry of the Public Service to purchase paper and other printing material from abroad to make up for the fact that the cost of those articles had gone up because of currency variations. It seems to me that it is those kinds of things that are wrong in the way in which we are managing our trading relations.

The Ministry of Trade and Industry must announce some sort of policy, which we can begin to digest in this House, that seeks to maximise the opportunities created by exchange rate variations on the export side, while shifting Barbados' trade away from those areas where the variations in the United States dollar can cause the import bill to rise. It is only when we hear that kind of policy, Sir, that we will believe that the Ministry of Trade and Industry and the Government are serious about redressing this country's trading problems at a time when our export earnings fell by 49 per cent in the course of one year.

I am also satisfied, Mr. Speaker, that, when we review the trading policies of the Democratic Labour Party, it is absolutely clear that too much hope was pinned on signing a Trinidadian solution that was a political solution. The Democratic Labour Party came to office in the belief that the reason our trade with Trinidad had decreased, and they stated it, was because of a conflict between former Prime Minister Adams and Ambassador Pitt. The present Minister of Health came to this House and said that he would lead a delegation to Trinidad and resolve all the outstanding problems between Barbados and Trinidad in the area of trade, leading to a resurgence in the growth of Barbados' exports to Trinidad. 7.00 p.m.

What has been the result? The result is that last year Barbados' imports from Trinidad continued to increase, whereas Barbados' exports to Trinidad and the rest of the Caribbean decreased. I am making that point because I want to link the Stamp Duty. Despite the fact that there was a Stamp Duty on Trinidadian imports, Trinidadian imports into Barbados last year increased at a time when our exports to Trinidad were decreasing. It seems to me, therefore, Mr. Speaker, that once we remove the Stamp Duty on Trinidadian imports, there is a possibility of our opening a flood gate which hurts us, unless we can be sure that other non-tariff barriers are removed in Trinidad.

I am anxious, Mr. Speaker, to hear from the Minister of Trade what are going to be the other arrangements that

are going to be put in place to make sure that Barbados' competitive disadvantage relative to the rest of the Caribbean is not worsened merely on account of the removal of the Stamp Duty. Remember, Sir, that Barbados' position has been weakened in CARICOM because of the devaluation of the currencies of our major trading partners. It has been weakened as well by the fact that other countries practise restrictions that are not prevalent in this country. So the point of issue is what are the arrangements that are going to be put in place to ensure that Barbados is not put in a worse position, given the fact that, despite the Stamp Duty, last year Trinidad's imports to this country continued to grow.

Mr. Speaker, I also want to talk a little bit about Government's interest rate policy. I made an issue of it in the Estimates Debate, and I really thought that there was a consensus that Government was heading in the wrong direction with interest rates and that they would want to have a second look at the matter.

Mr. Speaker, the Democratic Labour Party has made a tremendous issue out of interest rate policies in this country. The facts are that interest rates under the Barbados Labour Party rose to about 15 per cent around 1981, when the prime rate in other countries was 21 per cent, but we made sure that in each year we brought down the interest rate to a stage where, by April 1986, the prime lending rate as fixed by the Central Bank was 9.5 per cent. Despite the noise made by the Democratic Labour Party on interest rates while in Opposition, it did not change that prime lending rate for 22 months. It retained the interest rate that it found when the Barbados Labour Party demitted office.

Yesterday, Sir, the Prime Minister gave us a lot of theory about interest rate variations which does not make sense. His argument is that interest rates are set by the interaction of supply and demand. Interest rates are set by the Central Bank, pure and simple. They are set with reference to a number of criteria, but for anybody to believe that interest rates in Barbados are set by the classical interaction of supply and demand, that person has to be out of touch with reality.

Secondly, Mr. Speaker, the painful experience of the past - and I admit it was a painful experience - shows us that the principal impact of interest rates on the Barbadian economy is in terms of its impact on the cost of Government operations and the cost of domestic production. These things are known, and the Government cannot truly be serious about seeking to control its expenditure and commit itself to a policy whereby it allows an increase in domestic interest rates. Neither can it be serious about a policy of seeking to ensure the increased competitiveness of Barbadian exports by increasing the cost of the production in the export sectors through an increase in the interest rates.

The argument, Mr. Speaker, that the need for an increase in the interest rates is meant to stem the outflow of capital is a foolish argument. People do not bring capital into Barbados for reasons having to do with speculation about interest rates, they come because of considerations of confidence in the economy, because the Barbados currency is a non-convertible currency, and the ease with which one can speculate in it using variations in exchange rates is thereby reduced. Monies will leave Barbados if and when there is a lack of confidence in the Government.

I am saying this, Mr. Speaker, because I am committed to the point of view that, for the period when I was on the Board of the Central Bank, we made sure that interest rates in this country came down, and those persons who might have been responsible for advice on high interest rate policies in the first case would seem to me to be the same persons who are now engaged in giving advice on high interest rate policies in this case. It cannot be for Government to say that it has increased interest rates, yet it is following the interest rate policies of the past, and I am asking the Minister of Finance to have a look at the interest rate policy. Our painful experience is that it was one of the real factors that caused problems in this Barbados' economy, and you can be sure, Sir, that a Barbados Labour Party Administration in the future will not be committed to any high interest rate policy as a matter of course.

Before I close, Mr. Speaker, I really have to talk a little bit about the performance of the Barbados economy.

The conditions for economic growth have never since 1981 been more favourable. In the early 1980s' we had a combination of international recession, high interest rates, a contraction in world trade, weak commodity prices and things of that character. Today, Sir, you have the exact opposite, you have a situation of no international recession, low international interest rates, relatively low international inflation rates, and we are benefiting to some extent from the weakness of the United States dollar relative to other European currencies through its impact on our tourism flows. One is left to wonder why Barbados is not growing by 5 per cent like Dominica is, since Dominica, obviously, is the economy with which we are to be compared, and I am even to begin to wonder if the Barbados economy is growing at the rate that the Government is purporting that it is growing at. 7.10p.m.

Mr. Speaker, the Government has shown in its Economic Report of 1987 a growth rate of the Barbados economy of 2.2 per cent, and that growth rate is based principally on a 30.9 per cent rate of growth on tourism, and, secondly, on a 9.1 per cent growth rate in domestic agriculture. There is also supposed to be a 6.6 per cent decline in manufacturing.

Mr. Speaker, this Economic Report has gone through a pressure cooker. There have been many different versions

of it. The numbers, Mr. Speaker, have become a bit hard to digest.

I will deal, first of all, with non-sugar agriculture. Mr. Speaker, last week Monday you would have seen in the Press a statement that, because of dry weather, the planting of agricultural commodities has been reduced and production is down. In each of these Central Bank Reports for last year you had the same situation reported, extreme dry weather leading to decreased production. Indeed, if you pick up the December 1987 Central Bank Report, Sir, you will see that output in manufacture remained depressed, overall agricultural production was below the 1986 level, the extended dry season early in the year resulted.....

Mr. SPEAKER: Just state the page.

Mr. O. S. ARTHUR: It is page 2 of the Economic Review of the Central Bank, December 1987. It states that the extended dry weather earlier in the year resulted in lower vegetable production. If you turn to the Economic Report, Mr. Speaker, it tells you that despite extremely dry weather in the first half of the year, the output of vegetables was not adversely affected and conditions were favourable for a recovery of root crops, with the exception of yams, which was affected by disease. Then you turn to page 36 and look for the production of yams - this was the one crop that was supposed not to have increased - and this shows that the production of yams increased by 23.8 per cent. Here it is we have the Central Bank document telling us that, because of extreme dry weather, throughout most of the year, production is down, and then the Economic Report says that, despite the extreme dry weather, production is up, and only last week, Sir, officials in the Ministry of Agriculture confirmed that because of the extreme dry weather, production was down! This went through a pressure cooker!

There has been an increase, Mr. Speaker, as the Minister of Agriculture knows, in the importation of a large number of vegetables into this country.

Certain remarks made at this stage by the honourable Member for St. Peter (Mr. O. S. Arthur) were ordered by Mr. SPEAKER to be expunged from the Record.

Mr. O. S. ARTHUR: The situation Barbados finds itself in, Sir, is that you can have the Central Bank documents telling you one thing completely contradicted by a document which has gone through a pressure cooker. As regards manufacturing, page 45 tells you, for example, that production of wearing apparel increased by 16 per cent in 1987 after a decline of 11.8 per cent in 1986. Then you turn to page 20 of the same document and see a 8.2 per cent decrease, consistent with* what happened, that there was always a decline in the production of apparel for the export market last year.

I am also submitting to the House that there was a relatively good performance from the tourist industry last year, but it was not as good as Government would have us believe.

Mr. Speaker, in the early Eighties tourism arrivals increased by 12.1 per cent, but we reported faithfully that the real growth was less, because the length of stay decreased, and we reported that the receipts were less. So it is not necessarily true, Mr. Speaker, that a given change in the arrivals in tourism needs necessarily give rise to an equal increase in the levels of tourist arrivals.

Last year, Mr. Speaker, we had a 13 per cent increase in the number of tourist arrivals, but it is known that the growth of arrivals was at the lower end of the market, where 25 000 came each for six days at a rate of US\$20 per night. That was the factor largely responsible for the growth in the hotel industry. We are now having to accept from this Economic Report a situation in which the growth in arrivals was about 13 per cent, that there was a 15 per cent increase in tourist expenditure at a time when the arrivals were at the lowest end of the market.

I am asking the Government to look at the table on employment and tell us indeed, Mr. Speaker, how it could be that you can talk in terms of an increase in the construction sector when the numbers are showing something else. The body of the text is saying that there were 1 300 more persons in construction, whereas the numbers are telling us that the actual number of persons employed in construction decreased by 500. The report also says that there was a decline in the levels of quarrying activity, but I am saying that this report cannot be right, and it certainly cannot simultaneously say that there was a 1 300 increase in jobs at the same time that the table is showing that jobs declined by 500.

What is most interesting is that this table also shows that there was a decline in employment in services, such as Government services, by 2 400 jobs. Is the Democratic Labour Party in a position to confirm items carried in the Press that large numbers of Barbadians have been sent home by the DLP? Because page 38 is saying that employment in services, particularly Government services, declined from 37 300 to 34 900 between 1986 and 1987. Is Government now in a position to confirm, Mr. Speaker, that a large number of persons have gone home, or are we to believe that these numbers are cooked up for different reasons, to show that there was a large scale expansion in the public sector employment?

Mr. Speaker, I do not accept these numbers. I prefer to accept the numbers that were provided by the Government to the International Monetary Fund when the Government stated that the 1987 output in Barbados increased by less than 1 per cent. In fact, it estimated that output increased by only 0.6 per cent, and that is based, Sir, on a 10 per cent

increase in the number of tourists, a 10 per cent decrease in the real value of manufacturing, and things of that character, which we know to be more realistic. 7.20 p.m.

I have to ask this Government some questions. If there was that degree of robust growth in economic activity, why is it that the level of unemployment in Barbados had stabilised at almost 19 per cent? If you all are making the economy grow and grow, by how much must this economy grow in order for us to bring down unemployment in Barbados to tolerable levels? Can you see the impact of your growth on Government revenues? Can you see it in the balance of payments? Can you in a year when you are reporting over \$100 million increase in tourist expenditure, when you know that the greatest increase came at the lowest end of the market, truly put that to us as something that is factual? I am saying that the Government is misrepresenting for political purposes the extent to which the Barbados economy has progressed under the Democratic Labour Party. It was not, as I said, a bad year for tourism, and I am now going to call for a proper tourism expenditure survey to be undertaken so that we do not continue to deceive ourselves in these matters.

Government fiscal policy, Sir, and I want to explain why I am speaking on this point, as you have heard yesterday, is being set by the Minister of Finance to reduce the size of the deficit to certain percentages of the GDP. It becomes important, therefore, for us to be accurate in our determination of what GDP is. If we are not prepared to do that, we are going to likely commit Government to a number of financial errors, and, perhaps, one of the reasons why the tax increases are so excessive is because the percentage of GDP that the Minister believes he had to adjust the deficit by is larger than would be the case if he had had a more realistic estimation of GDP.

These things, Mr. Speaker, have to be carefully addressed and as regards the prospects for next year I want to submit to the Government that if it started with an estimate of a 2 per cent rate of economic growth for next year, given what I have said about the likely impact of Government taxes on the key areas of growth in this economy, that rate of economic growth is not likely to be realised. I see next year, therefore, Mr. Speaker, as a year in which we are going to have low rates of growth, a year in which we are going to have a continuation of high levels of unemployment in Barbados, a year in which the rate of inflation is going to increase as a result of these measures imposed by Government, a year in which the Government may even have to borrow 10 billion yen on the Japanese market. It was 2.5 billion before, but it may have to go as high as \$10 billion yen. That is what Barbados is being reduced to. I am not predicting, Sir. I am saying that that is in the process as well. The Minister did not say precisely, but we may have to borrow the equivalent of \$160 million from Japan to help carry forward and keep Barbados going.

All of these things are persisting in this society because of the policies of the Democratic Labour Party, which has inflicted this heavy dose of economic slow poison on this society. The reduction in our reserves caused by the build-up of consumption expenditure by the Democratic Labour Party, and the unsustainable fiscal position that yesterday led the Minister of Finance to impose \$110 million in taxes, have been caused by the economic policies of the Democratic Labour Party. These things need radical change.

Mr. Speaker, as I come to the close of my address, I have to say that the problems of this economy can only be addressed by the most concerted efforts to develop Barbados as a prosperous export oriented society. It would be well, since the taxes will be passed in any case, if Government was to take \$20 million of it and put it in a capital development fund, \$10 million of which could be used, for example, to finance the construction of convention facilities, because we already enjoy tax concessions, that make it possible for Barbados to develop convention facilities, and another \$10 million of it to finance product development and the technological development of the domestic private sector.

I would like to see people in Barbados being able to get funds on a soft basis from a capital development fund to do product development, because we are not going to be successful in export development until we start doing what the export market requires. In so far as these tax measures, apparently, will go through, because of weight of Government numbers, at least, to the extent that Government, in my view, has overestimated its tax requirements, let us set aside at least \$20 million of these taxes for the long term benefit of the Barbadian economy. Let us put it in a capital development fund and earmark the fund for export development so that people who have ideas and want to develop products can go and get soft loans to develop the products. It would ease the minds of the Opposition in contemplation of the distress that the Government is now seeking to impose on the people of this country in terms of this massive increase in the level of taxation.

I understand, Mr. Speaker, that I have to close. I really feel that, all things considered, the question in this debate is bigger now than the question of just economic policies. It is a question, as well, of politics, that there has been a breach of faith between the Government and the people. And as I close, my mind goes back to the words of Oliver Cromwell, spoken to a panel in 1654, to people who had also breached the faith. "It is not fit", he said, "that you should sit here any longer. You have sat too long here for any good you have been doing. Depart, I say, and let us have done with you. In the name of God, go."

I am obliged to you, Mr. Speaker.

Applause.

Hon. B. M. TAITT (St. Michael West): Mr. Speaker, up until today I would have been prepared to say of the honourable Member for St. Peter (Mr. O. S. Arthur) that he has a propensity to be wrong, but that he is capable of understanding, and, somehow, we can forgive him, because he is a bright young man. But, today, Sir, I sat here and listened to the honourable Member struggling through three hours to match the three hours which he said that the Prime Minister could have condensed into 45 minutes.

Laughter.

7.30 p.m.

Hon. B. M. TAITT: He said that the Prime Minister and Minister of Finance was only successful as a Minister of Education. I would say that one of the apparently notable failures of the Minister of Finance, in his capacity as Minister of Education, is that he was not successful with the honourable Member who has just sat down.

Laughter.

Hon. B. M. TAITT: The honourable Member sought, in pungent manner, to give an impression to this Honourable House, and, by extension, to the people of Barbados, that he finds the Economic Report faulty. The honourable Member took one of the documents which he and the Prime Minister before, the last Prime Minister of the Barbados Labour Party Government, used to say is a sacred document, and said that we in the Opposition should not run down these documents because the people in the international community would have no faith in the country.

That honourable Member was an architect, Sir, not an adviser - he was the Minister of Finance for the Barbados Labour Party during the years between 1981 and when the people sent them home. He was the Minister of Finance. Nothing that was done by the Minister of Finance in the Barbados Labour Party was done without his connivance, without his understanding, and on one occasion the Prime Minister, Bree St. John, actually appointed him to act as Minister of Finance when he was in another place. The reason he must defend the policies to the death is because he, who had assisted in wrecking the economy of Jamaica, came to Barbados and succeeded where others had failed.

I am going to show, Sir, that he is capable of using two approaches to morality and truth. He stood in here today, Sir and gave the impression that this Government is giving some pressure to the exporters, he called them, by the imposition of Corporation Tax. He said the Corporation Tax was being doubled, and he went on to show what a terrible imposition it was going to be on these poor exporters in Barbados. This is what that same honourable Member said only last year, Sir, at page 61, of the Hansard Report:

"Mr. Speaker, they have paid healthy dividends". He was talking about the Corporation Tax.

"The Corporation Tax in Barbados is paid largely by 18 public companies which are either monopolies or engaged in the distributive trades."

(Aside: Mr. O. S. ARTHUR: Not exporters. Joker!)

Hon. B. M. TAITT: He said:

"Hardly any manufacturing, agriculture or tourism enterprises paid the Corporation Tax." And he went on to say:

"Mr. Speaker, these companies are owned in the main by 600 shareholders and they have done very well for themselves in recent years, despite the recession and despite the rate of tax. They have paid out healthy dividends. They have financed their expansion from internal sources, and at the end of 1985, the eighteen public companies which account for the largest proportion of Corporation Tax in Barbados, owned basically by 600 shareholders in general, had surpluses of \$130 million. The reduction in the Corporation Tax to these corporations cannot be based on reasons of financial hardship, but will return \$12 million to these shareholders at a time when workers are being laid off from the Public Service for lack of funds and at a time when this Government has to grab at the savings of schools to help finance tax concessions."

This same honourable Member comes here today, Sir, and give the impression that his heart is bleeding. He wants us to bleed, because, somehow, the same people who he castigated last year are now in a position of burden. But that is not the point, Sir.

He went on to speak at length, and I am going to use the same Economic Report, but I am going to try to stick to the areas where it was not faulty.

The honourable Member, Sir, was part of the economic hierarchy in Barbados between 1981 and 1985. The honourable Member has talked at length about economics and growth, and he went on to discuss how the Prime Minister and Minister of Finance had expounded on elementary material. I hope that he will not consider that my quoting from the Economic Report could be elementary.

Let us look at growth, Sir. He participated in an economy in 1981, when we had a minus growth, 1.9 per cent; 1982 -4.9 per cent. Because of time, Sir, I am going to say that between 1981 and 1985 we had a net minus growth of 1.7 percent.

Aside.

Hon. B. M. TAITT: It was 0.5, 3.6 and 1.0. A net of -1.7. Compare that, Sir, with 1986, a 5.1 per cent growth;

1987, 2.7 per cent growth; a net of 7.8 per cent. Yet this honourable Member tries to give this Honourable House the impression that the people of Barbados have seen no change in the two years under the Democratic Labour Party.

We are able to do the comparative analysis. Let us look at Gross Capital Formation for the period 1981-1985, at page 16 of this Economic Report. These figures were put out by the honourable Member at that time: 1982, 450.5 million; 1983, 421.1 million; 1984, 373.9 million; 1985, 375.8 million; a decrease each year in the Gross Capital Formation. In 1985, it was down to 371.8 million. In 1986, Sir, to 428.8 million. In 1987, it has increased to 466.7 million. The two years of the Democratic Labour Party that you are asking to go saw an increase in Gross Capital Formation.

Mr. Speaker, let us take inflation. The honourable Member only last year told this House, he has two mouths, Sir, he speaks through two mouths, Sir.

Aside.

Hon. B. M. TAITT: I cannot say that. I hear him with one tongue on time, Sir, and I hear him with another tongue another time, Sir.

Last year the honourable Member said, at page 1110 of Hansard:

"These taxes will be massively inflationary and will definitely erode the improvement in the standard of living".

In 1986, we had an inflation rate of 1.6 per cent and it has increased to 3.4 per cent. Is the honourable Member willing to say that an inflation rate of 3.4 per cent is massive inflation? I say, Sir, that that is intellectually questionable.

Laughter.

Hon. B. M. TAITT: In April, 1987 he makes that statement, and he comes here today and makes an opposite statement!

Mr. Speaker, I am going to spend time with him, because I am going to do the analyses which he is always calling for. Let us deal with employment. He just finished by saying that what we wish in this country is to have a downturn in unemployment. 7.40. p.m.

Mr. Speaker, if we take employment and the numbers, you will see that in 1981 there were 100 000 people employed. In 1982, it went down to 97 200; in 1983 - 95 700; in 1984 - 93 100; and in 1985 - 92 100; a net decrease of 7 900 during the time when the honourable Member for St. Peter was the architect, the builder, the

stress walls, of the Barbados Labour Party's economic policies.

Two years of the Democratic Labour and here is what happened. In 1986 - 96 200 people were working, an increase of 4 100. In 1987 - 97 900 are working, an increase of 1 700. That is a net increase of 2 900, or close to 3 000 put back to work under the Democratic Labour Party's Administration.

One of the problems we have in this country, Sir, is that when people are speaking about economic analysis, they will not go the full extent and give people proper information. He talks about percentages and then tries to give the impression that there has been no movement since the Democratic Labour Party came to office. There has been a net increase of nearly 3 000 jobs per year, if you average it out, Mr. Speaker.

We will see something interesting if we turn to page 27 of this report, Sir, an interesting statistic called the "Participation". That is the number of persons in the adult population actively seeking work, and you will see on that page 27 that the participation rose successively in 1986 and 1987, after falling in the previous years. Mr. Speaker, what that indicates is a new hope among the Barbadian population with the Democratic Labour Party's coming to office. More people are participating.

Mr. Speaker, the Prime Minister, at page 58 of his Budgetary Proposals, made reference to a strategy to deal with the National Debt. The honourable Member, by quoting 10 billion yen, seems to feel that, somehow, he is revealing information to the world. But the Barbadian population has not forgotten about you and the National Debt. The Barbados Labour Party borrowed so much money that the people of Barbados have not got accustomed to the figures yet, and the question is this - I am asking the honourable Member for St. Peter through you, Sir - what did you do with the money that you borrowed? You have built a bank. You are building a road.

The Prime Minister has said what is going to be his strategy for debt. I do not wish the honourable Member to accuse me of having figures he cannot live with. Page 63:

"I shall make only judicious use of the international capital markets, and that for the purpose of securing additional foreign exchange needed for our development efforts, for retiring maturing debt, and for restructuring existing debt."

The honourable Member for St. Peter - do you have any problem with that?

"I shall seek to use as much local resources as possible without displacing or crowding out the funds available for the private sector." Do you have any problem with that?

"I shall seek to effect greater co-ordination of all phases of Government's borrowing, spending and taxation." Do you have any problem with that?

Mr. Speaker, does the honourable Member for St. Peter have any problem with this strategy? It is because of the high borrowings during the 1980's that Barbados will need an average of \$150 million a year until 1992 to repay both the public sector and private sector foreign debt. That is what the Prime Minister and Minister of Finance said, and the honourable Member for St. Peter was the architect of that policy. I challenge him or any member of the Barbados Labour Party to get up and deny that he personally was responsible for this policy, especially when Bree St. John was Prime Minister and Minister of Finance.

Aside

Hon. B. M. TAITT: Yes, Bree St. John! Do you not know him?

Sir, I have said that I hear him with two different mouths. The honourable Member got up in here today and tried to give the impression that there is something wrong with agriculture in this country. He said that agriculture will continue in the state of stagnation in which it has found itself. Sir, at page 32 of the Economic Report, it says every area of agriculture except sugar has been expanding. In 1987, non-sugar agriculture increased by 9.1 per cent. Let us assume that we are wrong by 5 per cent Sir. It will still be 4.1 percent!

(Aside: Prove it!)

Hon. B. M. TAITT: You said the figures are wrong. In 1987, food crops increased by 33.7 per cent; vegetables, except eggplant, cabbage and cauliflower, improved; chicken 10.10 per cent; eggs, 35 per cent; fresh milk, 11 per cent; fisheries, 6.5 per cent.

Aside

Hon. B. M. TAITT: The honourable Member is saying that we imported a lot of vegetables. The fact is that if you go from 370 000 tourists to 421 000 tourists, you will have to get something to feed them with. That is why we have had an increase in demand. The honourable Member or any other person can go and ask the farmers. I heard the President of the Poultry and Egg Farmers.....

(Aside: Hon. P. M. GREAVES: Take your time).

Hon. B. M. TAITT: I do not have that much time. I have to talk fast, because there is a lot to say about this honourable Member.

It is unbelievable that the honourable Member could get up and tell the whole of Barbados that everything the

farmers have been saying, what the President of the Egg and Poultry Producers Association has said, is wrong and the only person who is right would be the honourable Member, because the IMF tells him something. I am not surprised, Sir, that he or anybody in the Barbados Labour Party would prefer to listen to the IMF or any other foreigner than to listen to people in Barbados.

Mr. Speaker, that honourable Member questioned the use of money in the celebration of Independence in Barbados. In his presentation today I could not believe my ears. I would have thought that if the Leader of the Opposition had said that, and he would not - he is not like that, he knows which side his bread is buttered on - I would never have thought that a man as young as the honourable Member from St. Peter would have questioned Independence. He has sucked at the breast of the Barbados Labour Party persons to the point that he does not even understand the significance of Independence to the people of this country who are young like him.

The people of this country were deprived of the attitude towards Independence by the Barbados Labour Party for ten years. Because the late Right Honourable Errol Barrow was the leader and father of Independence, you, as a political party, tried systematically to eliminate him and Independence from the consciousness of the people of this country. It is a disservice which you have done to this country, for which history will not forgive you, and to cap it off, you, the honourable Member for St. Peter, came here today as a young man and stood up and said that we would not be any less independent in 22 than we were in 21, and talked about if we could not spend the money.

The Barbados Labour Party spent more money in CARIFESTA alone than we could have ever spent for the bridge or for anything. Nobody knows how much it is. Some say it is \$26 million, some say \$32 million, some say \$52 million. What we know is that they cannot account for it. Mr. Speaker, I have difficulty sometimes containing myself when I hear some of these things that attack the simple and heart-warming issues regarding the integrity of us as a nation, as a people. 7.50p.m.

Mr. Speaker, the honourable Member had the temerity to raise questions about tourism. During the time when he presided in the Ministry of Finance, Pannell Kerr Forster prepared a study for the Barbados Hotel Association. In their summary this is what they said in 1983:

"In our opinion the survey clearly shows that by the end of 1982 the Barbados hotel industry was in a very precarious financial position."

Mr. SPEAKER: I do not want to cross the Member.

Hon. B. M. TAITT: I will make it a document of the House, Sir.

Mr. SPEAKER: Very well.

Hon. B. M. TAITT: It says:

"This situation is likely to have worsened in 1983 as statistics available to us indicate that total hotel revenues declined further in 1983. Of more concern, however, is the question of whether we have a viable industry. In our view, at no time during the period 1980 to 1982 was the industry earning an adequate profit to enable it to repay debts, replace aging assets and provide the owners with a reasonable return on their investment. Unless this situation is corrected, the long term prospects for the hotel industry in Barbados are not at all good."

The honourable Member has the temerity to come in 1988 and offer advice to the Democratic Labour Party Administration on Tourism! That honourable Member was presiding in the Ministry of Finance when the then Prime Minister wrote a letter about a hurricane in the Tourist Board! That honourable Member was presiding when this document was prepared! That honourable Member was presiding when tourism fell to its lowest level, in 1984!

When we became the Government in 1986, tourism was in the doldrums in every sense of the word, and the first thing we did was to agree and allow participation by the people in the industry. We widened the representation on the Board of Tourism and we have allowed the people of Barbados to participate at the point in the hotel industry where now they are able to pay their debts.

But we did more. We went out into the world and created a marketing strategy that allowed the people in the hotel industry to benefit from a summer tourism. We now have a situation in Barbados where the peaks and valleys which had become the norm under the Barbados Labour Party have started to disappear.

The honourable Member talked about our increase at the low end. Anyone who did not study Economics could tell him that if you have tourism all year round and you are able to fill the period between April 15 and November 15 or December 15, even with break-even statistics, it would mean that the profits made in December would be real profits and would not have to be used to be churned back in. That is an elementary principle.

When we were able to bring into Barbados an additional 35 000 people in the summer, the people who benefited the most are the ones who the honourable Member purports to be talking for. In Barbados, every time someone says that they do not wish to have cheap tourism, they are saying that they do not wish the small properties to prosper, and the properties in Barbados that will prosper from what has been described as cheap tourism are the

properties that are owned by Barbadians, the same middle class that he identified. Those are the properties that will always benefit if summer tourism does well.

The massive tourism product on the west coast does not have to get summer tourism to survive, as compared with the people on the south coast. That is why the Democratic Labour Party, in fulfilment of the mandate given by the people of Barbados, went out into the world and brought people in here during the summer. We intend to continue that, and I see from the Budgetary Proposals that it is anticipated that there will be a strong summer again this year. I wish my colleague well.

I come now, in the last few minutes, to the Ministry of Health. The honourable Member raised questions about the St. Joseph Hospital. If it were not wrong, Sir, I would describe him in different terms in connection with that. He is the representative of St. Peter, and it is because he knows that the hospital will open in St. Peter, and that he may suffer some embarrassment, having not rallied to the cause of the people of St. Peter on a matter which they took to heart, that he now must find some way to justify the position he took under strange circumstances.

He said, Sir, that they could not afford to buy the hospital for \$15 million. We would not have bought it for that either. They said that they could not afford the hospital at that time. We say that we can afford it at this time for \$6 million, and I will tell you why, Sir.

Mr. Speaker, we have overcrowding at the Queen Elizabeth Hospital which has contributed, and is contributing, to poor medical care. Such care as has to be delivered in some of the wards where people are cheek-by-jowl, the doctors will tell you that that care will be inferior care as compared to if the hospital has within it the numbers that it was designed to accommodate. On the size of population within the hospital alone, the St. Joseph Hospital is justified.

But I go further. He gave the impression that we bought a pig in a poke - his words. He wants us to be fiscally prudent. The honourable Member, the Leader of the Opposition, who in his private capacity is handling the matter, could have told him that the negotiations for the purchase of the hospital take a very long time, that the hospital has not yet been taken over by the Barbados Government, that the \$6 million has been sent out by the Central Bank, and that we are awaiting response from the people who are selling the hospital. Would the honourable Member not have come in here and accuse us of the most irresponsible behaviour if we had come in here and put down a figure for running a hospital which we have not yet taken possession of?

I explained to the honourable Member, both on the floor of the House and privately, that we are, in the

meantime, working on the strategy for the use of the hospital. Yet, the honourable Member, because he has an audience of all Barbados, tries to give the impression that we do not know what we are doing. It is because we know what we are doing that we have not included a figure.

The honourable Member has been behind a group of persons who have tried to give the impression that we said that the National Health Service is dead and therefore we should not be collecting the Health Levy. I want to put that to rest.

Mr. Speaker, on the Drug Service we are going to spend \$10 million this year. We are going to also spend \$11 510 790 on the 11 polyclinics. When you add the Medical Aid Scheme, \$756 000, that will tell you where the primary health care is being provided.

It is dishonest for anyone to give the impression that the Health Levy is not being used for the purposes for which it is collected, which is primary health care. What is dead is the moribund scheme which the Barbados Labour Party wanted to impose on the people of Barbados. That is what is dead, and it is going to remain buried!

Mr. Speaker, there is a great divide between the Democratic Labour Party and the Barbados Labour Party. That divide is that we care, and understand, about people. When we go to the people and say we are going to buy a hospital, we buy it. When we go to the people and say that we are going to provide primary health care, we provide it. The Democratic Labour Party and the Barbados Labour Party have been parted from time immemorial, and will continue to be parted.

Mr. Speaker, the Resolution before this House is one which can be supported. It will be supported by the members on this side and I recommend it to the honourable Member for St. Peter, who should give it consideration in the light of his own statements last year right here in this Honourable House. The honourable Member was himself calling for the measures which have been implemented. He is one of the Members who assailed the honourable Member for St. Michael South Central in this Honourable House.

Mr. Speaker, I have no difficulty whatsoever with the tax which he has said will cause me a little problem, Sir. You will recall that I said we had had a technical adjustment. Well, that has gone.

I am much obliged to you, Sir.
8.00 p.m.

SUSPENSION OF SITTING

Hon. P. M. GREAVES: Mr. Speaker, I beg to move that this sitting be suspended until 8.45 p.m. this evening.

Hon. B. M. TAITT: I beg to second that.

The question that the sitting be suspended until 8.45 p.m. was put and resolved in the affirmative without division, and Mr. SPEAKER suspended the sitting accordingly. 8.02 p.m.

ON RESUMPTION Mr.

SPEAKER: This sitting is now resumed.

Hon. H. A. BLACKMAN (St. Philip South): Mr. Speaker, those of us who have had the honour to sit in this Honourable House of Assembly for the past year would have heard the honourable Member for St. Peter (Mr. O. S. Arthur) make the same speech on eleven occasions, except for a few comments on the tax proposals. We had warned him that he was overworking the speech, but, apparently, he found it difficult to change.

He started, Mr. Speaker, by saying that the Honourable Prime Minister spent a lot of his time explaining basic economics, like balance of payments, foreign reserves and fiscal deficit. What the honourable Member for St. Peter does not seem to understand is that the Prime Minister was speaking to the nation, and about 60 per cent of the people in the nation would need to know exactly what we are talking about when we speak about the balance of payments, foreign reserves and fiscal deficit. So I can see nothing wrong with the way in which the Prime Minister delivered the Budgetary Proposals. In fact, in 1976, the then Prime Minister, Mr. Tom Adams, spoke for three hours and 38 minutes and most of that speech was just repeating everything that was in the Economic Report, which to all intents and purposes, did not help the ordinary people in the country to understand certain terms that are used in Economics either. I think that the Prime Minister, in taking a bit of time in trying to explain these terms, did a service to the people of this country.

The honourable Member for St. Peter said that this Administration has no further moral authority or other authority to remain as the Government of this country. He also said that we tricked the people. He did not use the word "trick", but he said that we used a sort of sophisticated corned beef and biscuit politics. I believe Mr. Speaker, that that is a way of discrediting the people of this country. The electors in Barbados did not vote for the Democratic Labour Party only because of our economic proposals. The electorate in Barbados, in my view, voted for the Democratic Labour Party mainly because they were fed up with the arrogance, the high-handedness, the stifling of initiatives, the many hirings and firings, especially in the Ministry of Health, the on-going arguments with the doctors, who were referred to as vagabonds, and the compulsory acquisition of people's land without first saying a word to the people, especially those women in St. Michael

West and in St. Michael East There was a combination of forces that led the electorate in Barbados to vote out the Barbados Labour Party, and that would have to be so because of the manner and the way in which they were beaten. What is very noticeable is that the three persons who remain in this House of Assembly on the other side are probably the three whom you could not say were arrogant and high-handed.

One thing that the honourable Member for St. Peter has learned from the late Tom Adams is when to use percentages and when to use other figures. As an honourable Member said, the use and abuse of statistics! When he was speaking about corporation taxes and he felt it would make a stronger effect if he used percentages, he used percentages. When he thought it would make a stronger effect if he used figures and numbers, he used numbers. But I would like the honourable Member for St. Peter, who is no longer in his seat, who realised what would happen this afternoon and cannot take it, to understand that if a tax is 8 cents and you increase it by 50 per cent, it has only gone to 12 cents. If a tax is a penny and you increase it by 50 per cent, it has only gone to three cents. He has been using percentages telling the people of Barbados that, in certain instances, the Consumption tax has been increased by 50 per cent, but he will not tell them that, in certain circumstances, certain goods have only been increased minimally, because, as I have just demonstrated, if you increase eight cents by 50 per cent you have only got 12 cents.

The honourable Member, I believe, started to reflect on a vote of this House, about which he should know better, when he was speaking about the \$10 million for the National Conservation Commission. I believe that he was trying to make out a case for his not voting for the measure. The honourable Member will have to understand that we in this Administration will try as far as possible to keep people in work and not to fire anyone, although when we have to take a decision to follow that course, we will take that decision.

His calculations for the surcharge were all wrong, either as a deliberate act or his arithmetic was wrong. He said that on \$30 000 one would have to pay \$1 500. That is wrong. He did not subtract the \$15 000, and he was wrong again with the \$40 000 and the \$50 000. If the first \$15 000 is tax free, would you not have to take off the first \$15 000 and then you apply 5 per cent between \$15 000 and \$35 000, and then anything over \$35 000 would attract the 7.5 per cent? I am saying that the figures he gave were wrong.

The honourable Member for St. Peter seems to believe that every decision on every single thing in this country has to be put in Budgetary Proposals. If that were done, the Prime Minister's Budget would, and could, last for 8 hours. 8.55 p.m.

The honourable Member for St. Peter knows that decisions can be and are made by Cabinet, decisions can be and are made by boards, and, in fact, decisions can be and are made by Ministers. So to stand up and pontificate in here that you did not see this in the Budget or you did not see that in the Budget is pointless. Everything cannot be put in Budgetary Proposals, and he knows that better than anyone else.

In trying to discredit the Honourable Prime Minister, he said that the Honourable Prime Minister stated that interest rates are determined by demand and supply. I will read pages 75 - 76 to set the records straight. What the Prime Minister said was:

"With respect to policy on interest rates, I shall be pursuing the following four principles: -

- (1) local lending rates should be as low as is feasible taking account of underlying trends in foreign interest rates;
- (2) there should be the greatest possible stability in the domestic rates;
- (3) depositors should earn a reasonable return bearing in mind the margin that all banks, whether local or foreign, require for their viability; and
- (4) the movement in the domestic rate should reflect the local demand and supply of credit."

He never said that it would be determined by demand and supply. He said the rate being set, as it is set by the Central Bank, should be set to reflect the local demand and supply of credit.

I was very amused by the honourable Member for St. Peter as well, because an intelligent person, as he is, or should be, wants to know why it is that Dominica achieved the 5 per cent growth rate while Barbados only achieved a 2.2 per cent growth rate. I have never heard anything more ridiculous. It is like saying that if a small country anywhere had a 10 per cent increase in growth rate, the United States should have a 10 per cent increase in growth rate, or more. It is a ridiculous thing for an intelligent man to come up with in a debate like this with the whole of Barbados listening.

He tried to discredit the Economic Report. I have discovered that, for these Budgetary Proposals, the Barbados Labour Party has decided on a plan to discredit not only the Economic Report, but to discredit all the statistics which have come out this year, in an effort to say that since the statistics cannot be trusted, therefore, what the statistics have said are wrong.

They say that they prefer to err on the side of the Central Bank Report. Despite what the honourable Member

for St. Peter said, the Central Bank Report says, on page 6 of the Annual Report, 1987:

"Production of other agriculture and fishing increased by an estimated 9 per cent owing to an expansion of acreage planted and higher tonnage of fish landed by ice boats".

So the Central Bank agrees that all other segments of agriculture increased apart from sugar.

This is the Central Bank Report again:

"Real output in the manufacturing sector declined by 6 per cent in 1987. Electronics output declined by 67.2%. One of the remaining electronic companies closed in the first quarter. However, other sectors in manufacturing showed signs of improvement, with increases in food-processings, beverages and tobacco and apparel."

Apparel was the area in which he was trying to discredit the Economic Report. The Central Bank confirms apparel at 15.7 per cent. He was trying to discredit the 15.7 per cent.

You have to understand something about the honourable Member for St. Peter. The same public servants who did the Economic Report when he was controlling the Ministry of Finance are the same persons doing the Economic Report, but he says now that the Economic Report has gone through the cooker. He is discrediting the public officers who worked on this Economic Report and he should be ashamed of himself.

Mr. Speaker, we have to understand that the background to what has caused this Budget to come about started way back. Between 1966 and 1973 there were surpluses on Current Account. In 1973-74 and 1974-75, there were deficits because of the oil crisis. In 1975-76, again there was a surplus. This means that for the ten years that the Democratic Labour Party formed the Government of this country, only the two areas of the oil crisis

Asides.

Hon. H. A. BLACKMAN: The statistics started in 1966. In the last ten years of Democratic Labour Party rule, only for the two years of the oil crisis was there a deficit on Current Account. Between 1976 and 1986 there were deficits on six occasions, which means that deficits had now become the order of the day.

During the ten years of the Democratic Labour Party after 1966, Government made a contribution of over 40 per cent to capital spending from its Current Account surplus. What that means was that Government's savings financed more than 40 per cent of Capital spending. During those years this country was the envy of other developing countries, and, in fact, there were occasions during those ten years when we could lend a lending hand to our neighbours in the Caribbean.

After 1976, that never happened again. The situation got so far out of hand, Mr. Speaker, that in 1980-81 the Barbados Labour Party ran off to the IMF for a Stand-by Arrangement and to seek money from the Compensatory Financing Facility. And before anyone forgets, we are still repaying that IMF debt. Let the people in Barbados understand that this Administration is still repaying that debt incurred by you all with the IMF. 9.05 p.m.

What I understand the Prime Minister to be saying is that now is the time to put Barbados back where it was in those good old days when this country was the envy of many other developing countries. No amount of talk by the honourable Member for St. Peter about reversing Democratic Labour Party's policies will allow this Administration to let Barbados once again go into the clutches of the IMF, where foreigners dictate when you should eat, sleep, rise, walk and other things. Does anyone in Barbados want to see this Government once again going to the IMF? Does anyone in Barbados want to see the currency of Barbados devalued? Does anyone with any pride in this country want to see us wait until the day when outsiders are controlling even our every-day activities? Never!

We have to understand the cries of the Opposition were originally that the Democratic Labour Party had given up too much revenue. Impliedly, they were saying that we needed to take back some of the revenue. Then the next criticism within the last month or so is that we have allowed expenditure to run away and get out of control. Regardless, Mr. Speaker, of where you put on taxes, or on what you put on taxes, you are going to get criticism. In fact, even when you take them off, you get criticism, as we did in 1986. The Prime Minister has to understand, and I believe the Prime Minister understands, that wherever you put the taxes, you are going to get criticism, because someone is bound to say you should not have taxed that, you should have taxed that, you should not have taxed that, you should have taxed that. The Prime Minister thought out clearly what he was doing and I believe he came to the most painless and sensible decision.

Mr. Speaker, the argument is not whether you should close the gap between expenditure and revenue. Everyone knows that you need to close the gap. Some people are arguing that you should not close it in one go. Other people may argue that you should close it in one go. The Prime Minister has decided that you need to close the gap in one go to put our finances on a good footing again.

Mr. Speaker, what are the arguments? Whether you seek to raise the taxes by indirect taxation, or by direct taxation, or by a combination of both. The Prime Minister has gone for a combination of both.

The Prime Minister has, to a large extent, except for the Consumption Tax, allowed those persons earning under

\$15 000 to continue as far as possible as they were going before. I do not believe that to ask any person who is getting \$50 000 a year to pay \$140 a month to help his country and put it back to the position where it was in those good old days of the Sixties and Seventies, is asking too much. Let me explain what I am saying. Mr. Speaker, you will know that when you have a prescription for \$40, people would say well the prescription cost too much, and when you add on that you have to buy other things, they will say that that is really a burden on them. But ask yourself, Mr. Speaker, if that prescription was to save your child from going into hospital or from dying, would you still believe that \$40 for a prescription was too high? We have to understand what we are talking about.

In 1981, the Barbados Labour Party ran off to the IMF because this economy was out of control. We do not intend to run back to the IMF. I know that there are persons who, because of their political persuasion, fervently hope so. Instead of having pride in their country, all they are thinking about is recapturing this Government. You only have to listen to Gutterperk, or read the newspapers - anything to discredit this Government, people will indulge in. But I believe that anyone who cares for his country will realise that country comes before party, and there comes a time in all affairs of men when you have to sit down and say we have to put stop and we have to turn to the left or to the right, as long as it is for the good of the majority, and that, in my view, Mr. Speaker, is what the Honourable Prime Minister has attempted to do in these Budgetary Proposals.

Mr. Speaker, my time is up. I exhort and advise all people in Barbados to put their hands to the plough and put Barbados back to what it was in the years between 1966 and 1976.

Thank you, Mr. Speaker.

Applause.

Mr. D. J. H. THOMPSON (St. John): Mr. Speaker, Sir, this is the first opportunity that I am having to speak on a Budget presented to this House of Assembly. The people of the constituency of St. John, the constituency which I have the honour to represent, have been used to a high standard of economic debate from their representative over 25 years, and their representative had a clear and progressive voice on economic policy and transformed the economy of Barbados over a period of time. So that mine is a very difficult task coming after that and in contributing to this exercise.

I listened very carefully to the Budget. Clear and concise proposals were put forward. And then I listened to the honourable Member for St. Peter (Mr. O. S. Arthur), who, in his delivery, provided all the evidence for his detractors in the Barbados Labour Party to say, once again,

that the Shadow Ministry of Finance should be taken from him.

Laughter.

Mr. D. J. H. THOMPSON: I believe the campaign will get greater momentum now, as they recognise the paralysis in his analysis.

Laughter.

9.15p.m.

Mr. D. J. H. THOMPSON: He began by saying that he was going to be very blunt. I have to be blunt, too. What kind of economist is the honourable Member for St. Peter? I only did first year Economics at Cave Hill. But, at least, in that time I was taught that any economist worth his salt should have a philosophy. I know he has been instructed by his leader, who made it publicly known that the Labour Party would not be putting forward any ideas to the people of this country until election time, not to give us any ideas. But that does not mean that he has to demonstrate that he is devoid of any political philosophy whatsoever.

He has elevated pragmatism to a high ideal by seeing that, every time a Budget or a supplementary comes to this House of Assembly, he can repeat the same speech over and over. It was reported in a section of the Press that he said that he was ready for the Budget two weeks ago. He can say that. He was ready two years ago, because he has delivered the same speech for two years. I was not in this Chamber, but I have seen and heard it. It has changed in the delivery - it has become worse - but it has not changed in the essence of the points that he is making on behalf of the Barbados Labour Party.

This year he has also brought to a high ideal a statement made by a former British politician, Harold MacMillan, that criticism is never inhibited by ignorance. I say that because we have already heard in here that you cannot trust the Economics Report. Every year there is a big debate as to what statistics you can use. You cannot trust the Economic Report one year, another year you can trust it. You cannot trust the Central Bank Report one year, but the next year you can trust it. All through the year he said he was relying on the Central Bank Report. I am going to have some news for him about what the Central Bank Report says about non-sugar agriculture and it is no different to what the Economic Report says about non-sugar agriculture. It was an attempt to mislead the public to say that the two documents do not coincide.

I was also taught at the university, and he should know this very well. It is okay to have the answer correct, but if your reasoning is wrong, you cannot get one mark, and that is his position. He held on to the \$270 million that he predicted for dear life. "I predicted" - and his leader is

calling him Moses. He is not going to deliver you into the promised land.

I was also taught at secondary school. It is very often better to adopt the policy of Gamaliel, that you can see. Do not predict! In the speech he delivered last year, which at that time was his worst speech, and in the speech he has delivered this year, which, perhaps, is slightly worse, he has made predictions, and all of those predictions have ended up being absolutely incorrect. It is said that any fool can start a speech, but it takes a man of commitment to principle and some philosophy to finish it. Some people have difficulty winding up a speech because they get lost mid-stream, they want to say everything that should not be said and nothing that should be said.

As a young man in Parliament, I believe he owes it to the public at some point to point out what his economic philosophy is, what the philosophy of the Barbados Labour Party is, and tell the country what alternatives could be pursued. The only point he mentioned philosophy in his speech was to say that the Labour Party did not believe that there should be tax cuts, because increasing of disposable income would have caused some problems in respect to, I think he said, the Trinidad market. I do not remember the exact quotation, but that is the only time he discussed philosophy.

We come to the independence of this country. He is entirely devoid of any concern projecting the image of this nation as a country in its 21st year of independence. He forgets that it was his leader who kept noise about people who were invited to cocktail parties and functions, and who was invited to talk on television. With all the talk about what we spent on Independence, they still wanted to be in on the act, and they were vexed.

It is part of the record of this House that remarks were made in this House criticising the Government for leaving out certain members of the Labour Party. When the television programme "Craftsmen of Our Fate" was coming on, we were criticised for leaving them out. The honourable Member for St. Peter, the youngest Member on the team, a man who probably more than anybody else has benefited from the products of independent Barbados, said that we should not celebrate it, but the others were scuffling to get on television. That is the position of the Labour Party today in this country.

They seem to think that, overnight, we and the public of this country have forgotten what the Barbados Labour Party is all about. So, like a Boy Scout who has learnt to tie some knots, he comes to show us in here how well he executes them. All the predictions are there. It is true he is not the one who said devastation and disaster - probably one of the others over there who will own up to it - but we were told that in 18 months this country would suffer economic devastation and disaster, deprivation, and the full range of words to describe despair in this country. That is

what the Labour Party told us. All of them have been wrong, Moses and those who he is leading to nowhere!

We have to, I believe, develop a background to a discussion of the economy of Barbados. The shadow Minister of Finance owes it to the country to make a very clear distinction between the performance of the economy as a whole and Government's financial situation. That is something that is critical, and any wise economist would try to make a distinction in respect of that and then pursue a discussion on either side of the economy as a whole, and Government's financial position.

We have to look at the mandate that the Democratic Labour Party was given by the people of this country. He said we should go back to the electorate. He only wants to go back to demonstrate that it can be 26-1 instead of 24-3. The mandate is most important. It is not always how you win, it is how you perform when you are in Government. That is the major thing that we are concerned about.

Then, we have to look at some of the political factors in this country that affect the performance of the economy, or views of that performance. We accept some of the problems in respect of Government's finances. The size of the deficit and the call to cut expenditure is a call that everybody is making. But it is something that requires political will. It cannot be legislated simply, it cannot, be dealt with simply, and that is why we have to appeal to the public officers in the Government departments, and to those persons who execute policy, to ensure that these guidelines are kept very carefully. Because this exercise in ensuring that expenditure is kept at reasonable levels will depend on the commitment of all who are involved. 9.25 p.m.

But against that background of Government's financial position, it is true to say that the domestic economy has performed very well, and you can look at the Economic Report for 1987. Real output grew by 2.2 per cent, the third highest rate of growth since 1981. The overall growth in the period 1986 to 1988 since the Democratic Labour Party has been in office is 7.3 per cent. No two years under the Barbados Labour Party can be combined to produce that rate of growth. It was stop and start, or very moderate growth, and in some cases negative growth.

We were told that there would be devastation, devaluation, disruption, wage freezes, and all kinds of things by the Opposition. Unemployment fell compared to the same period in 1986 to the end of the year, though marginally, but at least we were able to absorb into the working force in this country a number of persons to displace the new entrants on the job market.

Let us hear about the Labour Party's record on unemployment. They want to make a big fuss about it, but

at no point were they able to contain unemployment. Between 1981 and 1985, the unemployment situation grew progressively worse. In 1981, it was 10.8 per cent, then it jumped to 13.8 per cent, then to 15 per cent in 1983, in 1984 it rose to 17.1 per cent, and it rose again to 1985 levels of 18.7 per cent, nearly 19 per cent. At no point was the Barbados Labour Party able to contain the levels of unemployment in this country, and it is a signal achievement that this Government has been able to contain the levels of unemployment. That is not to say that we must ignore the problem.

If you look at the rate of inflation, again it was relatively low.

Let us look at three sectors of the economy. We have had some discussion in here on the performance of non-sugar agriculture, which grew by 9.1 per cent after declining by an average of 2.4 per cent in 1985 and 1986. The food crop subsector was the fastest growing in 1987. The performance, in a sense, has been phenomenal, but the Shadow Minister of Finance said there had been stagnation in agriculture.

He sought to say that the Central Bank Report for some quarter last year demonstrates that there have been problems. But the Economic Review of the Central Bank Report for 1987 is no different from the Economic Report prepared by the Barbados Government. So I cannot understand why on one level he is saying that this report was pressure cooked, but the Central Bank Report, which has the same information, was not pressure cooked. The Government pressure cooked its statistics and the Central Bank Research Department, which has the same exact statistics, did not pressure cook theirs! He relies instead on IMF Reports and other extraneous reports, which, to my knowledge, have never been of any significant importance!

I represent essentially an agriculturally-based constituency, and therefore I am very proud of the achievements of the Ministry of Agriculture in respect of this sector of the Barbados economy.

With the growth of non-sugar agriculture, the export of food crops programme and the decline of sugar, it is time for us to examine the need for land reform in Barbados and the need to modernise the rural sector. I believe that this is part of the Ministry of Agriculture's ongoing programme. There is still great potential for this sector, if you look at the performance of sweet potato, even cotton, yet the honourable Member for St. Peter says that it has been dismal and that there has been stagnation.

Look at tourism. There has been a lot of misinformation in the Press of this country on tourism. A lot of persons who would not be able to spell their names have been writing letters to the paper, getting their speech writers to write a lot of rubbish about what they were able

to do for tourism and what they were not able to do for tourism.

The Economic Report is clear, and the Central Bank Report is no different, that tourism was the fastest growing of the major sectors of the economy in 1987. Real output in the industry expanded by 13.9 per cent, but we have had a lot of, as I said, rubbish written in the newspaper about tourism and about the performance of tourism, and about the failure of the Ministry of Tourism to do certain things. And the Honourable Leader of the Opposition, who obviously, places high value on the repetition of the same thing by his members, sometimes nonsense *ad nauseam*, said that the articles that are written on tourism by the Labour Party are brilliant. That is the kind of rubbish that we have to accept, when the Economic Report and all other indicators establish that tourism has improved substantially, and that the shot in the arm that was given to the Tourist Board for its activities had the desired effect, and will have an ongoing effect.

Still, we can read in the newspaper the former Minister of Tourism writing a lot of letters, a lot of long articles.

Aside.

Mr. D. J. H. THOMPSON: Not the honourable Member for St. Michael West (Hon. B. M. Taitt - a gentleman who spent a very short sojourn in here, thankfully, and who represented the constituency of St. Michael Central. His speeches are written for him, as we all know, and the letters that appear under his name in the newspaper.

He had the temerity to say that I have said something about him on tourism. I have never had any discussion about any of the things that he has written in the newspaper on tourism. I am not interested, because I know that this Government has a commitment to the improvement of tourism, has continued in respect of its commitment and that the result has been brilliant. He can put that in his pipe and or whatever else and smoke it.

Look at the performance of housing. The Honourable Minister of Housing spoke. He obviously, did not want to blow his own trumpet on this occasion. But it must be blown, because the Democratic Labour Party has been able again to have spectacular performance in respect of housing. Over 2 000 units have been built in Barbados. The latest statistics again demonstrate that the Government's economic programme is solid and sound, contrary to the impressions that are being given by the Opposition.

We do need more houses, or at least house spots, in the constituency of St. John, and I will be pressing for these over the next 12 months. I will not deal with this now, but the rural areas must be given their fair share as well.

The offshore service sector is expanding. We promised to bring industry to St. John, and we have brought it there. An offshore computer company has established operations at Four Roads in St. John.

I am not a public relations expert for the private sector. I wish they would do a lot more advertising for themselves and stop depending on people like us to do it for them, so that the Opposition will know exactly how the programme is working. Do not fool yourself, I am not any P.R. expert for them, I am interested in my people who got jobs. If they had more to say about the economic policies of this Government, it would make the task sometimes less difficult to defend them from the kind of misinformation and wickedness that is published in the newspaper week after week, and trotted out, sometimes, in this House of Assembly masquerading as the policies of the Barbados Labour Party. The public would know that the private sector is satisfied and is performing under the economic conditions that the Democratic Labour Party have initiated. 9.35 p.m.

Let us look also at the mandate of the Democratic Labour Party. The broad mandate was one of change, and that is important. Do not let people fool you when you read in the newspaper that there was no change of significance in 1986. And the Barbados Labour Party must not believe that because we have 24 people and they only have three, it does not bother me. The three they have in here are multiplied by the other people who write a lot of rubbish in the Press day after day to try and fool people that something is going wrong in this country. The 24:3 was a decisive statement by the public of Barbados, not a hoax. They did not succumb to bribery, as was suggested by the Barbados Labour Party from time to time. We did not bribe the public as though they were blinking idiots. That has never been the case.

Mr. SPEAKER: I would like the honourable Member to withdraw that statement and rephrase it.

Mr. D. J. H. THOMPSON: Mr. Speaker, I withdraw it, but I meant "blinking idiot" as an expression in literature. I do not mean it in an offensive manner. The public of Barbados certainly should not be described in that way, as some would wish to describe them.

- The point I am making is that there is a lot of misinformation. They would try to make people think that they made a mistake on May 28. We are not going to allow people to believe that they must be frustrated in their aspirations, and that the working people must continue to feel that they have no say about change in Government, that it is only a perfunctory exercise, and after you have changed it, it is business as usual. It cannot be that, because if it is to be that, we could as well

all hang up our hats and let the Public Service and the country run themselves.

Unemployment. We promised as part of our proposals that we could create jobs. Perhaps the pace of job creation has been slow. We feel it, do not fool yourselves. I see people on a daily and weekly basis. I know that people are looking for jobs. We are not oblivious to that. In fact, it is one of the things about politicians in Barbados that 90 per cent of the people that they see are people who are frustrated because of the unavailability of jobs. We are not turning a blind eye to it. It is not something that we relish.

I do not relish driving through my constituency and seeing people who do not have jobs, because I know that a lot of young people have faith in this Government, and I want to ensure that that faith continues and is carried over to the next term that we are given after 1991. I want to ensure that they do not lose faith, and I understand the problems and the frustration that are inherent in the large numbers of unemployed.

At the same time, the Barbados Labour Party should not take comfort, as they would like to, in the high level of unemployment, and start to talk about people must join them to have a march around Bridgetown just to see how many unemployed people there are in Barbados, as though idleness means that you must march around. That is what was suggested, that all the people who were laid off and are unemployed should come and go on a march somewhere in Barbados to show the Government they are unemployed.

Mr. Speaker, I know they are unemployed, and I could get a massive march in St. John of the unemployed, too. That does not answer the question of unemployment, though, and that is something that the Barbados Labour Party should know, instead of trying to fool people. We are concerned about it, parents are concerned about it, people interested in communities are concerned about it.

The fact that we have contained employment is a significant event. The fact that we have had a task force, whose short-term measures are desirable, is a significant event. The fact that the Prime Minister has indicated, as I see in the Budgetary Proposals, that he will be having on-going discussions on it is another desirable event which should push the programme to create employment for the young people in this country, particularly between the ages of 18 and 29.

We reversed the downward trend. From 1981, unemployment was increasing by 2 per cent per year, sometimes 3 per cent. The Barbados Labour Party had abdicated its responsibility. In a Budget, in two lines they summed up the position on unemployment. They simply threw their hands up in the air, and the honourable

Member for St. Peter was part of the team that practically said there is nothing we can do about unemployment, you cannot get any tax cut, we will send home some of you; you cannot get enough houses, you cannot get enough medical attention and care in this country.

All of a sudden, can you image the Barbados Labour Party's spokesman in 1988 is saying that they are concerned about the doctors and they are concerned about the level of medical education, when the Barbados Labour Party had told the doctors in this country, if you do not come in the medical scheme, we can forget you and we will bring in people from East India? That is your concern about the doctors, and you get up in the Senate and make people believe that, all of a sudden, you are concerned about medical health in this country, and that the Democratic Labour Party has done something to destroy health. You said the doctors were vagabonds, but, all of a sudden, you want to train more vagabonds. They want more vagabonds to get into university! Can you imagine that? Do not ever forget these kinds of things when you come to consider the Barbados Labour Party, and the hypocrisy that passes in that party for principle. You have abdicated your responsibility to say anything about unemployment in this country.

Mr. Speaker, we have provided the opportunity for young small businessmen, entrepreneurs, small farmers, aspiring house owners, essentially young people, the same middle class young people that the honourable Member for St. Peter talks about, that he is all of a sudden so concerned about. We have provided an economic climate for their further development, and that is something that should not be forgotten.

We always said we would stamp out corruption. You can bring the Hanschell Report or all the reports in here, I have read a report on the National Assistance Board that tells me that the Barbados Labour Party carried corruption to the highest level in this country, so much so that in St. John, the people I represent, the old people could not get a house fixed, people could not get welfare assistance, and all that was happening is that the Barbados Labour Party's Ministers, as is said in the report, manhandled the National Assistance Board to their own advantage. You can read the report for yourself, it is part of the records of this House.

We have stamped out that corruption, it has come to an end. I have already said what I had to say about CBC. Left up to me, the police can go and investigate the information — it is there — and who is to get dealt with, can then be dealt with. That kind of thing has come to an end.

Mr. Speaker, we talk about deficit, but that kind of corruption can run up a heavy deficit, too. Do not fool yourself, that kind of wickedness and corruption which

the Barbados Labour Party practised. So we have to face that.

We also have to face in this country today such uninformed economic rubbish from the Barbados Labour Party. You have the Shadow Minister of Finance who cannot open his mouth on devaluation. He wrote an article when the Barbados Labour Party was in office, I think it was December 1985, in which he said that there is no magic to fixed exchange rates. That is why he has never talked about devaluation. It only takes a reckless one to come in here and look in the Democratic Labour Party's face and talk about devaluation and what he heard at a cocktail party. But the honourable Member for St. Peter would not risk that, because he knows that if it ever forms part of the record of this House, I will bring the relevant information on what he said about devaluation under the Barbados Labour Party.

Mr. Speaker, there was talk about wage freezes. The first time that wage freezes -and wage restraint were ever mentioned in this country was under the Barbados Labour Party, in 1978. When you compare the performance of the Democratic Labour Party, two years after being in office, to the performance of the Barbados Labour Party in 1978, and you remember the one-armed bandits, the lay-offs, wage restraint, victimisation, Daylight Saving Time, when you remember the St. Michael South Central by-election, when the Democratic Labour Party walked over the Barbados Labour Party, and then you compare our record after two years in office, when people said frustration would run highest, you would see that there is nothing to compare.

I do not doubt there is some frustration. There will always be frustration. We would be fools to believe that there would be no frustration, because a lot of our own supporters may feel frustrated, because everybody wants to get their own berry. That is the way it is in politics. It is not the way it should be, but we do not live in a dream world. It is you all who live in the dream world and felt that you should bring everything too soon.

The relics of the Barbados Labour Party are walking around now as real estate agents. You talk about unemployment in this country? If there was so much unemployment, why are they not unemployed? Their Prime Minister is the man who said that his Ministers are not easily employable, apart from the ones whom he got rid of in 1981. So the Honourable Leader of the Opposition would be excused, because he does not form part of that; he was in mothballs, as they say about vessels when you put them to rest. He is now being brought back into service. He is the leader of a political party today, and he would not stand up and be counted prior to 1986! 9.45 p.m.

Mr. SPEAKER: Time.

Mr. D. J. H. THOMPSON: Thank you very much, Mr. Speaker.

Applause

Mr. C. A. NEBLETT: (St. Andrew): Mr. Speaker, I rise to support the Resolution that stands before the House. I will be touching many points that have been raised by the honourable Member for St. Peter (Mr. O. S. Arthur), but I will be dealing with a criticism about the simple, elementary, economic presentation by the Prime Minister.

The Prime Minister and Minister of Finance did a good job in trying to explain the workings of the Barbados economy so that every John and Mary Public could understand, so that they would not be confused by those merchants of bad news when they are discussing the economy.

I must tell you of something I just heard in passing. Yesterday, on "Gutterperk" I heard a gentleman whose voice I identified as one of my constituents. From time to time, he tackles some very dangerous topics. It is obvious. I happen to know the man personally, and I know he does not have the capability of discussing such topics, but he was talking about the Transport Levy and he took the Democratic Labour Party to task.

He said that we called it the barefoot tax, etc. He said that it is a good thing, because now that we have assumed the administration of this country, we have retained it. Had it not been for that, we could not pay old age pensioners, we could not keep the buses going. In fact, he gave it a figure of \$29 million. This is the kind of thing you would not expect from a well-informed public in this country.

When they are confused with terms on economics, and many of what they regard as difficult topics, there is this tendency by some of us who know much better to confuse, rather than to explain to them the various ramifications of these terms. So I was very happy to hear the Prime Minister and Minister of Finance explaining clearly how the economy of Barbados works. I hope that, even within the precincts of the rum shops, we would get better discussions.

I move on to deal with the performance of the economy for these last two years. I do not have to repeat the figures that we had gleaned from the Economic Report or the Central Bank Report. But something struck me this afternoon as I heard the honourable Member for St. Peter referring to the Economic Report 1987 as being pressure cooked. Most of us here will remember that last year there were some challenges about the changes in the 1986 Central Bank Report, so it seems as though we will be hearing from year to year that this Administration has been manipulating reports. This year it is the Economic Report. I

will await another year to hear which one of the others we are supposed to be manipulating. We must be careful when making such allegation for the Administration to answer, because it will give those people outside Barbados and, indeed, within Barbados, a very bad impression about what the Barbadians are capable of.

There was a time between the 1976-1981 period when we heard some strange statistics about employment. We even heard strange terms, such as "the voluntary idle", being brought into the discussion on employment and unemployment. Now the boot is on the other foot, I suppose it is generally thought that if we have done it and got away with it, they will attempt something similar. I hope that the Leader of the Opposition will keep his troops well within range and help us to overcome these problems, because he is always very careful to lecture this side of the House about morality, whether we are discussing local problems or the problems of foreign affairs. I want to assure him that we on this side will keep our bargain, and I hope that he keeps his on the other side.

Looking down the line at the Budgetary Proposals for 1988-89, I must touch on the regular stumping ground of the Barbados Labour Party, our debt position. I find it rather strange, especially when I look at foreign debt - I would not even go back to the 1976 period, I will start from 1981 - where there has been a constant rise. In 1981, it was \$259 million; 1982, \$286.9 million; 1983, \$347.3 million; 1984, \$365 million.

We are being challenged about the movement between 1986 and 1987 - \$553 million - \$706.9 million. But at no time have I heard the Member for St. Peter accepting responsibility for that large jump in the foreign debt on behalf of his party, taking into consideration that this has come about due to the bunching of debt created long before the Democratic Labour Party assumed responsibility for the administration of this country. 9.55 p.m.

The arrangements for foreign borrowings were determined before we took office. I remember very clearly that it became a matter of fun for the other side when our then Prime Minister was very adamant about the position which the then Minister of Finance should take with regards to going to Japan to sign the contract for a loan. Because he kept saying, "the people of Barbados will think that we have created this debt. It was long arranged before we got here. Let the Governor of the Central Bank make the trip on his own." I just bring this as a serious reminder.

Aside.

Mr. C. A. NEBLETT: The basic problem was here. We found ourselves in a very strange situation, but the route had been made easy for us simply because, before the Barbados Labour Party went out of office, they had made

contact and had established the contract by which the money was to come into Barbados. The only difference was that we won the Government in May and it was then our responsibility to pick up the cash, as the saying goes. Had they been returned to office, they would have done the same.

Let us look at why Barbados is borrowing money on the foreign market. It was to support the declining export earnings that had begun long before 1986. We all know of the situation of our trading going back as far as 1982. We are also aware that we have never had a very strong indigenous export market. In other words, we have never had anything beyond sugar as a serious export earner. We have over the years attempted to trade in many things. We have looked at our non-sugar agriculture; in fact, we are still working on it, and we are making some strides to have it going. The only thing we have had in recent years, which I attribute to the Barbados Labour Party, was when they made an attempt to enter the area of export of furniture. They provided capital and many incentives to get furniture exported.

(Aside: The Furniture Trading Corporation.)

Mr. C. A. NEBLETT: I am forgetting the name, Mr. Speaker. It was the Furniture Trading Corporation, and we all are aware of the fiasco that has befallen this operation.

Electronics and apparel manufacturing were mostly what we call offshore operations, with raw materials and other accessories being brought into Barbados to get the benefit of our skilled labour, or, should I say, cheap labour. I know my trade union colleagues would not like me to use that term, but that is one that is easily bandied about. We were getting a value-added situation here and then exporting to the United States or whatever country it would have come from. I do not have to explain what has happened. We had Opeleika and INTEL going, and we have had some changes in CORCOM. There are numerous ones. There was a company here called Clifford Electronics. I could name any number.

So you cannot rightly blame the Democratic Labour Party today for what appears to be a decline in exports without accepting responsibility for sharing in it. There is no point lecturing the Democratic Labour Party about what we should do about it just a short two years after the Barbados Labour Party had the opportunity of setting in motion the machinery that should have put our exports going. When this Administration took over, we found the export situation in shambles, and I do not think that we could put it back in just a short two years. Nonetheless, we accept your challenge, and we are working on it.

Employment is very much related to manufacturing. I have heard many figures being used about what is the state of our unemployment. You hear such adjectives as

"rampant", "raging", and it is a bit frightening to hear these descriptions at times.

The situation is simply this. Our labour force would have been some 112 000 in 1981. Up to 1987, it would have been 121 000. The number of persons employed during the same period was 100 000 in 1981, declining to 96 000 in 1982, a further decline in 1983 to 93 000, in 1984, 91 000; 1985, 92 000; 1986, 95 000. But in 1987, there has been a move back to 98 000.

The unemployment figures have moved up and down in relation to the number of persons employed. And when you examine it in detail - you could work your statistics out for yourself, Mr. Speaker - it is clear that employment is on the rise and there is a gradual decline in the unemployment figures of this country. You would notice also Mr. Speaker, the many activities, especially in construction, from time to time. We have got figures available relating to the number of electrical connections, and the number of plans that have been passed by the Town and Country Planning, you could draw the conclusion that there is some very intense activity in construction. In fact, I have been noticing, as I pass one or two of these sites, that they are displaying vacancies for carpenters, masons, plumbers, electricians and labourers.

It is rather unfortunate that the requests for labourers on the construction site ties in with our busy sugar reaping season and also the cotton picking season. So to argue seriously about unemployment at this time of the year is a bit strange to me, because it would seem as though those who are willing to work, if they try hard, will be finding work because of these vacancies that I have seen and the observations I have made about the activities that are going on.

Mr. Speaker, I am going to touch on the Consumption Tax, the movement from 6 per cent to 9 per cent on some items, and the interpretation that has been placed on these as a 50 per cent increase. If there is an item with a cost of \$10, before these proposals it would have attracted before 60 cents in Consumption tax. This is based on 6 per cent of the \$10. It has moved now to 90 cents by virtue of 9 per cent of the said value. The percentage rise then would be a simple 3 per cent. It would be the 30 cents over the \$10. So I would like to get this basically over to the public - they must not expect when they go into the shops to see that the item that was once being sold for \$15 would then be displayed at \$22.

Asides.

10.05 p.m.

(Aside: Hon. P. M. GREAVES: The man is a mathematician-economist. Do not bother him man!)

Mr. C. A. NEBLETT: I was very disturbed when I heard the 50 per cent. One who is not familiar with the mechanism would get a very terrifying feeling, because

they would start to say, well, what is this going to do to my household shopping? What will this do to me as a manufacturer or a businessman generally? I must stress we must be careful how we bandy these statistics about to create problems. I believe that the other side understand this, but they prefer to use what seems to be the larger of the figures to give effect.

I must go on to the question of the waiving for the manufacturing sector of the Consumption Tax and Stamp Duty on raw materials and packaging. The manufacturers will be receiving a concession. That concession, no doubt, will help their cash flow, and it will help them to improve, or at least speed up, their production without being hamstrung, looking for finance to cover this area of their work.

I move, Mr. Speaker, to an allegation of a drawback with regard to the surcharge that has been placed on the wage earners. I must state very clearly that the \$15 000 that had been used as the ceiling, the threshold, for the very low earners has not been touched. The Government is faced with a situation in which you have rising expenditure, and we have had a fall off in revenues, and we had to bridge the gap. Hence, we looked at measures by which all of us who are committed Barbadians will share the weight. I see it as a reasonable distribution. In this set of proposals, I have seen something for all of us, and we must make our contributions.

Mr. Speaker, the honourable Member for St. John (Mr. D. J. H. Thompson) said that he represents a rural constituency. I do not think that it can be more rural than mine. I have got serious problems in St. Andrew, brought on, should I say, by the vagaries of the weather. This is two consecutive years that we have had serious landslides that have affected our roads. Added to that has been the lack of a proper maintenance programme over a number of years that made our road deteriorate at a faster rate.

We must get some funds to set our people back in motion. Where are we to get them from? Must we borrow all on the international market? If we do, we will be accused for mortgaging the future of this country, especially when it goes into the roads and other infrastructural development and is not related to a productive capacity. It means that we will continue to take a bite in our standard of living to at least meet the financing for these projects. It is like a household where you borrow just to do an extension. You might want to build on a bedroom or so, but then you find that you have to reduce your food bill to be able to pay for the supplies that will enable you to make this extension.

I have got another serious problem that I will be discussing in this House as time goes on, housing for the area, simply because of the strange land tenure situation, in which most of the houses were on plantation tenancies.

You know, living on a plantation tenantry was like travelling with your house on your back. If you upset the overseer or the manager, you would have to vacate.

Over the number of years, wooden houses were the order of the day. These agricultural workers sometimes work until the age of 70, Mr. Speaker, and they are unable, after the last day they have worked on the plantation, to buy a single pine or a board to put on these homes to keep them, at least, from the elements. Currently, I am making a very serious representation to those people at the National Assistance Board to help some of these workers, at least for the remainder of their days, to enjoy a life sheltered from the elements. This has come about because, over the years, they have never been able to enjoy the best in housing, and because the structures were wooden and had to be repaired from year to year having no savings, when they reached the end of the line everything was through for them.

We must address this. So some of us, especially our well-paid attorneys, can easily give up 7 1/2 per cent of their earnings so that the more unfortunate ones can enjoy a better life. And I do not think they have any row about it, because I have heard them from time to time explaining in rather clear terms that these people are their people and they would like to look after them.

Mr. Speaker, on that point I rest my case. I hope that the Leader of the Opposition can persuade his colleagues to support us in every way as far as these proposals are concerned. I look forward to an easier passage for 1988-89.

Thank you very much.

Applause.

Mr. R. L. MORRIS (Christ Church East Central): Mr. Speaker, I would not normally want to be accused of *argumentum ad hominem*, and I would not therefore want to go down the road of attacking the Member for St. Peter (Mr. O. S. Arthur). But, quite frankly, Sir, sitting here during his reply, I was really amazed that a young Barbadian could in such a period of time try to give the impression that the Prime Minister of this country, a Barbados Scholar and a Masters in Economics, did not know anything about economics. 10.15p.m.

To state that, he got up on his two hind legs, a most offensive way to speak about a Prime Minister of our country; to say that Mr. Tom Adams was a dishonest person, when his mother was sitting in the gallery; to indicate that there was no big thing about the 21st Anniversary of our country; to insult the people of Barbados by saying that they were persuaded by a new brand of corned beef and biscuits politics; and also to suggest. . . .

Hon. H. deB. FORDE: On a point of order, Sir: The honourable Member is accusing the honourable Member

first of breaching the Rules of the House, as you have clearly heard, that he has insulted people. The honourable Member is not only being unfair, because that did not happen, and he really is in breach of the Rules of the House. I think he can get his point over, although he is pressed for time, a little differently.

Mr. R. L. MORRIS: If I remember what he said - I am not quoting him accurately - he is honest at least in these matters, and we can draw the inference from what he was saying from that.

He then tried to impugn the honesty of the civil servants preparing these records. In a short address this afternoon, he found it necessary, in addressing the population of this country, to insult almost every person of importance in this country, in addition to the masses of people.

Hon. H. deB. FORDE: On a point of order: If the honourable Member had insulted anybody, or had described anyone as offensive, Your Honour would have ruled it out of order. He is entitled to his opinion, but to draw inferences and to say that the honourable Member has done it as a matter of fact, I submit is contrary to the Rules of the House, Sir.

Mr. SPEAKER: I will ask the honourable Member to rephrase his wording towards the point he is making so that it fits in with the Rules of the House as they are.

Mr. R. L. MORRIS: I am really not surprised that the Leader of the Opposition feels he has to defend that position. Let me say, in other words, Sir, that the Member for St. Peter, in the course of a reply to a Budget by the Prime Minister of this country, felt that he had to make judgmental comments about several people in this country in a way that did not reflect well on all of them, and I believe that the public does not have to be treated in that way on the one occasion when we, the representatives of the masses of people in this country, have to come forward and discuss matters of public importance. I think that if those who were spoken of by him were addressed in that way - and as I said, I include the members of the public - one can understand the thinking which the Member for St. Peter has for persons who are not of his own stature.

In assessing what the honourable Member for St. Peter had to say, one has to quote his own words. I go to the House of Assembly debates of the Second Session 1981-86, Monday, March 17, 1986, and this is reported on page 3424 of these debates. The honourable Member for St. Peter, in addressing taxation, said:

"...we can sometimes be forgiven if we are led to believe that we live in a pluperfect world, a world in which tough options do not exist, a world in which carefully balanced decisions do not have to be taken,

a world in which, Sir, water can be turned into wine and manna can fall from Heaven, a world, Sir, in which there should be no taxes, no debt and all the services that any good Government can provide. This, Sir, is normally good Opposition politics,...."

Put in context all that he said this afternoon, waffling for the time he stood up there, and you can understand what was happening, not even good Opposition politics, just Opposition politics!

He went on to say:

"...the first fact that has to be taken account of in constructing a fiscal policy is the fact that we are dealing with a country which has a relatively narrow tax base."

I take that as a fact, Sir, and therefore I am amazed when the honourable Member for St. Peter tried to give the impression this afternoon in this Honourable Chamber that you should not tax the working class, you should not tax what he calls the middle class, you should not tax the industries that are showing some signs of life. Yet, he says that you have to tax.

Let us ask, in all honesty, whom can you tax? If you cannot tax the industries that are showing life, are you going to tax the ones that they left moribund? If you cannot tax especially the middle class area, where there is some sign of life, then whom are you going to tax? You cannot tax the working class, according to him, but if you tax the businessmen, well, you have established a policy of trying to encourage growth in that sector in order to spur on employment. So who are you going to tax?

He says that you must tax, but you cannot tax anybody at all. I say that is sophistry. I say that is fully explained by the statement that he made in 1986, that he is only talking Opposition politics. But we require another level of honesty when we are dealing with the business of the people of this country.

I want to discuss a few things that he said before I get into the substance of my statement. We have heard, for the longest time, discussions about supply-side economics. If you want to identify who started it in Barbados, it is the Barbados Labour Party who started the tax cuts, but they were afraid to carry it to the extreme that it has to go if you are going to make a meaningful change in the fiscal policies of this country. And if you are looking at supply-side, Reagan-style, you will note that while they were carrying out the tax cuts, they were also interfering with welfare policies in this country, interfering with severance payments. That is like Reagan! They were also carrying up spending on defence, if you are going to call it that, spending money on the Defence Force. That is Reagan policy, too! Money on defence, he would not touch it!

All of the elements of supply-side were started by the Barbados Labour Party. Let me make that very clear, so they cannot point to us and say it was started in 1986 by the Democratic Labour Party. If they want to say that we tried to carry that programme further than they attempted to, then let them say that.

What has continued to plague them is the fact that our policies and programme, as established in 1986, were partially responsible for the victory of the Democratic Labour Party.

Aside.

Mr. R. L. MORRIS: I see the Leader of the Opposition, asking, "Partially?" He wants to say that they played a major role, because that is consistent with what the honourable Member for St. Thomas (Mr. D. A. C. Simmons) was saying. He said in this Chamber that the people were greedy and, therefore, they voted for those policies.

That is very much like what the honourable Member for St. Peter is saying today. That is the opinion they have of the people of this country, that they are greedy and they like corned beef and biscuits politics. Not that they are rational people, not that they are thinking people, not that they can assess and make decisions. That is why they are coming to the point again, and that is why they are coming to the ridiculous conclusion, that we have changed those policies, and that that means that we have to go back for a mandate from the people.

I will look at that, because that is untrue. We have not changed the basic policies that we brought here in 1986. They are still very much in place.

Aside.

Mr. R. L. MORRIS: I will maintain that. You can refute it when you get the chance, but facts are going to be coming at you. 10.25 p.m.

The \$15 000 threshold is still in place, it has not been touched. An alleviation of the levels of Corporation Tax is still in place. There have been modifications, and we will address those modifications.

I want to make it very clear on this matter of supply-side economics and going back to Keynesian demand economics, as though there is a big divide, - it is one or the other, there cannot be any modification, there cannot be any mixing of policies - that I do not know who established that. It was never established from this side. Nobody ever said on this side that we are into supply-side economics, pure and simple, and for all time. So if you want to set up

your own mock figures and then toss at them, that is your business. But you are trying to mislead the people of Barbados, if that is what you are trying to do.

When the people of Barbados voted in 1986 to change the Government, it was partly because of the economic programme that we put forward. But it was much more than that, and the people are still aware of why they tossed you out, so do not think you can fool them now in a Budget Debate to give them the impression that the Government as you have been trying to say misled the people of Barbados. This, again, is a simplistic way of assessing those rational people who make their decisions when they have to.

I want to address the matter the honourable Member for St. Peter raised about the determination of the settlement in the public sector. He suggested that the Barbados Workers Union reached an agreement with the Democratic Labour Party, and that this meant that there could be no further discussions, or any extension of the agreement, with the National Union of Public Workers, the Barbados Union of Teachers and the Barbados Secondary Teachers Union.

I know the Barbados Labour Party seems to be annoyed at the fact that the organised labour movement at this time in our history finds more comfort in the policies and philosophy of the Democratic Labour Party, than in the Barbados Labour Party.

Mr. R. L. MORRIS: You cannot question anything about leadership or rank and file. You are not qualified to speak on it. Your asides do not count with me. The leadership is there because of the rank and file, and the rank and file are who elected us to this Parliament, too, in case you did not know that. Let us be logical about this.

The leadership of the labour movement in this country finds that it can deal more with the policies of the Democratic Labour Party, which support the working class people of this country. The Barbados Labour Party finds that very uncomfortable, so every time they get the opportunity, they try to cast aspersions on the integrity of the members of the Barbados Workers Union who form part of this Government.

Asides.

Mr. R. L. MORRIS: Perhaps not you as Leader of the Opposition. You would know that you could not indulge in that kind of discussion. But you have not been able to pass it on to your other colleagues. You have not been able to advise them about the position they should take in public. The very wise position that you would take in public, you must also encourage them to take, although sometimes you will get away with saying things about the notorious windfall issue. Sometimes you cannot avoid these things coming out. But we deal with that only in passing. We do

not consider that to be of significance. We would not waste time on that.

When those salaries were negotiated with the Barbados Workers Union, none of my colleagues would have been in any discussion with the members of the Government in terms of what position they should take with any other trade union. We have never tried to speak to our political colleagues about industrial matters, and let us be very clear about that. We do not lobby our political colleagues about industrial matters, and if we have to fight our colleagues on industrial matters, we will. That has been the record of the representatives of the Barbados Workers Union in this party.

Let us be correct about what actually happened. After the negotiations were complete, my recollection is that the National Union of Public Workers was able to get this Government to agree to significant regradings at the lower end of the wages scale. That had nothing to do with the pressures that were put on by the Barbados Workers Union, although we had made representation in those directions. The actual negotiations went on between the National Union of Public Workers, an independent trade union in Barbados, and the Government of this country. So there should be no indication that because Government settled with the Barbados Workers Union, something else could not have come out of the further negotiations with another trade union.

One could not have taken for granted it could have happened in your instance, because the Barbados Labour Party would have legislated the salaries anyhow. Once they had dealt with one trade union, they would have gone ahead and legislated, and they would have been able to make their calculations. I have to correct some of these mis-impressions that have been given by the honourable Member for St. Peter.

Mr. Speaker, in supporting this Resolution, let me state once again that one has to examine the objectives and the measures introduced in this Budget against the background of a process of reconstruction, a process of adjustment, that will be difficult, indeed painful sometimes. Let us not forget that when the Democratic Labour Party assumed office in 1986, all of the vital signs of this country's economy were weak, the economic pulse was faint, urgent surgery was needed. This country was suffering, and that is why the people got rid of the Barbados Labour Party, and now they expect that miracles will be performed in two years.

We have done a significant job of averting the crisis. We have gone through crises before in the mid-Seventies and early Eighties, and we are now at a period where, if we do not manage ourselves carefully, we could be moving towards another crisis. Let us understand that clearly.

Mr. Speaker, the intention of this Budget is to avert going in that direction, and if the Prime Minister and Minister of Finance said that he is going to be honest, forthright and straightforward to the people of this country and take them into his confidence, they understood, because they have come already to expect from him, as they have always understood him to be for all of his public life, standards of honesty and integrity. They also know that he is not just a promiser, but when he makes a promise, he will perform.

They were setting up this Budget in the public as the Erskine Sandiford Budget. The build up was, let us see what he can do as the Prime Minister and Minister of Finance of this country. All of the journalists in the Press carefully co-ordinated that.

We are in a transition period, and there are two types of transition. One is a transition from one party to another, and a second transition from one Minister of Finance to another. Clearly, in these periods one has to see how the incumbent Prime Minister will perform. The Barbados Labour Party had the experience of new incumbents not performing, not knowing how to start off, not knowing how to continue, and they are predicating that experience

Asides.

Mr. R. L. MORRIS: Do you have somebody to run against me next time?

It is going to be very hard, and I will show you why as I continue talking. Let us understand very clearly that they tried to establish that this was going to be a test of the Minister of Finance's capabilities. They have been stunned all over this country by the performance that was delivered here yesterday afternoon. They have been stunned, so much so that we had a waffle today from the honourable Member for St. Peter.

We have to agree, first of all, that the diagnosis of the Minister of Finance is a serious diagnosis of the problems facing this country. We understand the roots of this problem. Basically, our tradable goods sectors have not been performing in the way we would want them to perform, and we found that slide under the Barbados Labour Party coming right away down. Sugar has not been performing in the way we would like it to, not any fault of the Democratic Labour Party. Manufacturing faces severe stresses as a result of the policies of the Barbados Labour Party. Tourism is now beginning to come out of that decline, and coming out with some strength, because of the policies established by the Democratic Labour Party. But in the meantime, lack of performance of the tradeable goods sector has put the economy under various stresses and strains. 10.35p.m.

The policy prescriptions of the Democratic Labour Party in 1986 were aimed at easing the burden of personal direct taxation to individuals as well as the corporations, and underlying this strategy was a desire to inspire economic activity, encourage growth, stimulate employment, and foster investment. These policy objectives have all been achieved. You may argue about the degree to which they have been achieved, but no one can gainsay the fact that there have been some noticeable improvements in these areas of our economy.

But we are not a Government that will satisfy ourselves by looking at the positives only. We need to look at the negatives. We have to look at the fact that we are experiencing declining foreign exchange, that the country's balance of payments is under threat, that debt servicing is a massive problem to this country. All this has been caused by the policies of the Barbados Labour Party. We are having to look at not only creating jobs, but maintaining jobs, and we also have to be delivering services in consonance with the rising expectations of the mass of people out there.

We hear a lot of talk in this country about controlling expenditures. I challenge a lot of those people who talk about controlling expenditures to tell us what they mean, especially when they talk about controlling public expenditures.

I hear about a former Prime Minister of this country saying at some branch meeting that he will be keeping his eyes on public expenditures and public wages. Now that he is out, he is keeping his eyes on them. What is he keeping his eyes on them for? Let them say what they mean. Do they want wage restraint? They want cuts in jobs from the public sector, because, basically, that is what they are talking about. I would want my Administration to advise the people in my constituency why they would want to cut down expenditure.

Mr. Speaker, in the last two years, because of the activities of this Administration, the people in the area of Gall Hill to Thornbury Hill are seeing road repairs.

(Aside: Seeing where?)

Mr. R. L. MORRIS: Lower Carters Gap _ road repairs! Packer's A - road repairs! Bess Alley in Lodge Road - road repairs! Rayside Village in Lodge Road - road repairs! Welches to Cane Vale - road repairs! Yorkshire Development, Ridge to Newton, Searles in St. Patricks, Fairholme Gardens, Laynes Road - road repairs! You are telling the people in those areas that they should not have got those repairs done when you are talking about cutting Government expenditure. Go and explain to those people when you are talking about cuts in expenditure what you mean. Those people know the debt that they have to the two Ministers of Transport and Works, the honourable Member

for St. Michael North (Hon. P. M. Greaves) and the honourable Member for St. Michael East (Hon. Dr. D. G. Blackman). The people know that they have to thank them and thank the Democratic Labour Party for the delivery of those services.

Those persons who are walking about talking about a cut in expenditures are talking about removing these services. They are talking about not filling in the potholes all through Kingsland, and when we got those potholes filled in Kingsland, that that should not have been done. Do not let me call the rest of the roads that people would want repaired now. Do not let me call the list of people who want street lights - and this is not calling for street lights just for street lights' sake, these are people who need street lights - who need houses repaired. The people who are calling for cuts in expenditure are saying none of that. When the park at Wotton is being done, the park at Gall Hill Housing area, which I share with my friend, the honourable Member for Christ Church West Central (Hon. M. A. King), the park at Miami Beach - and you are all welcomed to come to Miami Beach at any time, and the developments at Oistins - are we being told that these are not necessary, that expenditures on them should be cut?

I want the people of this country to understand that they must not be fooled by politicians who get into this Chamber and talk about macro economics, statistics and figures. All it means, basically, is goods and services delivered to the masses of people out there. They are talking about jobs. Do not let the figures fool you. Do not let the pretty economic jargon fool you.

When you hear them condemning this Government's policy, it is really condemnatory of the good things that are being delivered to you as the people of this country. They are saying that you do not deserve them, you should not get them. Because you cannot get them without taxation. You cannot get them without revenue. Understand that, and much of Government expenditure, about 59 per cent of it, is on wages and salaries in the public sector, and another 22 per cent is on goods and services. There is not that amount of room. Another large amount goes in the debt service. Is that room to manoeuvre in Government's expenditure?

As I understand it, the Honourable Minister of Finance says that he is going to be exercising fiscal prudence. The mechanism that he is going to use is to train a number of public servants whose jobs will be to go around and audit the performance of various departments and make sure that there is no wastage. Knowing his track record, I believe he will do that. I believe that he will be able to keep expenditures within reasonable terms. At the same time, I cannot support those who are out there, tacitly implying that there should be cuts in employment in the public sector and cuts in expenditure. When you start cutting expenditure in the public sector, and in the goods and services which are going to be social services, you are

going to hurt the poor people of this country. We would not stand by and allow that kind of position to develop. Let us be very clear.

This Democratic Labour Party is one that understands that it has to make tough decisions sometimes. It will not shirk its responsibility to do that.

Many people share concern about the surcharge. The honourable Member for St. Peter claimed that his major concern is that it falls on the middle class of this country, and he started to identify. Of course, he could not say people like us in here, but we are the same people he is talking about. He talks about young lawyers, doctors, and professionals. He would not talk about mechanics, masons and so on - they are not middle class or middle income. As far as I am concerned, it is a whole mass of people, because, quite frankly, if you study the structure of the working population in Barbados, there will be some people at the bottom, if you want to call them working class, they will be a few, like the honourable Member for Christ Church West, the Honourable Leader of the Opposition, who would be at the upper end, and then the mass of people bulged in the centre.

We live in a zero sum society. If you have to take from one side, another side is going to say, "Not me!" If you take from one side and give to the other, that side that you have taken from will complain. In this situation, it seems to me that the burden of taxation that is being placed on those who are working is to give those who are not working. In other words, what is being asked is that those employed, if you want to call them middle income workers, are being asked to sacrifice some of their income, that is true, that was given back to them, so that their brothers and sisters who are not employed will be able to get a job. You are asking people to rise to the levels of nobility within them, to make a personal sacrifice. That is what is being asked.

(*Aside:* Hon. H. deB. FORDE: That is what Bree St. John asked).

Mr. R. L. MORRIS: He was not successful in asking. He might be a bad asker. But the people understand very clearly what they are being asked to do, make a sacrifice. 10.45 p.m.

I, quite frankly, would be very happy if the Minister of Finance would tell me that this measure is going to be very temporary, if he could give us an assurance in this Chamber.

(*Aside:* He said so.)

Mr. R. L. MORRIS: He said so. But I just want to be crystal clear that this is going to be a one-off situation.

Aside.

Mr. R. L. MORRIS: The surcharge is a temporary measure, and as soon as we are returned to the kind of financial health that we want, we will be going forward again, maintaining the same strong policies that we have established in the last one year plus. We are moving stronger and further forward, and the people hold faith with us. Do not be fooled by the brandishments of a few newspapers, the people hold faith with us, because they know that we know where we are going, and they are going there with us.

I thank you, Mr. Speaker.

Applause.

Hon. E. E. GREAVES (St. Lucy): Mr. Speaker, I rise to support this Resolution which invites this Honourable Chamber to approve the measures contained in the 1988 Annual Financial Statement and Budgetary Proposals. The proposals are set against a background of a difficult economic environment at the domestic, regional and extra-regional levels. It is a fact that our exports have fallen drastically, but the reasons for this fall did not begin in 1986, neither can the blame, as some would want to suggest, be showered on the Democratic Labour Party.

At the regional level, our exports fell for a number of reasons. In the first place, there was reduced spending power in the once major markets for our goods, Trinidad and Tobago, Jamaica, and Guyana. The growing uncompetitiveness of our manufactured goods was brought on mainly by the devaluation of the currencies of our competitive countries. Thirdly, there were barriers, mainly of an administrative nature, which were established in some of the markets in which we traded. Fourthly, a point which the Barbados Labour Party would not want to admit, but one which this Democratic Labour Party must emphasise and must clearly get across to the public of this country, is that when we assumed office in this country, we found an almost bankrupt manufacturing sector. And built into that bankruptcy was the fact that the manufacturers seemed to have been in such a position that they just did not have the energy, as it were, to get moving again. This is the kind of background against which we have had to operate.

At the extra-regional level, what did we find? We found that our manufacturing sector, with all the talk about the earnings which this sector brought in foreign exchange, really did not have the kind of diversity that one would expect. It was based exclusively on a few items, with the major one being electronics, and it is a fact that over the last three or four years there was a downturn in the electronics sector in the world, with the consequent closure of some of the major electronics firms which were operating here in Barbados.

I do not think that the country would easily forget the closure of INTEL in 1986 and the impact which that had,

eventually, on our export earnings, and on our employment situation. Neither do I think that the people of Barbados would forget the closure of CORCOM, although that took place in 1985, the effect of which on our export earnings would have been reflected in 1986 and of course in subsequent years. We also had to contend with the closure of PLAYTEX, which was a major earner of foreign exchange for clothing here in Barbados. In 1987, we also had the temporary closure of Beltronics — in June of 1987 — which reopened this year.

Sugar has been one of our major earners of foreign exchange. The price of sugar on the world market has been depressed. Coupled with that, the United States of America slashed the quotas for sugar, with the kind of results which we all know.

It is against that kind of background that the Democratic Labour Party has had to struggle to try and bring some kind of stability to the manufacturing sector, and to work towards attempting to bring some reversal in our export fortunes. It has to be stated that, over the past year and 11 months that we have been in office, we have worked assiduously to rectify some of the problems which we have encountered, particularly in trade at the regional level. The removal of barriers by our trading partners, Trinidad and Tobago in particular, St. Lucia, Antigua, to mention a few, had been sought to impress on member states of CARICOM that it is in our best interest to ensure that whatever barriers exist are removed, and removed as quickly as possible. This approach is still being pursued. It is expected that by the end of the third quarter of 1988, a date which has been set by the Heads of Government of CARICOM for the removal of all barriers for trade, this particular objective will, hopefully, be achieved.

For the first nine months of 1987, as a result of this kind of approach, trade within the CARICOM region expanded by over 8 per cent. Barbados has begun to experience some modest signs of improvement. In fact, the statistics for the entire year 1987 show that we have been able to have an increase in our trade with Jamaica, which went to a very low, low ebb. I do not want to use percentages merely to pull any wool over any person's eyes, because percentages could be used in many different ways, but the fact is that our trade with Jamaica showed an increase of 30.3 per cent over 1986, when this is compared with a decline of 29.4 per cent in the previous year. We have also registered some increases in our exports to Dominica, 22 per cent; Grenada, 4.4 per cent; St. Vincent, 24 per cent. In monetary terms, they are very modest increases, but I believe, Sir, that it is a step in the right direction, and is an indication that some development is taking place. • 10.55p.m.

It is against this background that one would want to examine the proposals which have been enunciated by the Prime Minister in this Budget to give encouragement to

our manufacturing sector, the sector on which this country has relied for some years, and continues to rely on in the provision of jobs.

At this point, Sir, I think it is important for me to refer to the Barbados Economic Report for 1987, Chapter 6, page 43, because, often, information is quoted depending on the kind of picture which one wants to present. Since the Economic Report is an official document, I think that the public ought to know its contents, because, very often, accessibility to this kind of information is not easy to come by. I think it ought to be part of the general information that people ought to have, especially when they are getting involved in arguments or discussions about the economy.

At Chapter 6, the chapter relating to Industry, the Economic Report has this to say:

"Real output in manufacturing declined by 6.6% in 1987 mainly as a result of the fall in export demand. However, there was an increase in the output of consumer goods for the local market. Employment in the sector in the last quarter of the year was higher than in the comparable quarter of the preceding year."

In paragraph 3, it states quite clearly:

"Production of wearing apparel increased by almost 16% in 1987 after a decline of almost 20% in 1986. There were also increases of 14.7%, 8.7% and 5.4% in the production of non-metallic mineral products, tobacco, food and beverages, respectively."

I think that it can be said that the stimulation which was given to the manufacturing sector by the Democratic Labour Party resulted in this kind of improvement. Furthermore, it also had an effect on employment. I think this is important, because there seems to be the general tendency to suggest that the manufacturing sector, in terms of discussion, is actually dead and nothing is happening there. But the Economic Report states very clearly at page 43: "The Continuous Household Sample Survey indicates that in the last quarter of 1987, total employment in manufacturing was 12400 as compared with 11 300 for the same period in 1986. The 1 369 jobs created in IDC assisted industries were 13% more than in 1986. However 708 jobs were lost during 1987 resulting in a net gain of 661 jobs."

"Textiles, garments and leather and data processing were the largest contributors to employment, each providing over 300 new jobs."

I think this is instructive, especially when one looks at the areas where there is obviously some potential for growth and where some growth is taking place. The

honourable Member for St. Peter tried to give the impression that nothing new was happening in the manufacturing sector. We have identified, and we are satisfied, that jobs will be created in the data processing area. Indeed, Sir, you have heard the honourable Member for St. John (Mr. D. J. H. Thompson) tonight referring to the fact that one of these firms has established an operation in his constituency, and is employing people from his constituency and surrounding areas. It ought to be a matter of record also that only yesterday the Deputy Prime Minister and myself were at the opening of a new company, Offshore Keyboarding, which is a subsidiary of Cable & Wireless, which has just opened an operation in the Harbour Industrial Park, and which has plans to increase their work force to 120 persons within the next two months or so.

It is also a matter of record that the Industrial Development Corporation, to give further stimulus to employment opportunities in this particular area, has launched a training programme, because the survey which was done among the data processing businesses in Barbados revealed that they would require about 400 data processors during this year. The training is already taking place where they now have about 60 girls on a three shift basis being trained. This will continue.

Added to that is the fact that the Minister of International Transport and the Barbados External Telecommunications are in discussions about the possibility of establishing teleport facilities in Barbados to make Barbados into a more attractive area for data processing and that type of industrial activity.

These are the kinds of new thrusts and developments which we recognise exist, and in which Barbados can provide an advantage. With the coming on stream, hopefully, of our teleport facilities, our capabilities in this particular area would be further enhanced.

Manufacturers, particularly our indigenous manufacturers, have been complaining, and they complained to the Barbados Labour Party Administration, about the Stamp Duty. When the Democratic Labour Party left office in 1976, the Stamp Duty, if it did exist, was nothing of any particular consequence. The Barbados Labour Party raised the Stamp Duty to a level which became burdensome to the manufacturing sector. Representation was made to the Barbados Labour Party. The Barbados Labour Party did not heed the representation. The result, of course, is that, more and more, one found that our manufacturers, when compared with manufacturers in the other countries in CARICOM who did not have to face this kind of Stamp Duty on their raw materials, found themselves becoming less and less competitive. 11.05p.m.

Then we had the other factor, the imposition of the Stamp Duty on CARICOM goods. The imposition of the

Stamp Duty on CARICOM goods was something which, as the honourable Member for St. Peter stated some weeks ago when this matter came up, was imposed by the Barbados Labour Party in retaliation to the Stamp Duty which was imposed in other countries against Barbadian goods.

It is a fact that the imposition of a Stamp Duty on CARICOM goods is contrary to the Treaty, and Barbados removed the Stamp Duty to ensure that those countries which still have Stamp Duty imposed against Barbadian goods will remove theirs, because the Government of Trinidad and Tobago, in its Budgetary Proposals in January of this year, moved to a position where they indicated very clearly that they would remove the Stamp Duty against countries which do not have Stamp Duty against their goods, and they moved their Stamp Duty on goods to countries which have Stamp Duty imposed against them from 12 per cent to 20 per cent. Goods going in Trinidad and Tobago face a 20 per cent Stamp Duty. This is the reality of the situation, so to redress that, and to conform with our obligation? under the CARICOM Treaty, we have decided to remove the Stamp Duty on CARICOM goods, and, of course, in response to the requests from the manufacturing sector.

In addition to that, the imposition of the Stamp Duty on raw materials and packaging materials has been a problem for some time, and the argument which has always been advanced is that it created some additional cost to the manufacturers.

We feel, therefore, that if we are going to provide the kind of environment in which the manufacturing sector of this country could once more breathe a little easier, we have to do these two things. Indeed, Sir, I gather that a number of manufacturers have already expressed publicly their satisfaction with this approach by the Government.

This Administration has now by these measures, which will, as the Prime Minister has calculated, cost in excess of \$50 to \$55 million, thrown down a challenge to the manufacturing sector. They now have to perform. The irritants and the problems which they complained about, to a large extent have been removed.

Coupled with the removal of these particular problems, the Prime Minister has stated very clearly that the Barbados Development Bank will have to play the role of a development bank, which will mean that it will have to operate and certainly take the kind of chances in terms of trying to promote development within the industrial sector. It cannot bring the principles of commercial banking always to the consideration of any application for loans.

This does not mean that any hare-brained project will get financing from the Barbados Development Bank. Neither does it mean that it will provide a cover for

supporting those industries or companies which have no hope of survival. In short, if companies are dead, then the life support system will have to be unplugged. But there are still some companies which have some chance of survival, and this is the whole purpose of these proposals, to nurture the manufacturing sector back to life and to get it up and going again.

Sir, it is against this kind of background that these proposals have been conceived. I am satisfied that with the kind of co-operation which the Government is giving to the manufacturing sector, if we can get the manufacturing sector to muster the courage and energy to move in the direction that we would certainly want to see it move, we would have some positive results.

The Prime Minister — and I am very glad to see that mention has been made of it in these proposals, because I think it is a serious direction in which we should go — has suggested that we need to get our overseas missions to play a more vital role in the promotion of trade from Barbados. The attachment of commercial people to the missions whose responsibility it will be to promote trade in those markets in which they are attached is very important. We ought to learn, as I said in here about two weeks ago, lessons from some of the larger countries, which, even although they are powerful and mighty, you will find that in some of their missions in Barbados, they have commercial attaches whose responsibility is to promote the trading interests of their countries. It is our view that this can be done and can be done effectively. I believe that we can carve out the kind of niche in a number of markets, whether it is in the United States of America, Canada or in the United Kingdom, particularly where Barbadians and West Indians live, where we can promote that kind of trade. It may be small, but I believe that it would form the foundation on which we can continue to build and expand our export trade.

I think, Sir, that inasmuch as time is running out on me, that it ought to be stated very clearly, contrary to what the chief spokesman for the Opposition would have us believe, that we do have a strategy and an approach, some of which has been outlined in the Budgetary Proposals. 11.15p.m.

I believe that when the Minister of Agriculture speaks, he will speak about our thrust in the export agriculture area, and I do not want to go into any details on that. It is an area which can also be of importance, and on which we will be concentrating.

Our plan to develop a design centre is part of a package which we are going to put together. The Prime Minister indicated very clearly that we will be reviewing export promotion and export marketing, and I am satisfied that we will be able, under the kind of strategy and approach which we are adopting, to bring the kind of life to particularly the manufacturing sector, and,

hopefully, by the kind of incentives which we will continue to offer, to encourage manufacturers from overseas to come and invest in Barbados. I therefore want to support this Resolution.

I thank you.

SUSPENSION OF SITTING

Hon. P. M. GREAVES: Mr. Speaker, it is not our intention to attempt to complete the debate this evening. To go any further would not be fair to the staff, to ourselves and to the listening public, so at this point I should like to suspend.

I beg to move that this sitting be suspended until Tuesday, May 3, 1988 at 10 o'clock a.m.

Hon. B. M. TAITT: I beg to second that.

The question that the sitting be suspended until Tuesday, May 3, 1988 at 10 a.m. was put and resolved in the affirmative without division, and Mr. SPEAKER suspended the sitting accordingly. 11.17p.m.

ON RESUMPTION Mr.

SPEAKER: This sitting is now resumed.

Mr. L. L. BRATHWAITE (St. Michael North East): Mr. Speaker, I rise to support this Resolution, which is to take note of the 1988 Annual Financial Statement and Budgetary Proposals and approve the measures therein.

At the very outset, Sir, I would like to say that my support for these measures relates to the general objectives of the Democratic Labour Party and its pledge to the people of the country to approach the problems which we face in the country in a new way, and, indeed, to effect a new path and a better way of life for the people of our country.

One does not wish at this stage to compare what has happened from year to year as Budgetary Proposals have been presented in this Chamber, but rather, to look at what presently exists, and to see to what extent the Budgetary Proposals effect a solution to the problems we face.

My colleagues on this side of the House have to a large extent responded to the shallowness of the argument which came from the other side, and, therefore, I wish to look at a particular area of concern which I have. And in looking at this area, which relates to our unemployment situation, or, as you may have it, our employment situation, I want us to understand that while there is some

gain on the provision of jobs since May 28, 1986, it is still a far way, Mr. Speaker, from what we on the Democratic Labour Party side would wish to exist at this time.

It is obvious, Sir, that measures must be effected to help to bring to reality the ideals and the goals which we have set ourselves in our 1986 manifesto. Having looked at the measure of success that we have had in gearing our policy towards fuller employment, I say, Sir, that, by and large, unemployment in this country is not just a phenomenon for the Government, it is not just a problem for the people who are unemployed, but it is a problem for ah¹ of us, because any area of neglect, any area of need in our community, reflects on each and every one of us. It is in that context, Sir, that I approach my contribution to this Resolution.

There are some things which I think can help us to effect remedies for our unemployment situation. One has to do with the cutting out of all forms of wastage. Another has to do with using our resources in such a manner that we can get more value for the resources that we expend. The Government is spending large sums of money in terms of the people it employs, but one has to have some concern that the results of this money spent do not seem to reflect any understanding of this by the people who are working in the Government Sector. To be a little more specific, some people who are working in the Government sector do not seem to appreciate the fact that every penny that is wasted by an individual creates a blockade towards more employment opportunities for others.

If the Minister of Finance is faced with the problems that we are currently faced with in relation to unemployment, partly it is because the money that is expended on Government projects, in my view, is not producing the results that it should produce. When I talk about wastage of material, Mr. Speaker, from time to time as I pass through the streets of this country where men from the Ministry of Transport and Works are employed, I seem to see them sitting more than ever along the sides of the road. If they are not sitting, they are leaning on their tools. But what, to me, is even of greater embarrassment is the fact that the materials which should be used in producing the results that should be produced are wasted and thrown aside as though it does not matter. These are things that one cannot close one's eyes to.

I am choosing, Sir, to dwell on the area of unemployment because I think it is our number one problem. It certainly is the major problem that I face in my constituency, because people are after you day after day for job opportunities, and I think that anything that stands in the way of producing these job opportunities needs to be removed.

I have been looking at the issue of overtime in terms of those persons who have jobs, and I am not satisfied, Sir, that the amount of overtime in many areas that is required

because there is work to be done, should be done in that fashion. I believe, Sir, that we have a responsibility to provide as many jobs as possible, and even though it may seem to me some gain for those persons who are working for the overtime, and at overtime rates, one must accept the fact that there are other persons who, given the minimum training, can effectively assist in doing some of this work, even if they have to do it on second shift time. I believe, Sir, that this is another area in which our unemployment situation can be addressed.

I would implore those persons who have the responsibility to employ people, and who have the capacity to employ, to look more at this area and try to cut down some of those areas in which they are effecting overtime and at the same time look to employ more people on normal time. When you do this, Sir, you will begin to see the quality of work that is put out by those persons who are presently working on normal time, because, it seems to me having at some time been involved in management, that you have a situation in which people are working on normal time and producing less work than they produce on overtime. It seems to me that, in that context, we are creating a drain on the resources of our country if people are not gainfully employed and there are certain social services which the country has provided for people who are not gainfully employed, and they would expect at every turn to draw on those services. But to provide those services, we have to agree that they do not come out of the air. They come out of the hard-earned taxes of the people of our country. 10.10a.m.

When we look at the various sectors in the economy of the country, it has been admitted that there are some areas that have not been as buoyant as others. The returns which should have come from those areas have left us still holding the bag. We believe, Sir, that any time you find a problem, if it is with your own health, you need to address that problem, and if you need to address that problem, you look at the objectives which you have set out, and in those terms try to provide all that you have said would come from your objectives.

It is in this context that I say to the Honourable Minister of Finance that he has my full support, because he has not deviated from the path of the goals and the objectives of the Democratic Labour Party manifesto. It is still to produce the goods and services to the people of this country, and at the minimal cost that we can afford to do it at. Looking at it this way, one can only be in support of these measures that have come from the Minister of Finance.

There is another area that concerns me, and it relates to the number of persons who are retired and are on very good pensions, pensions that are in excess of what would be required to employ some younger people. If we have faith in the educative process in our country, if we

have faith in our young people and we say that we have given them opportunities at receiving an educational status that can fit them for the role in the world of life, then we must give them this opportunity to effectively go about earning a living and helping to build the economy of our country.

One can appreciate some arguments of some people who are in the category of retired people and who may still need some assistance. But most of these persons who claim they need this assistance, claim they need this assistance because they are younger people in their family who do not have jobs. I believe that this is one of the areas that we can look at and, as a policy, determine that we would reduce the number of persons who are being employed, but are receiving large pensions.

Looking at these measures as a whole, they have shown us that there is still some imaginative thought going into a package that is required to keep the ship afloat. If we took, as we did in 1986, our programme to the people of this country, and they have accepted that package, they have accepted that package because they believe that we are in a position to deliver the goods.

They believe, also, Sir, that whatever is required to deliver those goods must be done, because, in the final analysis, our report to them would be in the nature of whether we have, or have not, produced the goods. If, as I said, in the area of unemployment, the people of Barbados are not fully satisfied that as many jobs are as available as they should be, then we need to take corrective measure. In this light, Sir, I commend all persons who have jobs and who are giving their full share and making their full contribution to the building of the economy of this country. But I must also say a word of caution to those who believe that they can take more out of the economy than they are prepared to put in. This relates to what happens when people become disillusioned, disgruntled — we all stand in their way when their fury rises.

The Minister of Finance has a problem, to provide what the people expect this party or the Government to provide. I do not think any Minister of Finance or any person who is related to a political party would like at any time to bring a tax burden on the people of the country. I do not think that he would wish at any time to have to effect a taxation system that calls for more taxes every time. But if the situation is a real one, and if the need is a real one, we cannot throw up our arms in despair and determine that we cannot do anything about it.

Taxation is not a new thing. It goes back to Bible times and it came right through the ages and it will not end with this Budget, this Administration, nor with any other Administration that may come into office. I think, Sir, that we should feel quite comfortable in our minds

that, at least, as I have heard many people say, looking at the situation as they know it exists, the Minister of Finance was very lenient. He was not as hard as they thought he would have been. When you look at this, Mr. Speaker, one must conclude that the stage was set by the opposition forces and, indeed, by some honourable Members of this House, would tend to give people who are not so much in tune with what is happening in the country some area of fear. Now they know that there was not that much to fear about. 10.20 a.m.

This is my third debate on Budgetary Proposals. I have sat in the gallery of Parliament on previous occasions, and what I would always wonder was how was it that members of the Opposition would always be having something under their sleeves as to what is in the Central Bank Report and always holding it out as a secret that nobody else had. On this occasion, Sir, I compliment the Ministry of Finance for making available to all of us in good and proper time these two documents, the Central Bank Report and the Economic Report of Barbados 1987. It has afforded us some opportunity to effectively look and make an assessment of the contributions that we would wish to make in this debate.

I do not intend, Sir, to be lengthy. I do not even intend, Sir, to take up the amount of time which I am allotted to take up, because as I said at the beginning, I wanted to look at a particular area of our economy and try to give some insight of my thinking on the matter. I think, Sir, that I have done this.

To reiterate what I said, I would like to see a cut in the wastage not only of time, but of materials. I would like to see a better personnel relationship between people who are working in businesses so that those people who are working can have a feeling of comfort that they are in a job that they can retain, and therefore be able to be more productive as they go about their daily duties. I would also like to see, Sir, and I am very serious about this, some consideration for the reduction of the amount of overtime that is necessary and the provision by way of a second shift, if you want, of some new jobs for people.

Another matter which has concerned me for some time is the long opening hours that we have from time to time. I am not satisfied that in a situation where there are so many people unemployed we can have work straddled over a longer period and, in most cases, done by the same people. I believe that that is an area through which some further employment can be effected.

One may look at the area of duty free shopping when cruise ships come in, and they may use that as a case where you need to have that kind of activity going. I do not subscribe to that. I think what we need to do is to have an effective duty free shopping complex at the ports of entry and if visitors come at times when the normal shopping

areas are closed, they can be effectively accommodated in that area. What it will require, Sir, is that a number of our businesses in Bridgetown look at restructuring of their duty free business and become involved in the areas of exit and entry. This is an area where I would like to see some improvement.

Sir, I give this Resolution my support.

I thank you, Sir.

Applause.

Hon. C. V. WALKER: (St. George North): Mr. Speaker, I rise to support this Resolution, and in so doing, I would basically like to confine my remarks to six specific points.

First of all, Mr. Speaker, very little was said in the Budget about education, but we realise that education is like a capital investment in this country. It is the bedrock of Barbados, and although we have provided funds in the Current Estimates, we realise that we will have to view it as though it were Capital, because of the commitment of the country, and indeed the pride that we in Barbados take in education. Just two weeks ago today, to be exact, I gave this Honourable House a complete update on education as it relates to the new plans for new schools, for new teacher training, maintenance and the revision of certain aspects which control the area of education in this country.

Mr. Speaker, as we approach the Budget of 1988-89, we have to reflect on some of the comments which were made in the country. Indeed, we were hearing people say that the Minister of Finance cannot change the policy on taxation. We were hearing that he cannot reduce taxes. We were hearing that the deficit was too large. We were hearing, Mr. Speaker, that something must be done. We were also hearing that we cannot get into another situation *vis-à-vis* the IMF. And that we cannot afford any negative turnaround as it relates to unemployment.

At the same time, Mr. Speaker, on the programmes such as *Gutlerperk* and *Tell It like it Is*, we were hearing the constituents throughout the length and breadth of Barbados speaking of their requirements, their needs in terms of roads, lights, houses, house spots, and indeed employment. While that debate was going on, Mr. Speaker, I am sure the Prime Minister and Minister of Finance, indeed those of us who have some responsibility for the affairs of this country, had to take a hard look at some of the realities of the situation.

Mr. Speaker, if we look at some of the commitments that we have in this country, the projection for the amortisation payments for the calendar years of 1988 through 1996, we will find that in external loans, in 1988 we are committed to pay back some \$51.1 million; in 1989, \$63.4 million; in 1990, \$127 million; and in 1991, \$156

million. It starts to drop, Mr. Speaker, in 1992, and it drops to \$102 million; in 1993, to \$89.6 million; and by 1996, to some \$33.4 million.

At the same time, Mr. Speaker, looking at the projection for the interest payments on these external loans for the same calendar years of 1988 to 1996, we find that in 1988 we have to pay some \$52 million; in 1989, \$50.9 million; in 1990, \$47 million; and in 1991, some \$39.5 million. Correspondingly, it starts to drop in 1992, \$28.4 million, down to some \$10.8 million in 1996.

The next point, Mr. Speaker. One has to ask, why do we really have Budgets? I believe that Budgets are necessary in order that those who are responsible for running the affairs of the country should have to come and tell the country what is necessary to bring the revenue in line with the expenditure. Of course, Mr. Speaker, Government must spend money and, therefore, Government must receive money. The question is, what would be considered to be a good return on the investment, on the money that is spent and the money received from the people? And Government must consider the demands, wants, and the needs of the people of the country. 10.30 a.m.

We can also liken Government, Mr. Speaker, to an investment in stocks and bonds, and normally we talk of three types: bonds, preferred stock, and common stock. Government issues bonds, on which you basically have the commitment of a guaranteed return. The second is the preferred stock, on which, again, you may have a fixed interest return. It may be high, it may be low, but you also have to pay out early. With the common stock you have the element of risk, in terms of price and growth.

If we were to liken the preferred stock to Government areas, Government preferred stock would be in terms of its taxes, sometimes high and sometimes low. When we speak in terms of Government's area of common stock, Mr. Speaker, we are talking in terms of business, industry, manufacturing and export, where Government has to rely on the involvement of others in these areas, in which one may feel there is a risk factor. We therefore need to relate the Government's Budget to the real world of business, and we also have to remember, Mr. Speaker, that Government is indeed a business.

The next point, Mr. Speaker, brings me to the Budget itself. The Prime Minister and Minister of Finance has given us a Budget for 1988-89. What was the background of his Budget exercise? What was the background of his investment in the stocks of Barbados? Quite early in his presentation, the Minister of Finance made it clear that the fundamental objectives of Government and the nation are: the attainment of the best possible rate of economic growth given the prevailing circumstances, the containment of the general level of price increases for goods and services within reasonable limits, and the maintenance of the

balance of payments at levels which we can sustain as a sovereign, independent nation.

Then he went on, Mr. Speaker, to speak about tourism. He said:

- "There is still a need for extensive refurbishment and, as expectations and cash flow improve, I anticipate that the industry will continue its programmes to upgrade the quality of the accommodation. Government will continue to give favourable consideration to requests for relief from taxation on imports required for the process. The property owners should, however, give preference to locally produced materials and equipment."

Then he had something to say about unemployment: "Unemployment should be further reduced, but this will be dependent upon the growth in real output and positive responses in the private sector."

When we talk of employment, we will have to look at the counter, which is unemployment. When the Prime Minister spoke on that, Mr. Speaker, he was very clear when he pointed out, for the record, the unemployment picture since 1981. He noted that in 1981, the average employment rate was 10.8 per cent; that it jumped to 13.8 per cent in 1982, to 15 per cent in 1983, in 1984 to 17.1 per cent, and to 18.7 per cent in 1985. However, in 1986 the rate decreased to 17.7 per cent, and in 1987 it stood at 17.9 per cent.

One may say that to move from 17.7 per cent to 17.9 per cent is, indeed, an increase. However, Mr. Speaker, in 1985 the number of people employed were 92 100. But in 1987 the number of people employed stood at some 97 900. So although in 1987 it is 0.2 per cent down, there has still been an increase in the work force.

Mr. Speaker, having laid the ground work, what were the measures proposed by the Minister of Finance? How did he see the country's investment? What were the claims he thought necessary to meet the ideas and items as outlined in his preliminary presentation?

I go straight into the proposals now, and in so doing, I would also like to send a few messages to the honourable Member for St. Peter (Mr. O. S. Arthur). First of all, I would like him to sing the National Anthem, because I am not sure that he is sure we are here in Barbados. The fiscal measures as presented by the Prime Minister and Minister of Finance said specifically that he decided to remove the Stamp Duty on imports from CARICOM countries. He said that, with immediate effect, the 15 per cent Stamp Duty on raw materials and packaging materials from extra-regional sources will be removed for all manufacturers who are registered with the Customs Department.

Consumption Tax, Mr. Speaker. He said the basic rate, will be increased from 6 per cent to 9 per cent, and all other

rates will be increased by 5 percentage points. He said gasoline will be increased to \$1.05 per litre from 95c per litre.

I am willing to give the honourable Member for St. Peter, as he looks, the positive and the negative, as he may see it. Effective from May 1, 1988, there will be a temporary surcharge on incomes, the details of which I will address a little later.

Mr. Speaker, the Prime Minister then dealt with corporations, and he said:

"I have decided to impose a temporary surcharge of 7.5 per cent on the profits of corporations from this income year, but prepared to refund up to 2.5 per cent if additional employment is provided by the particular corporation." 10.40 a.m.

Mr. Speaker, bus fares. He said that, effective from May 2, yesterday, the bus fare will be increased to \$1, with school children paying half fare.

Mr. Speaker, about the old age pensioners, he said non-contributory old age pensions will be increased from \$50 per week to \$52 per week.

I have given what some may consider as some pluses and what some may consider as some minuses in terms of the items presented in the Budget. I have used most of them because they lead me to my next point, which has now to deal with the honourable Member for St. Peter and his mayday flight. I do not mean yesterday being May Day, I mean when you are up in the air and you are flying and you are in trouble and you say, "Mayday!, Mayday!, Mayday!." I believe he was lost in space, he was indeed, I believe, hijacked, and he could not even land.

He said the point of greatest significance was that the P.M. repudiated the policies of the DLP election promises and that they were failures. I say that the Prime Minister and Minister of Finance was part of that policy then, he is part of it now, and he will be part of it longer than the honourable Member for St. Peter would like. He said they were right for the time, but I am saying to him that they are right for the time, because they will bring us out of the mire and economic quicksand which may be ahead of us.

When he mentioned that Tom Adams' figures about tax bands and incomes were honest, and he said so with a smirk, it was a shame to then say that we cannot now be blamed if the figures were misused. I say to the honourable Member for St. Peter that Tom used those figures, "Bree" used those figures, you used those figures, and you cannot have your cake and eat it, too. You cannot dance to calypso and a waltz at the same time.

What is your objective? If you believe your objective is to discredit this party and the Minister of Finance - I have already told you that your plane was in a mayday situation and you could not land, you had lost control - how could you then say that the Democratic Labour Party needs a mandate to change taxes? The Democratic Labour Party received that mandate in 1986. The trouble with the honourable Member for St. Peter is that he is too concerned about 1986. Do not talk about 1986, you had better stay where you are. If you talk about 1986, you may have to wait your turn after 1996, 2001 or 2006.

The honourable Member was all dressed up and dolled down, but he came in here like a little boy rushing to a cane fire. He said that the DLP policies had nothing to do with the growth of people and the improvement of society. What do you know about the growth of people under the DLP? What do you know about the improvement of people? The honourable Member obviously is not even aware, as I said earlier, that Barbados is independent.

He said that the Minister of Finance was raising more taxes than were necessary. If it turns out to be so - I am sure that people of this country are in need of roads, street lights, house spots, all the things that we read in the Press and honourable Members ask for in here - it will be given to the people of Barbados, because we believe it belongs to them.

The honourable Member also said that Consumption Tax is nothing more than Sales Tax, that the DLP is famous for Sales Tax and that Consumption Tax is just another name. Where were you in 1975 and 1976 when the BLP was going around the country and pointing out to people the difference between Sales Tax and Consumption Tax? Who was famous for the Consumption Tax? It certainly was the Barbados Labour Party!

He also admitted that corporations had a series of years of downturn and the new proposals will pull them back. They had them under the Barbados Labour Party, as I pointed out earlier. In terms of the exports, the figures, and the dollars we had to deal with, they were up to 1983, down to 1985, and they were skyrocketing at that point. The only thing is that you do not skyrocket in a downturn, you have to do down.

You talked about 1981 and 1982, and then admitted that there was a recession then.

Mr. SPEAKER: I do not want to interrupt the Member, but I would prefer you to refer to the honourable Member by his correct title.

Hon. C. V. WALKER: The honourable Member for St. Peter. I respect your ruling, Mr. Speaker, but I started out by saying I will be speaking to the honourable Member for St. Peter in his reply to the Budget.

He also said that in 1981 and 1982 there was a recession, but there was recovery in 1983. I will have to ask, why did the honourable Member and his party take it down after 1983 then? Where the Economic Report relates - and I will just use three columns - to exports, Table 10-5, we see that in 1981 the total exports were 463 660; in 1982, 518 213; in 1983, 717 429; But in 1984, when we had the recovery, it was 787 371, and 1985 - look out! ^ 707 781, and continuing to go down.

Mr. Speaker, I find it very inexcusable, if not strange, for him to say that the populace of Barbados could not accept the \$2 increase for the non-contributory pensioners, that it was nothing more than corned beef and biscuits politics. That is what fooled the Barbados Labour Party in 1986. The people in Barbados can no longer be bought.

The honourable Member for St. Peter said that the Democratic Labour Party should have identified cuts in 1986. I would say that the Barbados Labour Party was probably lucky, because on assuming office, the Democratic Labour Party probably should have shed more light. But I believe that they probably did not shed more light on what was happening in the country because they really did not want to put the whole country in a panic situation.

Let me speak briefly, Mr. Speaker, on the Transport Board. He said the Consumption Tax will increase the cost of tyres to the Transport Board. I believe that if the Ministry imports the tyres for the Transport Board, they may avoid that. I am not sure, I will have to check with the Minister, but I believe that may be so.

Let me comment on the bus fares. More people, I believe, Mr. Speaker, will ride the Transport Board buses, even if for one specific reason. People did not have the problem in approaching a Transport Board bus with, maybe, a dollar or two dollars, and because of the fact that they could not get change, they gravitated to the minibuses. I believe that it is more likely that they may have a dollar in their pocket, they will now approach the Transport Board buses, thereby increasing its revenue. 10.50 a.m.

Mr. Speaker, let me deal quickly with the tax surcharge. On \$15 000, Mr. Speaker, or \$1 250 a month, the surcharge is nothing. On \$50 000 or \$4 160 per month, the taxable income there is \$35 000, and the surcharge on that, up to \$50 000 would be \$145.80. On \$40 000 a year, or \$3 333 a month, Mr. Speaker, the taxable income is only \$25 000, and the monthly surcharge would be \$104.30. On \$30 000, \$15 000 is taxable, with a surcharge of \$62.50 a month. On \$20 000, or \$1 666 a month, \$5 000 is taxable, with a surcharge of \$20.83 per month. Of course, there are no taxes on pensions. The Democratic Labour Party removed that long time ago.

Mr. Speaker, I did a survey in the last few days, and I have discovered that, in my area, probably ten per cent of the people with whom I spoke earn \$50 000 or over, 35 per cent earn \$15 000 - \$30 000, and 40 per cent earn under \$15 000. What does that mean then? That simply means that people who earn \$50 000 and over will pay the 7.5 per cent, the 15 per cent will only pay somewhere between \$62.50 per month and \$144.80 per month, and the 35 per cent of those between \$15 000 and \$30 000 will pay from nothing to \$62.50 per month, and the 40 per cent who earn under \$15 000 will pay no Income Tax, and will pay nothing to anything.

Mr. Speaker, these Budgetary Proposals are intended to bring to the people of the country a sense of belonging, and Government must get the country on a solid income if we are to provide the services and the expenditure base as it relates to the Current Expenditure, and also match it against our revenue. We cannot consider using funds for Capital unless we have a proper management and budgetary system in place for our Current Expenditure. If we are in proper balance, we can then go out and get money to spend on behalf of the people in terms of Capital, not on unnecessary highways, not in building eyesores, but on houses for the country folk. When I speak of country folk, Mr. Speaker, they are people who are courteous, careful, caring and indeed correct, and they control all of us in here.

Mr. Speaker, let us support these proposals. I have clearly, I believe, given my support to this Resolution.

I thank you.

Mr. E. BOURNE (Christ Church East): Mr. Speaker, the taxes imposed in this 1988-89 budget were heavy. If these were the only ones we had to bear, I am quite sure we would easily pay them. But, Sir, in this country we are taxed twice as much for our ignorance, four times as much by our laziness, and six times as much for our stupid pride, and no one can save us at this juncture.

We talk about unemployment in this country, Sir, but the farmers in this country are crying out for labour shortages, the contractors are crying out for masons, carpenters and labourers. Yet, some of the unemployed prefer to stay at home, or on street corners and the side walks in Bridgetown begging for hand-outs and pitying themselves. These same people will pertly tell you, when told about such jobs, that they were not cut out for this or for that; they cannot work in the sun, and they have qualifications. Sir, what qualifications?

Many people believe that to be armed with a 'certificate in this or that subject, or even with a degree, guarantees them the right to a particular job. The idea should be to take whichever job you can get until the right one comes along. There is no harm in that. Everyone of us

must try to work hard and make our contribution if this country is to forge ahead.

Some of these same people, Sir, will go up to North America on the Farm Labour Programme, sleep in barns, work for far less money, work like slaves, and yet accept it. In the United States, canes are paid for by the row, which is sometimes almost a mile long, whereas in Barbados they are paid per tonne. But yet they will tell you they cannot work in Barbados! The crops in North America are reaped in the summer and that is real hot. Conditions are that most of the time you can hardly walk and breathe. The same thing goes for construction. We must remember the command given Adam when he was thrown out of the garden of Eden: by the sweat of thy brow ye shall eat bread. I have never known anybody yet to sweat in the cool; you only sweat in the sun.

I turn now to the unemployed, Sir. There seems to be a general trend in this country to mark time and expect a full wage. No business or country can progress under these conditions. The name of the game is production, not lying down. When we are productive, it makes our products competitive, because of superior quality and a better price, and therefore we will be in a position to sell more overseas and thus enjoy a better standard of living.

Our problem in this country, Sir, is wastage and poor production. There are some workers whose main occupation is to waste time and try hard to sabotage the Government's programmes. Some believe in sacrificing efficiency on the altar of expediency. Some, again, will "ork" instead of work; some will crawl in around 9 o'clock and keep their eyes glued on the clock looking for that magical hour to come by. What manner of man is he who will go home after work and boldly declare, "Man, I got to work at 9 o'clock and haven't driven a stroke yet". Only in Barbados you will find this sort of thing.

We all have to get up and make a contribution if we are to succeed. A people, Sir, without a sense of responsibility and a sense of self-pride will have no pride in a country, and when this happens, begging and poverty will be our lot. Time wasted, Sir, is money wasted! 11.00a.m.

Mr. Speaker, I now turn to the honourable Member for St. Peter (Mr. O. S. Arthur) who stated that the operational cost of the Transport Board will increase due to the Consumption Tax on tyres and the increase in fuel oil prices.

It appears to me, Sir, that whenever I plan to speak on some subject, some speaker who speaks before me always talks on it as though we have had some prior arrangement. But I will answer the honourable Member for St. Peter and I will say that the honourable Member for St. George North (Hon. C. V. Walker) is correct.

Tyres are just of good quality or better can be purchased from several suppliers around the world at far less than half the price now obtained in Barbados, so I do not think that the Consumption Tax on tyres would push up the operational cost of the Transport Board.

The Transport Board fleet was left in a dilapidated and run-down condition by the Barbados Labour Party Administration. A maintenance programme strictly adhered to could guarantee us a hefty saving in fuel. I can defend this one. You will be surprised to know that where we use ten gallons of fuel for any particular trip, with that programme in place, we would be able to use approximately eight gallons. This would be because we would be able to get maximum horsepower value for every pound of fuel we use. But I will not go into the intricacies of automotive engineering at this junction, I will leave that for another day.

Mr. Speaker, the Honourable Minister of Finance has stated that the Transport Levy will be put in the Consolidated Fund. I beg to differ from that, Sir. Since this tax was primarily designed for road maintenance and repairs, and the replacement of rolling stock for the Transport Board, I am afraid that these funds will be used for other purposes, to the detriment of transport. Heavens knows that we can no longer endure the potholes and mud flakes brought about by the previous Administration, plus the extra long waits for Transport Board buses.

Mr. Speaker, I will tell you of my achievements in Christ Church East due to the Transport Levy. I was able to get a few roads rehabilitated, like Dash Road and Lead Vale, Holborn Crescent, Wilcox, Searles, Lowland's Corner - I think the Barbadian public would recall the number of fatal accidents we were having at that corner - Breedy's. Lisbonvale Development, Round Rock, Silver Sands Coast Road, Pilgrim Place A, Pilgrim Place B and Pilgrim Road. That, Sir, is an achievement.

I turn, Sir, to housing. I am under heavy pressure for house spots, and I have some 60 applicants at the moment. I think it is a shame and a sin that we could have idle land at Fairy Valley Rock, top-quality, building land, which can safely accommodate over 100 houses. This land is simply going to waste, despite my pleas, and my poor constituents are suffering as a result. All of this has happened, and is happening. I would like, Sir, and I am begging, to have immediate action taken to my most pressing problem.

Education. Almost two years ago, Mr. Speaker, I was promised that repairs to the St. Christopher Girls' School would be carried out. Now that we are expecting some \$55 million, I would be happy if this promise is made good.

The St. Bartholomew's Boys' School is in need of repairs, and, more importantly, security lighting is needed. That is a necessity. How much longer must I wait?

Turning to Agriculture and Fisheries, I have been hearing a lot of talk about agricultural diversification, as though this is a new-found phrase. Diversification was carried out in Barbados from the time there was agriculture. Sir, when you remove one crop and you put in another, that is diversification.

I cannot understand why today there is a lot of talk about marginal land in Barbados. This said very land, which was extremely productive, which gave Barbados the name of the "jewel in the British Crown", being the wealthiest possession in the British Empire, can no longer produce. I wonder what are the causes.

I remember that, as a boy, there was a gentleman who was the Director of Agriculture, the late Hon. Sir John Saint. He had a programme where plantations had to plant a certain percentage of their arable land in food crops. This should be our policy.

There was a time when Barbados exported yams and potatoes to other countries in great numbers. There was a time when there was great business in cassava. Cassava starch used to be very popular. There was a time when Barbados had a cassava mill at Lancaster.

If we look at agriculture carefully, this country would come out of its difficulties. We are an agricultural society, and regardless of whether we try manufacturing, or we go full blast on tourism, we should always give our agriculture top priority. The highly industrialised countries of this world, Russia, the United States, Canada, even Britain, have very strong agricultural programmes. 11.10a.m.

When I lived in Canada, Sir, I used to see okra on the shelves in the supermarkets, coming not from Barbados, but coming from countries like Costa Rica and Guatemala. I know that St. Philip, Christ Church and St. Lucy were once okra-producing parishes. I would like to see this happening again. There is no excuse whatsoever for not exploring the markets for these products.

Soil erosion is another big problem in agriculture. Time and again, we have discussed soil erosion, and one would have thought that by now we would have been seeing all the plantations and Government farms planting khus khus to contain the soil. This is yet to be done.

I find, Sir, that the new-found technology in this country always throws out the tested and tried practices merely to experiment. This, Sir, is wastage, wastage of the highest order.

I have noticed, too, that there are some productive plantations being cut up for housing development. Oldbury is one. When I used to know Oldbury, the crops of Oldbury used to be very, very prolific, yams and potatoes, and, most of all, cassava. The idea that our land is marginal is

something that I cannot accept Land is marginal depending on what crops you are planting. I know the Israelis took the marginal desert and have cultivated it, and they have a first class citrus market in the Joppa oranges. That land previously was called waste land, but it is productive today.

What we have to do is get our technocrats to work. There is where we waste a lot of money. They, too, just sit down and do nothing, and take us all for a ride. If the heat is too hot for them, they should keep out of the kitchen.

I now turn to fisheries, Sir, which, as you know, is my pet peeve. Sometimes it brings tears to my eyes when I see the conditions that are meted to the fishing industry. Could you imagine the Oistins Fishing Complex was built for the use of fishermen and it is practically of no use to them? Imagine the fendering on the jetty, since almost two years ago, still needs to be fixed. That causes great hardship and expense, both for the owners and the insurance companies. The ice machines still are not working. Last month, I think it was, the fish vendors had to go out and buy ice at \$2 a bag to keep their fish. This, Sir, is ridiculous. I cannot accept that state of affairs.

On Fish Festival Monday, I was having a drink with some friends, and some fishermen came for me, hauled me away, "Skipper, you have to do something now. We have been told we cannot get ice. The ice is down there for the people who have their little measly stalls all along the street." People who contribute very little to this society! We are seeing that fishing has contributed 6.5 per cent to the Gross National Product. Sir, if we only give a little to that industry, do you not think that it will contribute 25 per cent to the Gross National Product?

Laughter.

Mr. E. BOURNE: I am certain about that, Sir.

A few weeks ago, the honourable Member for Christ Church West (Hon. H. deB. Forde) was pressing the Minister of Agriculture about a fishing treaty. What treaty? We in Barbados love to live on easy street I have never known of any treaty which has lasted, and I will call a few for you, Sir, Westphalia, Barwalde, Utrecht, Paris and Breda. There was the Treaty of Tordesillas, by which the Pope divided the world in half. The other people said, it cannot work, skipper, we want some. Treaties never last, Sir.

Laughter.

Mr. E. BOURNE: Even the CARICOM Treaty does not last.

Laughter.

Mr. E. BOURNE: We are trying to get into a treaty with another CARICOM country, it is a waste of good time.

Laughter.

Mr. E. BOURNE: I have said this before, and I am going to say it now. We come under the influence of the North and South Equatorial Currents. The South Equatorial Current is full of upwellings which provide a lot of plankton and food for fish. It moves up north from Africa, cuts across the Equator, and bifurcates as it comes west. One part goes down to the Brazilian coast and the other part joins with the North Equatorial Current at the western end of the North Atlantic. Some comes down by us here in the Caribbean, the other part goes north across Dominica and those places. That is why you find the same type of fish in abundance in Dominica and those places up north as we get.

All we have to do is to get those fellows who sit down and run pens, do not intend to work, to go out there and do some research 100 miles - 150 miles south east of Barbados and we will trap the same very fish. A fish finder costs just a few cents, less than you pay some of those people. It is ridiculous coming in here year after year and day after day saying this and saying that, and yet there is no production. I am sick and tired of it.

Mr. SPEAKER: I have to enquire of the honourable Member if you say it is ridiculous that we come in here. Are you saying that the honourable Members in here are ridiculous?

Laughter.

Mr. E. BOURNE: No, Sir. I am not saying that, Sir.

Laughter.

Mr. E. BOURNE: What I meant, Sir, is that it is a waste of time to come in here and debate things and then we do not work on them.

Sir, back to fishing again, there is a research scheme, they call it, in which they have tagged flying fish to find their whereabouts. This was done when I was a youngster of 19.1 cannot say a lad, Sir, because the age of maturity is 18. It was done by the said very Bellairs Research Institute. It was proven then that the flying fish moves around with the tide. Why are we going to waste good time going over the same thing?

Fisheries, Sir, is the business of catching fish, and the Chief Fisheries Officer is the chief fisherman of this country. We had a fisheries officer by the name of Mr. Dudley Wiles who was really a Fisheries Officer. He introduced to the fishing industry the use of the gill net. When there were heavy losses with the sail boats, he

introduced a modified type of boat, which did not last for too long because we quickly turned over to power. I want to see the people responsible for fishing do likewise. Mr. Wiles made it his business to go on every beach, and to go out with the fishermen sometimes. There was even a boat here called the "Investigator" whose duty was to carry out research on fishing. If we are to do something constructive for the fishing industry, these are the things we have to do.

When it comes to subsidies, Sir, it is true that the fishing industry gets a subsidy as much to buy a gallon of paint!

Aside.
11.20a.m.

Mr. E. BOURNE: But yet these said very people can produce 6.5 per cent of the gross national product. The Minister of Agriculture - I saw it in the paper, Sir - was saying how they have arranged to sell some 23 000 flying fish on the London market. That, Sir, is not even a drop in the bucket. The complement of an ice boat is between 40 000 and 50 000. So we have to do a lot more in the marketing of our fish. Something that I am very upset about, Sir, is when I hear the Minister of Agriculture saying that the ice boats are near their maximum and that there is a depletion of fish. I want to know from him if he went out there alone, or who went with him, to make a head count of those fish out there?

Laughter.

Mr. E. BOURNE: I would very much like to know that, because this said very year, up to Saturday, dolphin was still bringing a price of \$2 a pound. So I cannot see how there is a depletion in fish. There was a depletion in sea eggs, too. But only two weeks ago, I was fortunate to be on Silver Sands Beach and saw the sea bringing in thousands of young sea eggs. These things go and come.

Sir, it would appear that my time is coming to an end, and I would like to say a little something about the economy. Mr. Speaker, the economy grew by over 7 per cent in two years. We have produced 6 000 jobs. Construction is doing exceedingly well. Tourism is doing well. Manufacturing for local markets is doing well. Over 1 000 jobs were created. People have money in their pockets. They are repairing their homes and they are having a ball with some. People have more money in the bank today than when the Barbados Labour Party was in charge. Mortgages are available now for people, and young couples are building homes once again. The DLP programme so far has been an outstanding success, and nobody can refute that. We should today be congratulating rather than seeking to embarrass.

Mr. Speaker, Sir, I persuaded my constituents to vote for our programme in 1986. I now have a problem with my constituents, because they are pressing me for all these

things that I have aforementioned, and if something is not done shortly, I think I will find myself in a position where I will not be able to face them.

I am much obliged to you, Sir.

Applause.

Mrs. M. BARKER-WELCH (St. Joseph): Mr. Speaker, I rise to, first of all, congratulate the Minister of Finance, the Honourable Prime Minister, on his 1988 Financial Statement and Budgetary Proposals, and I give support to the Resolution now before this Honourable Chamber.

Mr. Speaker, this Budget was presented to the people of Barbados in a clear, lucid manner that everyone can understand. The Minister of Finance does not need any double-talk or talking with two mouths. I am sure that at the end of that presentation, more persons understood exactly the state of our Government, and understood what was being said, because it was said in this forthright manner.

The man in the street has been commenting on this. I was not here at the presentation, but I came back to the island on Saturday, went into certain parts of my constituency and just listened, and the average person understood what the Prime Minister and Minister of Finance was saying, and agreed, because even though, like me, they do not know too much about economics, they understand the implications of having us run to the IMF.

Mr. Speaker, when you are in the clutches of the IMF, they pull the strings, and you have to jump in whatever way they say you have to jump. If they tell you to cut jobs, you have to do it. If they tell you that you have to raise water rates, you have to do it. The average man in the street understands this. They have been saying that the Minister of Finance has to get money to carry out the plans and that they understand that some sacrifices will have to be made.

Mr. Speaker, none of us really like to pay out money, we like to receive money. But in the interest of the country and progress, and of the maintenance and enhancement of the basic human needs, we have to sacrifice. I am sure that the people of this island are behind the Democratic Labour Party Government. They gave us this mandate in 1986 in no uncertain terms. Am I to understand that now the Opposition will have us believe that these people, the majority of people in this island, were mistaken? That they did not know what they were doing? The people in this island have always been very observant, very practical, very intelligent, and they knew what they were doing on May 28, 1986.

Mr. Speaker, as I mentioned before, I was not here to hear the honourable Member for St. Peter (Mr. O. S. Arthur), the Shadow Minister of Finance. But maybe that is

to the good, because the whole thing was in the newspaper, and I was able to read and re-read his speech. The campaign managers were rating him as a brilliant young man and I searched through this account of his speech for a shadow of that brilliance. Where is this bright, young man? He is so bright! He is so young! Still young, but not so bright! After playing a major role in the financial policies of the last Administration, which policies were rejected - you have to remember that, Mr. Speaker - this bright, young man is now trying to tell us where we are going wrong and what we should do, making statements like we are not keeping the faith, and things of that sort.

I have never studied Economics. In fact, Mr. Speaker, few persons in this island can say that they have studied Economics. But, like the majority of Barbadians, I can understand when you are in debt, when you need to do more, and when you need to make more money. All of those are practical things that everybody understands. After all, what are Budgetary Proposals for? The Budgetary Proposals are to let the citizens understand how you are going to get the money to provide the services that you have promised, and remember, as stated on page 2 of the Resolution, one of our objectives is the maintenance and enhancement of a Basic Human Needs approach to ensure that all individuals and groups in our nation, particularly the disadvantaged and the vulnerable, are catered for in terms of their health, education, nutrition, housing, and other social and cultural needs. So there is nothing really miraculous about Budgetary Proposals. It is a straightforward statement bringing the public of Barbados into the confidence of the Government as to how we are going to make money and how we are going to spend it. This was clearly done, as far as I am concerned. 11.30a.m.

On the other hand, reading the account, in the *Saturday Nation Special* of April 30, of the honourable Member for St. Peter's speech, he continues to cloud the issue and confuse most of his listeners or readers.

But, Mr. Speaker, what caused me the most concern when I was reading his speech is a sentence which goes like this, and I am reading from the *Nation* of April 30, and I hope he is quoted correctly.

Mr. SPEAKER: I would like to caution the honourable Member that you may use certain information for supporting your speech, but you are not allowed to read from newspapers as well.

Mrs. M. BARKER-WELCH: Thank you, Mr. Speaker, thanks for the correction. He accuses the Democratic Labour Party of irresponsibility and mismanagement. Those are the two words that hit me. I had to read them again, because I could not believe the honourable Member for St. Peter would have the guts to come in here and say that this Government is irresponsible

or that this Government mismanages the finances of the people.

I think it is time that the Barbadian public be told of the mismanagement that went on in the last Administration. I think, Mr. Speaker, that this Government has not done enough in alerting and informing the public of Barbados of the situation we found when we became the Government on May 28, 1986. I think we should highlight it a bit more, because a lot of people do not understand.

I will begin with the Child Care Board, and, Mr. Speaker, allow me to put in a commercial here. This month is Child Care Month, and I am hoping that all Barbadians would rally behind the efforts of the Child Care Board to provide proper care for all children in Barbados. I will begin to show what mismanagement really is.

Mr. Speaker, there are 11 children's homes in Barbados. Ten of these were in such a state of disrepair, it was obvious that no effort, or very little effort, was made to maintain these buildings. If that is not mismanagement, I do not know what is. These homes were so dilapidated, it is God's mercy that they did not collapse around the children's heads.

I think, Mr. Speaker, that we came just in time, because the first thing we had to do was to get out there and try to do some repairs. Apparently, the last Administration did not believe in maintenance, because it is not only evident in the Child Care Board's homes, it is evident in a lot of buildings and a lot of equipment in this island. No proper maintenance, and so we had to start on those children's homes. When we should have been building new day nurseries, say in St. Joseph, because there are none in St. Joseph, and we would have been able to build one there, we could not, because we had to repair a whole lot before we could think about building.

I want to give you examples. Stirling Home - roof \$35 000, but the repair bill is really \$160 000. That is what it will take to turn Stirling into a home fit for the children of Barbados. Glendale is a sorry sight. There is not even a proper fire escape. If a fire breaks out in that building, I do not know what would happen, but I pray, as God has kept Barbados so long, and I am sure, that we will be able to repair that before anything happens.

The security in these children's homes was nil. We had to start and get security.

Fair's Children's Home - \$87 000 is needed for that. Barrow's \$76 000. Sayes Court - we had to put on a roof. Campwood - we had to spend \$40 000. The Nightengale Children's Complex - already \$118 000 has been spent and we have to spend something like \$115 000 more. Mr. Speaker, do you see now why I told you that if we did not

have to do all that, we could have built other homes where they are needed?

The wiring is antiquated. Those of us who own homes know what wiring costs. The wiring should have been changed long ago. We are making an effort to do that now. The public of Barbados should know these things.

Nearly all the appliances - the washing machines, the refrigerators - need looking into. They are collapsing.

Would you believe that at one of those homes we had to build a well? At one of those homes that was operating for several years now, we had a build a well. At another home, a well was built in the middle of a room. If it has to be repaired, we have to take up the whole thing. Have you ever heard of that, Mr. Speaker? A well in the middle of a room? The room was built around the well. If I had not seen it, I do not think I would have believed it.

Aside.

Mrs. M. BARKER-WELCH: Yes, I refer to Bagatelle.

Mr. Speaker, I cannot understand how the honourable Member for St. Peter could come in here and talk about mismanagement or irresponsibility, when they had a sacred responsibility towards the children of this island and they ought to have put proper management practices in force there. 11.40a.m.

But that is not all. I talked about the homes, but the day nurseries are just as dilapidated. There is one day nursery that was opened in 1984, and do you know it needs a roof and windows now? Mr. Speaker, I would invite anyone who disbelieves what I say to go and visit these places. You will understand what I mean when I say that the public of Barbados ought to know these things. If that is not mismanagement, I do not know what that is. A lot of mismanagement has to do with wasteful practices, and in that way, even the little resources which our country has can be frittered away.

Mr. Speaker, we have done a lot of repairs, in spite of the fact that there was a cut in Capital Expenditure. Why have we been able? We have been able because it is now being "well managed". That is the operative word. There has been a survey of all these places, and the survey points out the defects and what we can do, and we are proceeding with corrections.

Mr. Speaker, we have gone a bit further, and because we care about what happens to these children in homes after they get to about 16 or 17 years, there is a youth hostel which has been built at the Nightengale. I would like to think that the citizens of Barbados could find it in their heart to help, because the Government

cannot do everything. Communities have to learn to help, and I would like to think that the citizens of Barbados would come to the aid of some of these projects and say, let us put other buildings like day nurseries in the constituencies where they are not now present.

I am sure, Mr. Speaker, that, within another two years, the Child Care Board will be able to raise its head above the water and be able to expand. That is what we have to do now.

Mr. Speaker, there are so many instances of irresponsibility and mismanagement, that it would take more than the 30 minutes that I am allowed, to go through them, but I shall try to give a few glaring examples. Take the constituency which I have the honour to represent. That constituency was one of the constituencies which gave loyal and determined support to the Barbados Labour Party, but that was up until May 28, 1986. That constituency deserved a better deal, but because of the irresponsibility and mismanagement of the last Administration, it was seriously neglected.

I can give you an example of this. Would you imagine that in 1981, to get the vote which they did then, they started to build a housing complex at Lamming's? I was surprised going through St. Joseph after the elections to find the tools were put down and the housing project was done for the time being. During the time when that housing project remained just at ground level, people came and took away the stones, a whole lot of material was wasted, trees grew up on the site. But do you know what happened, Mr. Speaker? Just before the elections in 1986 they returned to that housing project! Would you call that responsibility? That is gross irresponsibility and insensitivity to the people who supported you. In 1986, they started again, believing that people were not thinking and that they would think they were doing something wonderful!

I understand that that was not the only project like that. There was one in the constituency of the honourable Member for St. Peter, at Maynards. St. Peter and St. Joseph were the two constituencies that gave loyal support to the Barbados Labour Party. If that is how they treated their constituencies who put them there and gave them their support, how do you expect they would treat us?

In St. Joseph, Mr. Speaker, the condition of the roads is deplorable. An Administration was there for ten years, not five, not one, so could you tell me that a country road should take ten years to repair? There are so many roads in that constituency that need to be repaired, and they are not big roads. That Administration is building a pretty road, but if you go into Union Road, the road behind Branchbury, and the road in Fisherpond, you will see that when it rains, people have to take an

extra pair of shoes with them and change at the church-door. That is not good enough for us Barbadians, and those are not isolated cases. I can tell you about 20 ordinary, country roads that are in this condition, but I know that, by the end or the middle of next year, all these roads will be repaired.

Mr. Speaker, I am confident, because we have promised and we will perform. These roads are, for the most part, for people whom I understand the honourable Member for St. Peter is trying to lobby, persons in the lower income brackets, and it is amazing to see that the last Administration was so insensitive that they could not find the money, nor the inclination, to have these things done.

I can talk about St. Joseph, because I am always there. They went down into Bathsheba and built a slip-way. Do you know what the slip-way is doing? "Mashing" up the people's boats! My colleague here can testify to that fact. It was started in 1985 and there were elections in 1986, so that is how they treat people, you accuse us of mismanagement and irresponsibility. What would you call that? I am telling you that there are several instances of this sort of insensitivity.

I read further that the honourable Member for St. Peter was going to plug for the middle class, the lower middle class, the upper middle class, whoever they are, that the measures are going to hit them so hard. But under that Administration, they would not even have got that far. What happened about training? Where was the sensitivity? Training was one of the things that young people had to make them progress. There was no more training at Erdiston College. The people of Barbados put a stop to that. I shudder to think what would have happened with training and places like Erdiston if the people of Barbados had given the Barbados Labour Party another term of office.

Sir, I define irresponsibility much differently from the honourable Member for St. Peter, because I think it is irresponsible to build a mammoth building, to suit one man's ego, for millions of dollars, when housing needed that money. We have seen buildings erected since then, we have seen the Insurance Corporation of Barbados, a building which, as far as I know, cost maybe just one-twentieth the amount of that mammoth building, and I am sure that Barbadians would have preferred to see that money put in homes and house spots rather than have that mammoth building just to inflate somebody's ego.

We have a mammoth building and we have a pretty road, but the roads in the constituencies are in need of repairs. Do you know how far \$80 million of that money that they are building the road for would go towards making Barbados' roads comfortable for the people to walk on to go to church? Forty-five million out of that is

for acquisition! That is amazing! Where is the irresponsibility and where is the mismanagement? I leave you to judge. I just have to give you the instances. 11.50a.m.

Mr. Speaker, I would like to turn to employment. We have been told that the honourable Member is concerned about unemployment. The people in Barbados know that there is no magic formula for unemployment, and from time to time, they express it to you. In my constituency, they understand that we cannot just make jobs out of thin air, but they also understand that Government is doing all it can to help that situation, and this Government is pushing the idea of self-employment.

Of course, this is no new thing. We in Barbados, especially the women, have known about that for centuries. The seamstress in the village, and the woman who keeps a few pigs and a few ducks in the backyard and send school children, know all about that. But we are remotivating the people to understand that this is a way they can help themselves and their Government, because it is a matter of pride in your country when you go out and see these people helping themselves. So I do not think that it is necessary for the Opposition to play up this thing about unemployment, because the people themselves understand.

I go to another area. Talk about mismanagement, irresponsibility and insensitivity, what happened to all those great promises that were made about women? A lot of promises were made. A department was set up, but it was left in the wilderness for ten years. I call that gross insensitivity, and I am sure that other people will see it like that.

I am calling on all Barbadians to put all hands on deck to bring Barbados up to the standard from which it has fallen. I am calling on the Barbadian women to help the Government in its effort to see that Barbadians eat what is grown in Barbados. We women can do a lot to help the Government in that respect.

Mr. Speaker, my time is getting near. I am happy to see that the Budgetary Proposals mention that the office of the Prime Minister and Minister of Finance will be putting up measures to have proper accounting. That is one of the areas in which the last Government fell down. The accounting systems were poor, so there was wastage. I am sure that with the new measures which will come about through the Minister of Finance and his team, we will see less wastage in public spending.

I am sure, Mr. Speaker, that we are going to see a revitalisation of the economy. I am sure that we have the majority of Barbadians behind us. I am sure that the people of Barbados will not regret having faith in us when

they gave us such a great majority in this House. I again commend the Minister of Finance for taking the bull by the horns and presenting to the people of Barbados what I consider a very useful Budget, presented to them in a way that everyone, man, woman and child, can understand.

I wholeheartedly support this Resolution which is now before this Honourable Chamber.

I thank you.

Applause

Mr. P. J. M. MILLER (City of Bridgetown): Mr. Speaker, the philosophy of the Democratic Labour Party, as I understand it, is to try to move this beloved country of ours towards an egalitarian society in every sense of the word. Following that, we would need to do the requisite social and economic planning to achieve that goal.

When we came to office in 1986, we brought with us a programme which was, to my mind, grounded in the philosophy I just stated. That programme, Sir, motivated the electorate to give us a firm mandate to manage their affairs, and we were able to put in place, immediately after being elected, the programme that we had promised the people.

It is now a well-known fact that our programmes have had very positive effects on the economy of Barbados, and those facts are there plain for everyone who wants to see them. Clearly there has been growth in most sectors. There has been growth in tourism and in the non-sugar agricultural sector. I would venture to say that there has been excellent growth in the non-sugar agricultural sector. I believe the Minister of Agriculture may want to deal with that in more detail, so I would not go any further.

We have seen growth in the construction sector. We have seen growth services. We had difficulties, as to be expected, with export manufacturing. I say 'as to be expected' because the area which provided most of the export manufacturing, the electronic area, suffered terribly in terms of losses in that area.

These are all well-known facts. So one can see that there was growth in almost every sector as a result of the programme of the Democratic Labour Party, and because of the fact, in part, that the Government afforded the private sector the opportunity to play a meaningful role.

There are some here, particularly on the other side, who try to put the private sector down, and who would try to give the impression that the private sector has not taken up the challenge, and that we have not seen the

kind of success that one would have thought we would have seen, particularly in the area of job creation. But those persons, like the honourable Member for Christ Church West (Hon. H. deB. Forde), who continue to make those statements, must understand that we are dealing with business. When you make investments, you do not always see the returns. I believe it was the Member for St. George North (Hon. C. V. Walker) who pointed out that the returns are not always immediately realised. Sometimes you have to allow a programme to work for a while before you can really see the long term, positive results. 12.00 noon.

In spite of the constant mumbling and grumbling of the Barbados Labour Party, and the pessimism that they have displayed, we see that the programme has worked. In fact, contrary to the predictions of gloom and doom, the economy has not collapsed.

Sir, I am clear in my own mind that part of the problem with the Barbados Labour Party, when they make these kinds of predictions, is that they have no real serious philosophy, and I am sometimes a little disappointed particularly in the contributions of the honourable Member for St. Peter (Mr. O. S. Arthur). But I understand his source of confusion.

I would go along with the statement that he is supposed to be a brilliant economist, but I believe that the genesis of his problem, as I have stated before, is in the fact that he is being constantly led astray by other members of the Labour Party who have such a conservative view of things that they can never seem to understand when one brings programmes that will advance and uplift the working classes of Barbados. Recognising these things, the honourable Member has a difficulty in defending the position, and I think there lies his source of confusion.

I believe, Sir, that it has become extremely clear to the electorate of Barbados that they made a wise decision in 1986 when they elected this Government. It has become clear, because the constant posturing of the Opposition, and they only oppose for opposing sake, or it appears that way to me, Sir, further reinforces in the people's minds that their decision in 1986 was a wise one. Nothing has happened to change their minds so far.

I believe that if we are to believe that the honourable members of the Opposition would even be offering critical support to measures that are good for Barbados, and that have been proven to be good for Barbados, we would want to hear when they criticise, what they think are the viable alternatives. We tire, Sir, in my opinion, of hearing, "I told you so", whenever they believe something has gone wrong.

If one looks around Barbados, one would see, without being any trained economist, clear evidence of the successes of the Democratic Labour Party's programmes. As I outlined before, there has been growth in many sectors. One does not need to pick up the Central Bank Report or the Economic Report to recognise this change. The evidence is there for all to see. The evidence is there when you can see that construction is going at such a rapid rate that you are hard-pressed to find a mason or a carpenter these days. The evidence is there when you can see that the business houses have gone on programmes of expansion. The evidence is there clear for all who want to see.

Mr. Speaker, my respect and admiration for the honourable Member for St. Michael Central (Mr. C. L. Trotman) increased ten-fold because of the position he took when he had a philosophical difficulty with the retention and, in fact, at that time, increase in the levies which were brought by a former Minister of Finance. That honourable Member made his feelings felt or heard, and I must say, Sir, that one would have to take some comfort in the fact that on this side, we allowed democracy to work in such a way that that honourable Member could make his feelings felt and still not be judged or castigated by his colleagues as having gone against any policies or programmes.

I also, Sir, recall the Honourable Prime Minister once making a statement on the right to dissent, and the fact that this Democratic Labour Party recognises that right. I am happy, Sir, that true democracy is alive and well and we accept what I have just said.

I have said these words so far, Sir, to make it absolutely clear as to what my position is as I continue to make my contribution to this debate. It is in the spirit of the statement that I enunciated before that I must express some discomfort with some of the Budgetary Proposals which were brought last Thursday.

It is, Sir, my humble opinion that some of these proposals reflect a reversal, to some extent, of our 1986 programme.

(*Aside:* Mr. D. A. C. SIMMONS: I admire you for that.)

Mr. P. J. M. MILLER: Sir, I have to make it clear to the honourable Member for St. Thomas (Mr. D. A. C. Simmons) that I am not now, nor ever intend to be, a political prostitute. If I believe in something strong enough, I intend, Sir, to say what I believe in.

Applause.

Mr. P. J. M. MILLER: Because I have watched for a long time, and I saw where Members on that side sat

silently while they disagreed with things that were being done by the late Tom Adams. They did not have the courage, nor the will, to get up and say what their feelings were, understanding that those of us who believe in true democracy would understand that it did not necessarily mean that they had gone against their party. 12.10p.m.

As I was saying, Sir, I believe that some of the proposals that were given on Thursday reflect, to my mind, a reversal of the 1986 programme, which in fact, Sir, we reinforced in 1987, and which we said was working.

I recall even the Honourable Prime Minister remarking that we should look at the second goal, which was a goal of growth, because if we were to achieve the upliftment in living standards and the quality of life of Barbadians, there would have to be growth in the economy. He said, if my memory serves me right, that during the year 1986, growth had increased by some five per cent, as compared with the growth rate of 1.1 per cent in 1985. He said that he thought it was remarkable that this country could record that kind of growth when compared, not only with other countries in the region, but with some of the industrialised countries as well.

So I am happy in my own mind that, up until that time, we on this side were happy that the proposals were working. I do not recall anyone thinking different.

Sir, I am not an expert in economics. But what bothers me is what did happen between last year and this year that could have caused us to make what, in my humble opinion, is a radical change. I, Sk, as I am sure, many of my constituents, would like to know and we would appreciate some enlightenment as to what has gone so wrong with our programme that was put in in 1986 that we would want to do almost what I would call an about-face.

As I said, I am not an economist, I do not even pretend to be one, and therefore I cannot understand why, if we in fact, were seeing the kind of growth that everyone, who claims to know better than me, told me we were, we need now at this time tax increases. I fear, Sir, the possibility of stagnation, and the ever-present monster called inflation.

One of the other concerns I have as a businessman is that I believe the removal of Stamp Duty from CARICOM imports at this time is untimely. I say that, Sir, because we have suffered as a result of being good and nice to our partners in CARICOM and extending an honest position. I thought that we might have been better placed to have waited for some indication that

reciprocity was around the corner before we remove the Stamp Duty at our end. Because my fear, Sir, is that we will see a virtual flooding of the market with goods from these countries, which will obviously be cheaper now that they do not attract any Stamp Duty.

Sir, my first commitment is to my constituents. That commitment runs paramount with me. I, therefore, feel that I am duty bound to voice these concerns that I have.

I also have some concern with how the funds which are being removed from the Transport Levy and placed in the Consolidated Fund will affect the road rehabilitation programme. I, like the honourable Member for Christ Church East (Mr. E. Bourne), have very serious concerns about this.

In my constituency, like most of St. Michael, St. James and the Christ Church area, the urban type areas, the roads were left in such a sad state of disrepair by the last Administration that some of them now resemble cart roads. Some of them are in such a state that you would not even imagine that they were ever paved. If anyone doubts what I am saying, they can feel free to take a drive through the New Orleans, for instance, and they will see evidence of what I speak.

I was heartened when I got word from the Honourable Minister of Transport and Works that, in fact, the road rehabilitation programme was already drafted and we could look for some assistance in that area — "we" meaning my constituents — in the very near future. So, Sir, I am sure you can appreciate my concern now, and I would therefore, appreciate either the Honourable Minister of Finance or the Honourable Minister of Transport and Works giving us some reassurance that the programme will not be thwarted as a result of these funds being put in the Consolidated Fund. I, and I am sure that my constituents, who are probably as concerned as I am, would like the assurance that something is going to be done about the terrible roads that we have in what some people tend to call the 'inner city'. As I say often, many people driving along Broad Street, or even Baxters Road, do not know what the conditions are like in the back streets behind the same Baxters Road and Broad Street.

These, Sir, are the concerns that I have regarding the proposals. I carefully outlined to this Honourable Chamber my reasons for these concerns and my right to voice these concerns. I believe, Sir, that when people like the late Right Honourable Errol Walton Barrow, formed this party, these kinds of rights were foremost in their minds. And I believe that if this great party is to continue to be a great party, and is to

continue to do the job that the people of Barbados gave us a mandate to do, we will have to understand that our commitment is first to the people of Barbados. The party or any other organisation must come second.

I thank you, Mr. Speaker.

Applause.

12.20 p.m.

Mr. R. P. BYER (St. George South): Mr. Speaker, the presentation of the Financial Statement and Budgetary Proposals by the Minister of Government responsible for delivering such a body of budgetary proposals and financial statement always catches the imagination of any country, and in my considered opinion, apart from test cricket, it is the only single event that has that capacity.

Sir, on April 28 this year, the imagination and the attention of this country was treated to a discourse by the Prime Minister and Minister of Finance and Economic Affairs which stretched over some three hours. To my mind, Sir, it was an excellent presentation, and it gave a very excellent review of the economic history of Barbados for the period that it sought to address. However, in so far as the fiscal measures outlined in that presentation are concerned, this Member is greatly troubled and uneasy.

One of the reasons I entered politics was because I believe that a country, when it is governed, should be governed free from tyranny. I was appalled at the level of tyranny that we experienced in Barbados between the years 1976—1986, especially, I should say, the level of tyranny that existed in Barbados between 1976 and the time that the Prime Minister, Tom Adams died.

As a young man, I was very concerned that Barbadians could sit by and allow the things that were happening to them to happen. That was one of the overriding considerations on which my entry into politics was premised. I could not understand how people could stand by and watch things happening like that and not say anything about them.

Sir, when the Democratic Labour Party went to the country in 1986, we went on a programme that was planned and designed to help Barbados along a "new path towards a better way", and with the encouragement that we had to be our brother's keepers, a very noble principle upon which any programme, to my mind should be premised.

Our first order of business was the implementation of a "new fiscal arrangement", so-called, which

was designed to reduce the excessive burden of taxation which, it was thought at the time, inhibited growth of the Barbadian economy and undermined the living standards of our people.

As the corollary to this promise, Sir, it was also promised that immediate action would be taken to ensure the reduction in the cost of certain commodities - petroleum products, for example, — and also certain services, electricity being one of them and water the other.

Sir, before I proceed and get into the meat of my presentation, I want to take a journey back in time, and for the benefit of this Honourable Chamber, I want to point to some of the principles of that new fiscal arrangement, and I am relying for that expose on the Manifesto of the General Election of 1986 of the Democratic Labour Party, which I believe, is a document of this House.

At page 4 of that document it says:

"The New Fiscal Arrangement will:

- (1) ensure that no income tax will be payable on the level of income necessary to provide the basic needs of an individual and his or her dependents in respect of food, clothing, shelter, transport, education, health and recreation;
- (2) ensure that income tax will not reduce the take-home pay of any worker to a level which would prevent him or her from qualifying for a mortgage loan to acquire the type of house which the said worker should be able to afford;
- (3) increase disposable income to a level necessary to provide adequate demand for the goods and services of firms producing for the local market;
- (4) achieve balance, equity and efficiency in the tax system;
- (5) enhance the viability of all businesses and .create conditions which will conduce to sustained economic growth, high levels of employment and a stable economic environment."

At page 5 of that document, Sir, certain measures were outlined to alleviate the burden of Corporation Tax. Because of time constraints, I will not venture into those measures that were outlined. Suffice it to say, Sir, that it is said there under the heading of Corporation Tax:

"1. The maximum rate of taxation on the profits of corporations will be reduced to 35%.

2. A graduated system of corporation taxes will be introduced and the rate will range from 15% to 35%."

Then it went on to talk about investment allowances and so on.

At page 6 of that document, Sir, under the heading of Deficit Financing, it was there outlined:

"To state a figure for the projected size of the overall deficit for 1986/87, under DLP proposals would be to divulge our views on what the wage settlement with Public Servants should be. We refrain from mentioning such a figure, because we do not wish to influence the course of current negotiations. However, we give an assurance that the deficit will be financed in a manner which (1) will not erode the foreign reserves of the country, (2) will not create difficulties for the private sector, and (3) will moderate the level of foreign borrowing."

Sir, that was the precis, as it were, of what the manifesto said, and it is this manifesto that we went to the country with. The programme as outlined there caught the imagination of the electorate, and it is now history what the result was.

That was not all, Sir, because on July 15, 1986, the measures as outlined in the manifesto were presented to this Honourable Chamber, and the then Minister of Finance, in his Budget, then implemented those manifesto promises.

Briefly, within the time available, to mention what he said then, as far as my memory could serve me.

Changes in the income tax structure were proposed, and effective from income year 1986, all persons that had a total assessable income of \$15 000 a year or less had to pay no tax. 12.30 p.m.'

The tax bands were adjusted, and the rates of taxation were set out. Certain allowances were given to families, which were also set out. There were personal allowances, child allowances, dependent relatives, household help, garden allowances, housekeeper allowances, and then there were certain allowances in respect of school fees and so on. Adjustments were made in terms of deductions — mortgage allowance, insurance premiums and medical expenses, and there were adjustments made in respect of withholding tax on interest. He also mentioned what would be

done in respect of pensions and severance payments and the incentives relative to Corporation Tax were implemented, Property Tax as well, and incentives for agriculture, and so on.

As I recall, Sir, this side was very ecstatic, because we were implementing the measures which we had promised the electorate. Certain Stamp Duty concessions were also granted.

Sir, these were the measures, on which we were elected, that were implemented, and the implementation of the measures led to the five per cent growth in 1986 and a 2.2 per cent growth rate in 1987, based on the provisional estimates available, as set out in the Economic Report for 1987.

To the uninitiated like myself, this basic information would suggest that the measures outlined in the 1986 July Budget were to all intents and purposes, doing the job they were supposed to do. In other words, they were working. But I want to go a little further and state some of the significant achievements of that programme; things, in other words, that led to this growth.

The growth rate - and I am looking at the two year period between 1986 and 1987 - over the two years was export-led, with tourism expanding by some 20 per cent, while non-sugar agriculture, construction, electricity, gas and water, wholesaling, retailing, mining and quarrying, business services, government services and transport all expanded.

There was a reduction of oil output, but this was a matter of policy because of the oil prices being fetched on the open market. The only significant area which declined was the area of export manufacturing. And if we look at manufacturing in total, Sir, and remove the electronic component as part of manufacturing — if we forget that we had, which we cannot really, but suppose there was no Intel or other types of operations in Barbados - I think it is true to say that even manufacturing would have shown some improvement.

It is important to note that while the export of • electronics and so on was a significant job generator in terms of our economy, it has never really been a foreign exchange earner. It contributes in this sector in terms of wages and things of that nature, and the services, for example, the services purchased locally. We could go on to enumerate.

Inflation over the two-year period that I am looking at showed no significant increase. I believe that over that period the level of inflation was very low. In terms of the average rate, it must have been the lowest for that period. During the period also, I must say that there was a reduction in the level of personal Income Tax collected. But

this was more than offset by the increases in revenues because of the policy of indirect taxation.

Having said that, Sir, I must in all honesty say that our fundamental weakness was our inability to control expenditure. There was no significant loss in Government revenues because of the reduction of personal taxation, or for that matter, Sir, because of the shift away from direct to indirect taxation. As I said, revenues increased relevant to previous years.

But, as these things go, expenditure far out-stripped revenue in the fiscal year 1987-88, with Government deficit on Current Account being some \$95 million and the overall fiscal deficit being of the order of \$271.5 million. To my mind, that was the only blemish on an otherwise good record, and it is precisely for this reason that I, as a person who was nurtured and brought up in a democratic society, and forced to say that I am troubled and uneasy about the measures that were outlined on Thursday.

My simple argument is, Sir, since the measures introduced in 1986 were working, why should we now seek to rechart our path? Therein lies my difficulty.

Sir, our system of parliamentary democracy had built into it a number of principles to ensure its survival, and these same principles guide the behaviour of parliamentarians, not only in their relations in dealing with fellow parliamentarians, but also as they relate to the party to whom they owe their allegiance. We could refer to principles such as collective responsibility. We may even refer to the principle that back-benchers should toe the party line. We could also refer to the fact that at times, parliamentarians have to be guided by their conscience in certain matters, while at the same time not forgetting the fact that they owe allegiance to a particular party.

Mr. Speaker, my commitment to my conscience is more important to me than a career in politics. I want when I finish with politics, or politics finish with me, that I can look into my mirror and recognise myself. I want to have a healthy mirror-image of myself whenever I finish with politics. If I cannot, and while I am in it, for that matter, if somewhere along the line I am finding it difficult to reconcile my conscience with my allegiance to my party, whatever aspects of the notion of collective responsibility that apply to me as a back-bencher, I do not believe so apply.

Mr. Speaker, this applies to Ministers on the front bench. But whatever aspect of toeing the line of the party applies to me, when I cannot get these things reconciled and I am finding difficulty with it, I am going to leave graciously. The honourable Member for the City (Mr. P. J. M. Miller) was very forceful, when he put it just

now, that he would not be a political prostitute. That expresses my opinion about these matters.
12.40p.m.

During the course of this parliamentary session, two parliamentarians have shown, to my mind, good character in about two specific instances. One was referred to by the honourable Member for the City, that person being the honourable Member for St. Michael Central (Mr. C. L. Trotman). The other person, as far as I can recall, was the honourable Member for Christ Church East Central (Mr. R. L. Morris). It is the same considerations that guided those two Members in those instances that guide me on this occasion, or there might be even loftier principles on which they were guided.

Mr. Speaker, once again, I am troubled and uneasy about the morality of the situation. I am concerned that the proposals outlined on Thursday can be seen as being immoral, for the reason that we went to the country with one set of proposals and now we are implementing another set. They can be viewed as a breach of the social contract with the people of this country on May 28, 1986. They can even be viewed as a breach of a fundamental term of that contract, or it can even be looked on as a fundamental breach of that contract.

I am concerned, Sir, that the package of measures can be regarded as a drift away by my party from its philosophical mores. I am very concerned about that. These are things that have troubled me. Since Thursday, I have hardly slept a very comfortable night. I make bold to say that. There is nothing to be ashamed about that, because I know the step that I would have to take today. I know that, in all conscience, I could not come in here and say that I am not troubled or uneasy.

At the end of the day, after listening to other Members, I might become convinced that the measures are the proper medicine for this country at this time. At this juncture, I am not so convinced, and I will say that.

Lawyers will understand the meaning of the term "a man will tend to the natural and probable consequences of his acts." Whatever those consequences are, I will abide by them and live with them. I will have to do that.

Mr. Speaker, I believe I have another five minutes or so. Members have voiced their concern about the Transport Levy. I do not want to go over the ground that they have covered already. But from 1976 - 1988, and this is no reflection on the present Minister of Transport and Works, only two roads have been done in St. George South. Very little was done in the previous 15 years, between 1961 and 1976, and I went to the people of St. George and asked for votes on the understanding that I would alleviate some of their problems. So far, I have not seen any action being done in my constituency up to now.

In October, 1986, I tabled a question in this House about the condition of a number of roads in St. George. There were roads that were dug up by the Barbados Water Authority, and money would have been paid to the Ministry of Transport and Works for their repair and for their renewal.

In April, 1987, an answer was tabled in this House that the roads would be repaired as soon as possible. April, 1988, has come and gone, and the roads have not been repaired. The roads are Crawfords Road, Lowes Road, Toronto Road and Farm Road, all in Ellerton, St. George. Because of the level of rainfall that we had coming up to this year, the conditions of those roads have been made worse. Nothing has been done about them. I have written letters to the Ministry of Transport and Works since then about that. I have another one written here which the Minister will get very soon, probably about Thursday. I promise you that, Sir. Nothing has been done on those roads.

We are having water problems in St. George as well, the drought notwithstanding. There are other technical problems that have to be dealt with. These affect the people in Drax Hall Jump and in Greens, where I live. I do not know the last day that I bathed out of a half bucket of water, not until Saturday night, the first time in years. I had to do that on Saturday night because of water problems in the constituency, the drought notwithstanding. That has never happened in my entire life.

It has nothing to do with the drought. It has a lot to do, in my estimation, with the fact that they are having technical problems with the two reservoirs that supply water to the two areas, Golden Ridge and Bowmanston.

There are a lot of other problems in my constituency which I have brought to the attention of all the Ministers that would have anything to do with my constituency. Housing is another big problem. Because of the operation of the Tenancies Freehold Purchase Act, house spots in St. George is a problem. I suppose it is a problem with everybody, but having said that, St. George South is my baby.

I may not have power in Parliament, as a back-bencher, I may only have influence, but when it come to St. George South, whenever you come to that little riding, I have always been there. I have power up there, and it is because of that that I was returned to this House of Assembly, and I must get up and speak about the concerns that upset the people of St. George South.

This is not a reflection on the present Minister of Transport and Works, or, for that matter, anyone. Bus problems are perennial throughout Barbados, but we always seem to get the worse. I know about these

things, because I live in Greens and buses originate there. When they cannot get a bus on mornings, they come to Byer, whoever he is, to get me to call the Transport Board, which I have to do at least three or four times a week, to get a bus to come to St. George, to Greens, to EUerton. That is where we have the problems all the time.

I am very concerned about house spots in St. George. I put a proposal to the Ministry of Housing relative to a parcel of land that encompasses an area from First Step, Ellerton, St. George, through Lower Brighton into Ellerton and Waverley Cot. The Minister visited the site. I have not heard anything about it since then. I do not know if the proposal is being followed through at Cabinet level or what, but I have not heard anything about it since then.

St. George South, for that matter, St. George, makes a healthy contribution to the coffers of this country. But we are not getting services commensurate with the contribution that we are making to the coffers of this country. I am very, very annoyed, vexed and frustrated with the whole exercise, and I must say these things. These are things that were settling on my conscience for some time now, and I had today, in all honesty, to say them. I have written several letters to several people. I am not told that anything is being done about them.

Mr. SPEAKER: One minute more.
12.50 p.m.

Mr. R. P. BYER: In closing, Sir, let me make one more point. It is that I am tired of being in this Chamber Tuesday after Tuesday, day after day, and whenever we sit, and whenever there is some argument or some discussion to which the honourable Member for St. Peter has made a contribution, always hearing "some reference to his brightness, and things like that.

Sir, most of us in here are professional people. The Member for St. Peter makes his living from his profession as an economist, and it pains me to hear Members say in here that they are always searching for his brightness.

I was at university with him, and I know he is a bright person. It is time that people stop that foolishness. It is nonsensical to keep on saying that in here when they know very well that he has a lot of talent.

(Aside: Mr. D. A. C. SIMMONS: The man is bright, period!)

Mr. R. P. BYER: Still they get up in here saying that he is not bright, they are searching for his brightness and all of that. That is nonsense. I will not do it for the honourable Member for St. Thomas (Mr. D. A. C. Simmons).

Mr. SPEAKER: Time. Mr. R. B.

BYER: Thank you, Sir.

SUSPENSION OF SITTING

Hon. P. M. GREAVES: Mr. Speaker, at this juncture, I move the suspension of this sitting until 2.00 p.m. today.

Hon. M. A. KING: I beg to second that, Sir.

The question that the sitting be now suspended until 2.00 p.m. was put and resolved in the affirmative without division, and Mr. SPEAKER suspended the sitting accordingly. 12.52 p.m.

ON RESUMPTION Mr.

SPEAKER: This sitting is resumed.

Hon. P. M. GREAVES: Mr. Speaker, Sir, before we resume sitting, I am seeking leave, Sir, for the House to revert to the Order of Business, "Government Notices" to give notice of a measure.

(Aside: Start again.)

Hon. P. M. GREAVES: I am seeking leave, Mr. Speaker, before we continue the business on hand, to revert to the Order of Business, Item (g), "Government Business", to give notice of a measure which, Sir, if permission is granted, I would like to have done in all its stages this evening.

Mr. SPEAKER: If there is no objection, then leave is granted.

GOVERNMENT NOTICES

Hon. P. M. GREAVES: Mr. Speaker, I give notice of:

A Resolution to approve the borrowing by the Government by the issue in Japan of bonds of the sum of up to 10 billion Japanese Yen to be used to assist in financing Government's capital expenditure and in meeting its foreign debt repayments.

Mr. J. J. PAYNE (St. James North): Mr. Speaker, it can be said that the hallmarks of the Financial Statement and Budgetary Proposals presented in this Chamber by the Prime Minister and Minister of Economic Affairs on Thursday last are

SUSPENSION OF SITTING

Hon. P. M. GREAVES: Mr. Speaker, in view of the problems we are experiencing, I move that this House be suspended for ten minutes.

Hon. M. A. KING: I beg to second that, Sir.

The question that the sitting be suspended for ten minutes was put and resolved in the affirmative without division, and Mr. SPEAKER suspended the sitting accordingly. 2.01 p.m.

ON RESUMPTION

Mr. SPEAKER: This sitting is resumed.

Mr. J. J. PAYNE: Mr. Speaker, it can be said that the hallmarks of the Financial Statement and Budgetary Proposals presented to this Chamber by the Prime Minister and Minister of Economic Affairs on Thursday last are, on the one hand, that they contain specific economic objectives and on the other, proposals which make those objectives attainable without strain on any major areas of the economy.

Anyone setting out a journey makes a plan, and then devises the best ways of making that plan work. That is exactly what the Prime Minister has done on this occasion. One first has to look at the many objectives which were set out in his statement. It is against this background that the proposals which were implemented must be viewed.

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The objectives are clearly set out in the Resolution which is before this Chamber. I would like to restate the objectives for emphasis. They are as follows:

1. The attainment of the best possible rate of economic growth, given the prevailing circumstances.
2. The containment of the general level of price increases for goods and services within reasonable limits.
3. The maintenance of the balance of payments at levels which can sustain a sovereign, independent nation.
4. The retention of the existing number of jobs, and the creation of the highest possible number of additional jobs in order to provide employment opportunities for persons seeking work.

5. The promotion of a reasonable and just distribution of increasing incomes in accordance with the ability of the employer to pay and in relation to the growth rate in the economy.
6. The maintenance and enhancement of a Basic Human Needs approach to ensure that all individuals and groups in our nation, particularly the disadvantaged and the 'vulnerable', are catered for in terms of their health, education, nutrition, housing and other social and cultural needs.

These are clear, precise and attainable objectives. But in seeking to attain those objectives, we have to look at the circumstances in which we are placed. We have to ask ourselves what options are open to us, and whether those options are limited or are wide and varied. We have to look back at the past and see what successes we had and what were our failures. We have to satisfy ourselves of those areas where we were strong and those areas where we experienced weaknesses, and we have to try to get the maximum out of those areas in which we were weak. We have to make the necessary adjustments to see that the programmes work for the betterment of our people. We have to look at areas of the economy which will need support and those from which we may need to withdraw. We have to make some bold decisions, and the bottom line must be to make our people better off and to improve the quality of life for the people of this country to build a just society where every man and woman get an equal opportunity to share in the benefits resulting from any growth in the economy. 2.20 p.m.

To do this effectively, we have to examine some key areas of the economy so that we can get a better picture, and I should like first to take a look at an area in which we did reasonably well in the past year, tourism.

Most of the information on the year under review is contained in the Barbados Economic Report of 1987, which has already been made a document of this Chamber and the Central Bank Annual Report for 1987. If we look at page 48 of the Economic Report, Mr. Speaker, Chapter 7, first paragraph it states:

"Tourism was the fastest growing of the major sectors of the economy in 1987. Real output in the industry expanded by 13.9% as the number of long-stay visitors and cruise ship passengers increased steadily throughout the year. The weak U.S. dollar which made Barbados attractive to Europeans, and strong promotional efforts, especially in organising package tours for summer visitors, helped to reduce the seasonally from which the industry has traditionally suffered. Tourist earnings rose by

15.9% and hotels enjoyed one of the best years since 1980."

If we also examine the information contained in the Central Bank Report, we will see that, when taken together, the information which comes out reveals that the average stay of visitors to the island during the year under review will show an increase over the previous year. Room occupancy during 1987 was higher than it was in 1986. In fact, in 1987 the country experienced a record number of arrivals, and we had 421 800 persons by the end of December, 1987. The summer season shows an increase over the same period for 1986, and hotels and other sectors of the industry were better able to service their debts. In fact, at the end of December, 1987, there was some \$125 million owing to the commercial banks and the Barbados Development Bank. The earnings from tourism during 1987 showed a figure of some \$750 million when compared with the figure for 1986 of \$647 million.

Certainly this is an area in which we have been able to achieve some growth over the past year. But this has been accomplished by a lot of planning, research and hard work on the part of the Ministry of Tourism and the Board of Tourism. We had increased promotional efforts conducted by the Board of Tourism. In fact, some \$6.4 million was allocated during 1987 for promotional efforts. This represented 41.6 per cent of the overall budget for the Board of Tourism. We had more competitive packaged tours offered, and that also increased the number of arrivals during the period. We had increased passenger seats from the United Kingdom and Canada, and the gradual appreciation of the pound made Barbados more attractive to the visitors from the United Kingdom. In fact, during the period, promotional expenditure in the United Kingdom increased by some 833 per cent. So this is an example of an area of the economy where the Government must concentrate much of its activity and planning in the year ahead.

We also have to laud the efforts of the Ministry of Tourism in creating linkages through sports. We had the 10K, the Marathon and the Annual Atlantic Race for Cruisers, which brought quite a number of visitors during the latter part of 1987.

But we must not allow tourism, even though it has shown such areas of strength, to divert our attention from some other areas of the economy which, though they may be equally important, are not showing strong signs. One such area is manufacturing. We have had an overall decline in this area in the year under review. But we must recognise that even though we have not been able to produce the results which we would expect, manufacturing is one of the most vital areas of our economy. It is one which brings to this country a lot of needed foreign exchange and it creates employment opportunities for our people.

During the last quarter of 1987, the total number of persons employed in the manufacturing sector was • some 12 400 persons compared with 11 300 over the same period for 1986. There were some 1 369 jobs created by the IDC-assisted industries. We must also note that there were some losses - 708 jobs — and this gave us a net increase of some 661 during the period for 1987.

One thing is very clear when we look at our manufacturing sector — that we can only gain foreign exchange for these products if there is a rise in the export demand for our products, and the efforts of the Export Promotion Corporation and the Industrial Development Corporation are very vital in this regard. The Barbados Economic Report gave us some interesting information on these corporations. It says:

"During 1987, the Barbados Export Promotion Corporation continued to assist selected manufacturers in exporting to extra-regional markets. Trade missions were organised to Puerto Rico in June, to New York in August/September, and to Vancouver and Toronto, Canada in October. In each market the Barbadian exporters made contact with suitable importers. Some of these introductions led to actual exports and one company shipped in excess of \$130 000 to Puerto Rico during the last quarter of 1987."

This is some strong indication that Government must continue to support the efforts of the EPC in its efforts to promote our products in those selected markets abroad. It must also seek to assist with market research in those countries in which we are seeking to get our products marketed. The IDC, as I said, must also be called upon to play a vital role in this aspect of the economy.

In an effort to help stimulate activity in this industry, the Budget has focused its attention in two areas. It removes the Stamp Duty on raw materials and packaging materials from extra-regional sources for manufacturers who are registered with the Customs Department. This, no doubt, will create more competition for their products in markets abroad and cause a general increase in exports.

It has also removed the Stamp Duty on imports from CARICOM countries. This will not only help with our CARICOM trade, which has been facing some difficulties, but it shows the commitment of this Government to the regional integration movement. Government must examine, therefore, all these areas of the economy and seek to attain the best possible rate of economic growth, whether these areas are presently performing well or are showing decline. 2.30 p.m.

It must also be recognised that if Government is to achieve its objectives, as set out in the Budget, it will

have to maintain adequate levels of revenue. If Government is to satisfy the needs and aspirations of our people, we have to recognise that the Government will need money, and money will not come from criticism, it will not come from praise, and all the talk that we may put down, we will not raise the money unless we seek measures which will be designed to bring that valuable asset.

The people of this country have certain basic needs which cannot be ignored. The people need food and clothing, and houses in which to live. We have over the past year built some 2 336 units. They need to have educational opportunities, health, jobs. The Government has to provide roads — this is one of the areas in great demand - electricity and water services to people around the country, and transportation. We have to look after the senior citizens of this country, the handicapped and the disadvantaged groups. We also have to cater to the social and cultural needs of our people. The only way we can do all this adequately is if we have the money to spend on these various services.

If the Budget is carefully analysed, you will see that it seeks to attain this objective without placing any strain on any of the major areas of the economy.

Let us take unemployment and the creation of jobs. This is a problem which was with us for a long time. If we look at the statistics, we will see that in 1981 unemployment stood at some 10.8 per cent; in 1982, it went up to 13.8 per cent; 1983, 15 per cent; 1984, 17.1 per cent; 1985, 17.8 per cent. There was a decrease in 1986, when we had 17.7 per cent, and at the end of 1987 it stood at 17.9 per cent.

What the figures show, Mr. Speaker, is that even though we have not been able to make the impression on employment of which we can boast, we have done well enough to succeed in containing the number of job losses, the rate of rise in unemployment. I think that particular efforts will have to be diverted to those persons who are unemployed between the 15 - 29 age group.

We also have to focus a lot of attention on female unemployment, which is higher than one would like at this stage.

Government has to maintain its efforts at retaining existing jobs in addition to creating new jobs for our people. Much of this will depend on the co-operative effort of Government and the private sector. I believe that the only solution to our unemployment problem is if we can have Government and the private sector both working together.

The Prime Minister has indicated that he will have more consultations with the groups involved on economic issues. This will go some way to alleviating the problem, because dialogue is always a means of settling problems. He also indicated that he will offer further inducements to employers to create additional employment opportunities. I will maintain that there is greater need for dialogue at every level in our society, because many of our problems are not economic problems, but relate to the society in which we live.

Government will have to continue its effort to close the gap between the rich and the poor, and we will be seeking to attain those objectives. We cannot depend on the calypsonians to educate our people and Government cannot do all by itself, but it must continue to work closer with public and private organisations to alleviate many of these problems which we face.

Mr. Speaker, one of the national objectives of the Government is the delivery of services. This Government has a record in this area which is most commendable. I think it can be said that people from other countries who visit this island are surprised that we are able to do so well with the little resources which are at our disposal, and that countries whose economies are performing much better than ours are not able to match us in the performance which we achieve in many of these areas. We must recognise that all Barbadians are looking to the Government to continue the high level of delivery of these various services.

We had some of the previous speakers in this debate talking in relation to areas of their constituencies. In my constituency of St. James North, I also get requests from people for services from Government. We have residents in Olive Lodge who complain about roads, Layne's Gap, Mount Standfast, Holder's Hill, Lower and Upper Carlton. It is not possible to mention all the areas, but people in every single area have a basic need. It will differ from one area to the next, but we have to recognise that it is not only one part of the country, it is all over the country that people are expecting Government to respond to their needs.

We have a situation where in Sunset Crest people are making appeals for Government to take over the roads and implement some street lighting. All of these are areas which we have to deal with, but it is recognised that we cannot deal with them all at one and the same time. It must also be recognised that if we are to deal with these problems, we will need the necessary funds to tackle these many problems, so our efforts in these particular areas must be commended.

There are many persons, Mr. Speaker, who have been advocating cuts in Government expenditure. If Government is to handle all of these projects adequately,

it will have to ensure that any programme of cutting expenditure does not create an imbalance in our society, because any cutbacks in Current Expenditure will be felt most painfully among the poor people in our society. The senior citizens and the disadvantaged groups will feel any cutbacks in Government expenditure more than the more advantaged groups. This is one of the things that we must recognise. It must also be very clearly stated that any such cutbacks, if not properly handled, could lead to further social and economic problems in this country. These are considerations which the Government will have to bear in mind. 2.40 p.m.

Mr. Speaker, when we look at the Budget, one can see that it touches areas of Barbadian life and places a responsibility on one and all to play a part in the recovery process. The surcharge on personal incomes in excess of \$ 15 000 is only a temporary measure, and we have to recognise that, in a situation where we are approaching crisis, all of our people must be called upon to play some part in alleviating it.

The increase in bus fares, something which most people anticipated, is something which will go towards providing a better and more efficient transport system for the people of this country. Mr. Speaker, we pass the streets around this country and find that there are many persons who cannot get to and from work, and Government will need to improve this service, and to do so no doubt they will need the necessary funds.

In closing, Mr. Speaker, I give my support to this Resolution. But I must also make it clear that it is only by co-operation, the help of every Barbadian, that Government will be able to achieve success in the recovery programme.

I thank you.

Hon. N. K. SIMMONS (St. James South): Mr. Speaker, I begin my contribution by complimenting the Honourable Prime Minister and Minister of Finance on a job well done. The consensus of opinion right across this country is that his presentation was excellent, the measures were necessary, and it was, besides other things, an educational exercise. It is obvious, therefore, that the Shadow Minister's comment, that the Minister of Finance spent most of his time on explaining elementary economics, was groundless. I wholeheartedly endorse the measures taken by the Minister of Finance.

Mr. Speaker, commonsense must be displayed by any professional so that when he or she is speaking outside of his or her circle, the language must be so couched that the average person can understand. But, Sir, there are some professionals who believe that when they have little or nothing to say, it is better to confuse the population

by using technical jargon. That is precisely what the honourable Member for St. Peter (Mr. O. S. Arthur) tried to do, and as a result, he was long-winded, unimpressive and lacklustre, and in the end, as we saw, he succeeded in confusing himself because he could not find his notes.

Sir, if you think that was my opinion, that opinion was shared by today's paper, and I should just like to add that as far as the question of commonsense goes, the old people had a very good saying: commonsense is not very common. That is true.

You will remember also, Mr. Speaker, that although the honourable Member for St. Peter criticised, he did not offer any solutions. I believe that that is what an Opposition is all about. But I am not surprised, because in 1981 they had no solutions to their problems and they ran to the IMF for solutions, and it landed us in dire trouble, from which we are now trying to get out.

I want to take issue, Mr. Speaker, with another point which was mentioned by the honourable Member for St. Peter, and it has to do with his belief that the Barbados Labour Party lost the 1986 elections because of our budgetary reply and the economic policies which we enunciated. Anybody who believes that is living in a fool's paradise. The Barbados Labour Party lost the elections for a number of reasons, and I would like, Mr. Speaker, to indicate some of them.

First and foremost, the lifestyle of their members in particular of their Ministers, was seen as ostentatious. They were considered to be crude, rude, rough and having little or no respect for women. Thirdly, people could not accept their word, and this was particularly, strange enough, in respect of the late Prime Minister, Mr. Tom Adams. We know everybody said he was brilliant, but when he spoke, you never knew what he had up his sleeve. He was tricky. But today the difference between our Prime Minister and their late Prime Minister is that people of all shades of political view will tell you that he is hard-working, honest, responsible, trustworthy, decent, and a man whose word can be trusted. In other words, a person who for us in Barbados is the type of role model we want to follow. And that is what we want.

I think that it must be explained in detail that the honest and sincerity of some of the Ministers of the Barbados Labour Party were in doubt. I want to give you an example. A Minister of their Government imported two cars from the United States of America to this country, did not pay any duty, and wrote a letter to the Customs Department guaranteeing that duty. Two or three years after, one of the cars which was landed here at Bds \$35 000 got into an accident. The car could have been repaired, but he got \$75 000 from the insurance company. Barbados is a small place.

I will give you another example. A Minister whose property was burnt more times in three years than any other house in Barbados, four times in three years, on the last occasion that it was burnt, he was seen leaving, and immediately after there was a smell

Hon. H. deB. FORDE: On a point of order: If the honourable Member wants to accuse a former Member of this House, he should not use the Rules of the House to accuse a former Minister of the Government, and I submit to this House that it is not in keeping with parliamentary tradition. I would also challenge the honourable Member to put his mouth outside where he can be tested in the public domain.

The honourable Member cannot, and, in my submission, should not, use the Rules of this House to be defamatory of persons unless he is prepared to show his courage and go down in the public yard and repeat those words where he can be subjected to the law courts of this country. I do not believe, Mr. Speaker, that the Rules should permit that sort of thing.

The category of persons who were Ministers in the last Government is very limited, and in those circumstances, I would humbly submit that the honourable Member should be made to withdraw.

Mr. SPEAKER: My ruling would be that if the honourable Member is speaking in defence of himself as a Minister, and there is reason to believe that the honourable is referring to that Minister, I will ask the honourable Member to withdraw that remark. But he was making a general statement, and there is no reflection on any Member in this Chamber. 2.50 p.m.

Hon. N. K. SIMMONS: In this very House, when the Leader of the Opposition was Attorney-General, his Prime Minister attacked my brother. He did not get up at that time and say anything. The Prime Minister called my brother's name at that time. How could he now say....

Hon. H. deB. FORDE: Mr. Speaker.

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

Hon. H. deB. FORDE: Mr. Speaker, within this House there is on this side of the Opposition a person who was a Minister in the last Government. The honourable Member is persisting in his charges on familial ground. I am saying again, Mr. Speaker, that if he is using the position that he is laying an attack on persons who must be known, in those circumstances he is abusing the Rules of the House.

Hon. N. K. SIMMONS: Mr. Speaker, I do not mean anybody who is now presently on the other side.

Mr. SPEAKER: I have already so ruled.

Hon. N. K. SIMMONS: The Member who just sat down was so concerned that when my brother's name was called in here by his Prime Minister, he did not have the decency, nor courage, to get up and say anything about it.

Mr. SPEAKER: I would ask the honourable Member to confine his language within the proper, interpretation of parliamentary language.

Hon. N. K. SIMMONS: Mr. Speaker, I am sorry if I have breached any rules. He did not know that the parliamentary rule applied then, but it applies now.

I am going to continue. When that Minister, who is not in here now, left his property, there was a smell of gasoline. And in the Police Department there is a sworn affidavit to that fact and that after that, he bullied the insurance company for \$1.8 million. Barbados is a small place. I am only answering the honourable Member for St. Peter about why they lost the elections.

Of course, there was the situation of the Leader of the Opposition. Why did he leave the Cabinet? Why did he not come back in at the death of Mr. Tom Adams? Was he fired by Mr. Tom Adams? Was he so fed up with the Tom Adams Administration that he left and did not come back in?

The most telling blow, Mr. Speaker, was that at the death of Mr. Tom Adams, when the whole of Barbados expected him to come and help the sinking ship, he refused. At least, he did not turn up. Up to today the people of Barbados are enquiring and asking for an explanation to that, and until such time as he answers, he will not be taken seriously. These are some of the reasons why they lost the election.

Mr. Speaker, the Ministry for which I have responsibility is called the Ministry of Employment, Labour Relations and Community Development. Among other things, I am responsible for Welfare, the Child Care Board, the National Assistance Board, the National Conservation Commission, the Environmental Unit, Coastal Conservation, Youth Affairs and Women's Affairs. In this debate, I will not be able to touch on all of these subjects. The competent Parliamentary Secretary, whom I have working for me, has already made her contribution, and she did touch on some of the subjects.

The honourable Member for St. Peter made mention in his presentation of the high level of unemployment in Barbados. About this, we are all concerned, but employment, I believe, must be looked at in depth.

The Economic Report and the Central Bank Report tells us the story. I would like to quote — I believe, an honourable Member mentioned this — page 27 of the Economic Report, to indicate that from 1982, under the Barbados Labour Party, the number of people unemployed was increasing tremendously. In 1982, it was 97.2 thousand people employed; 1983 - 95 thousand, 1984 — 93 thousand; 1985 — 92 thousand and after we came in 1986, 96 thousand and 1987 it was 97 thousand. I do not think I need to belabour that point.

According to him, we have dismissed 2 700 people. The people know whether that story is so or not. I do not have to go into that either. I want to discuss the Shadow Minister's objection to the Government voting money to employ 600 people to assist with the beautification programme of this island.

From all reports, Mr. Speaker, both from Barbadians and visitors alike, the island has taken on a new look over the last few years. This party is not only interested in beautifying areas used by tourists. We are beautifying housing areas, as in the Farm. We are beautifying other areas where locals live. We are using the same people to create parks for children and the old people so that we can build that community spirit which once existed 'in Barbados, so that the old and young can come together to share ideas.

Parks also add to the children's growth. At the same time, because there are rangers on hand, good behaviour will be maintained and, hopefully, the standard of behaviour, about which so many people talk, would improve considerably. The parents know that their children can leave the house and go to areas where they will be protected and supervised.

The honourable Member for St. Peter also questioned the acquisition of St. Joseph Hospital and that was ably answered by the Minister of Health.

Mr. Speaker, my concern on unemployment is not only in terms of the numbers employed, but the attitude of those at work, from the owner to the management staff, down the ladder. It is, indeed, a very difficult situation. On the one hand, we are not producing as well as we should. This might be attributed to the commitment and dedication, or non-commitment and non-dedication, of the workers on the shop floor. But have we looked at the attitude of the owners and the management staff to the workers?

As Minister responsible for Employment and Labour Relations, I am constantly getting complaints from workers about discriminatory practices by management towards them. For example, the big enterprises here in Barbados are owned and controlled by the minority, with the majority having to support them for their very

survival. Yet, at the top is always somebody whose skin is a lighter shade of pale. 3.00 p.m.

This is particularly irksome in some of the insurance companies and banks. The policy holders are, by and large, black. The depositors are, by and large, black. The customers in the stores are, by and large, black. And very frequently, without consideration for the feelings of the better qualified and experienced black staff, people of lighter skin are pitchforked over them. These are some of the complaints I am getting, and I think I should air them. Therefore, the question is, what can we really expect of the workers so treated?

The area in which this pattern is most evident is the hotel industry. It applies, *mofeso*, to the overseas-owned hotels — non-nationals are sent down here, for the most part they get loads of money, they are incompetent, very few of them get on well with the staff, but yet they expect the staff to be other than rude to guests.

I have taken up this matter with the Ministry of Immigration on numerous occasions. I have asked that all applications for work permits should pass through the Ministry of Employment and Labour Relations so that we can check our list to see if they are any Barbadians qualified to fill such jobs. If we can be more careful in how we issue work permits, I am sure that more Barbadians will be employed, and at higher levels, in the various companies that do business here.

This brings me to a comment in one of the dailies, a headline. I think the article quoted an economist, who said that the Budget would create job losses. My view is the opposite. For sure, the monies collected will make it possible to continue the levels of employment in the Government Service. If we were to cut expenditure in the Government by the 14 per cent some of the theoreticians are calling for, my calculation is that between 1 000 and 1 200 people must go home, because usually the people at the bottom rung are the people who are most affected. So NCC people would go home, a lot of people from the Transport Board and Transport and Works. That is how it is in life. My trade union friends would howl at that.

This is one of the reasons I contend that the Minister of Finance's Proposals were well thought out. And I believe that, in the same vein, he did not touch locally-produced goods, he did not even increase the cost of locally-produced alcoholic beverages, and he gave relief to the manufacturers. If these moves do not increase jobs, then I am not sure what will.

Mr. Speaker, we in this Government, indeed, the people of Barbados, have to look at those who criticise this Budget. We must understand that there are some

people who, a friend of mine would say, have hidden agendas. That is in every move they make, - they put their own interest and self-aggrandisement first. They hop from party to party in the hope that they can get some important job. These people are in all walks of life and professions, and the economist is a professional, too. So when they do not get the things they expect, they are like the fox which, on seeing the grapes, shouted, 'Oh, how sweet and juicy,' but on realising that they were not for him cried, 'never mind, they are sour.' That was his consolation. That is why I am asking the people of this country to look and see who has a hidden agenda.

I want to turn briefly to expenditures and the reasons we have to make these expenditures. One of the classic examples is the National Assistance Board. In 1984—85, the amount of money voted for the National Assistance Board was \$1.2 million. They doubled it in 1985-86, and we understand why, \$2.1 million. That \$2.1 million for 1985—86 was spent in two months, April and May. It had been voted for the period April 1986 to the period March 1987. It was not only spent in two months, it was overspent by some, I think, \$600 000, to the extent that when we came here, there was no money in the National Assistance Board. I believe my colleague, the Minister of Tourism, had to come to this House in October for a supplementary of \$1.7 million. One firm alone was owed three quarters of a million dollars. We had a choice either to stop it altogether and do not carry out repairs to old people's houses for a year, or we look for the money, pay the people we owed, and continue the programme.

But that was not the worst. The worst, which we are still finding today is that there are people's houses in the books as being repaired and painted. Already we are investigating. Money was paid, no houses were painted or repaired. These are some of the problems we encountered.

And when you talk about the expenditure being too high, you must consider that if you are paying a debt that you owe and continuing the shop, it is like really building a house or repairing a house in which you live. You pull down some and you build some, and it is much more expensive than if you are building a new house.

We found a situation in the National Assistance Board which the people who investigated the board referred to it as a pork barrel in which members of the Barbados Labour Party could push their hands, and did push their hands, leading up to the elections. These are the problems.

In conclusion, Mr. Speaker, because I have only a few more minutes, I want to reiterate what I said at the outset, that from talking to people right across the board, the consensus is that it was necessary to close the gap. The method adopted by the Honourable Prime Minister,

in the opinion of the masses, was the best solution open to him. Therefore, I have no alternative whatsoever than to support, and no problem with supporting the Honourable Prime Minister and the Minister of Finance in the measures which he took.

I thank you.

Hon. W. W. HALL (St. Michael West Central): Mr. Speaker, I rise in support of the Resolution that this Honourable House endorse the Budgetary and Financial Proposals for the fiscal year 1988—89, as good and appropriate at this time.

Some Members have given a peripheral view of tourism. I am now left to give a helicopter view of the state of affairs.

Laughter.

Hon. W. W. HALL: In so doing, Sir, I will seek not to devalue anyone, because I do feel that, to value myself, I do not have to devalue anyone.

Sir, I can only describe the Prime Minister's presentation of three hours as clear, complete, comprehensive and convincing. I think that it is the quintessence of ignorance to describe that presentation as one who had not done his homework. 3.10 p.m.

I do not know anything about supply-side economics, neither do I know anything at all about the Keynesian economics. It seems to me that everyone in Barbados who talks about a Budget must have a Masters in Economics. Even on the radio and TV, one finds that all are economists — not a man in the street, not a person who does not understand GDP, GNP, and balance of payments, who only understand that if \$200 this week cannot buy what it bought last week, something is wrong. None of these people, Sir, is ever asked to go on programme. As far as the hierarchy is concerned, they do not exist. They are only told what to do. Sir, I find a lot of difficulty with that. Anyway, I am not going to delve in any semantics.

If you have a deficit of \$48.5 million, your exports are not performing well, there is a high debt service, which, I believe, will go into 1992, and high unemployment levels, you have to do something.

There is talk, Sir, of inordinate public spending. As far as that is concerned, I want to make it very clear that my constituents in St. Michael West Central, and yours, too, indeed all 27 constituencies, come to us everyday and talk about roads, housing, gas, recreational facilities, and all manner of things. You only have to be elected to this rather august Chamber, Sir, to know that this is a fact of

life. Such are the vicissitudes of life. It is obvious, therefore, that if we are having people coming to us everyday, there has to be a cost effect. I am very glad to hear the Prime Minister say that this part of the Budget would have great scrutiny. In other words, he will make sure that it does not get out of hand.

So, Mr. Speaker, I think that the Prime Minister has to deal with the situation as it exists in 1988. He had to put in place policies to protect the balance of payments. It is my view, too, that economic growth and development pre-supposes taxation. That is, a fact of life, too. The Minister of Finance, Sir, sometimes has a painful responsibility, but I dare say, Sir, that everyone of us under the sound of my voice in here, if we were the Minister of Finance, Sir, would come up with the same answer. Perhaps the methodology might have been different, but we would have had to tax the populace. With a deficit of \$48.5 million, you have got to be joking if you do not think that is what you are going to have to do. So I say that the Prime Minister had no other choice.

But what did he do? He raised \$110 million, Sir, and he then gave \$55 million in concessions. We have to understand that if you are going to stimulate the economy, if you are going to provide job opportunities for the people, you have to make a decision, however hard it may seem. It is the right decision, in my opinion. I have no qualms about it.

I can boldly claim, Sir, that I believe in God, to begin with. I believe in the policies emanating from the Democratic Labour Party, wherein I think that we are seeking feverishly for a better quality of life for all Barbadians. That is my position. I feel that we have to look at it very seriously and give the proposals a chance.

Sir, the Prime Minister in the Budgetary Proposals recognises the importance of tourism to the economic well-being of Barbados and, therefore, I have to say that the tourist sector, especially the hotel sub-section, can only welcome the proposals to extend the concessions for upgrading their product. If one looks at Puerto Rico and their 936 programme, the Bahamas, Jamaica, with the concessions that the Governments have given them, and the funds that they have injected into the tourist industry, one would see why in the last four or five years these countries have done very well in tourism. I am very glad that the Prime Minister has decided that he will continue the concessions. Mind you, Sir, the hoteliers have been meeting with the Ministry of Finance for nearly two years, perhaps longer, putting their views forward, and I am happy about the outcome.

Sir, I have to reply to a few things that have been said about tourism. I think the Member for St. Peter (Mr. O. S. Arthur) said that tourism is not as good as

we would want them to believe. I believe that for 1987, tourism has a wonderful story to tell. One only has to read the Barbados Economic Report of 1987 to recognise this. Long-stay visitors in 1987 were up 14.1 per cent, and 421 000 visitors came to this country by air and 228 000 by sea. Tourism contributed some \$750 million to the economy.

When I predicted that we would see 400 000 visitors come to Barbados in 1987, they said to me that I was too brave — I should not push my neck out unless I could pull it in. They did not know what I knew, and in any case, Sir, only brave fish swim upstream. Sir, I was confident that this would happen. But now we hear the sour grapes. All these years we wanted numbers, but now we have got the numbers, we are saying that they are poor. I will deal with that effectively.

When we had the seasonal problem, everybody knows that a man would work in the tourist industry during the winter and never, worked there at all in the summer. He had to find another job. He had to go and cut canes. He had to go on the Farm Labour Scheme. But last year, restaurants were doing well. Last year, Sandy Lane in the last summer had to take out their package deal rental car concessions. They could not find a car to rent in Barbados. That is a fact.

The difficulty with the seasonal problem is that whereas a car costs the same in the summer as it does in the winter, ancillary services costs the same, and a meal costs the same, the fact of life is that the hotel room which sells for \$100 in the winter only fetches \$20 in the summer. Therein lies the problem. We have to take remedial action in due course. Therefore, Sir, I want to reply to the fact that tourism did not do so well, or has not done as well as we believe, by saying that there was all-round growth in the industry in 1987. The room occupancy rate was 65.6 per cent. I challenge anyone in Barbados, or further afield, Sir, to say that this was not true.

From the United States of America, some 175 093 visitors came to these shores, an increase of 8 843, and the percentage change was 5.3 per cent. Some 64 349 Canadians came here, an increase of 4 000 visitors and a percentage increase of 6.7 per cent. From the United Kingdom, 79 152 visitors came, an increase of 31 562 people, or 66 per cent. This was occasioned, of course by the air tours that came here in the summer, when over 20 000 people came in. Europe, 230 19 visitors came, an increase of over 4 000, a percentage increase of 23.1 per cent. Trinidad and Tobago, Sir, 25 303, an increase of over 3 000 people and 15.7 percentage points. 3.20 p.m.

The only areas of decline in Barbados in 1987 were Venezuela, which had a reduction of 58 people from 1669 to 1611, or —3.5 per cent, and the other Caribbean territories, which were —3.3 per cent, falling from 40 367 to 39 063.

Overall, Sir, there were 369 717 arrivals in 1986 and they increased to 421 859. As far as cruise ships are concerned, we had 145 335 in 1986 and these were increased to 229 778, an increase of 83 000 passengers calling, or a percentage increase of 57.4.

These were the only available figures when the Member for St. Peter came into this august Chamber and announced that we would have the worst winter in history. Two days later, the December figures came out and Barbados had an increase of 6.6 per cent. Places like Jamaica, which had spent large sums of money in the United States of America, Canada and Europe, did not experience any growth. They were "even Stevens", but Barbados was up 6.6 per cent.

Sir, in respect of the winter months just concluded, I can use the two state-owned hotels for ease of reference. I cannot go giving figures on other people's properties, but I can say that Heywoods had an occupancy rate of 71 per cent in January, 70.6 per cent in February, and 75.6 per cent in March. The Hilton had a rate of 79 per cent occupancy in January, 90 per cent in February, and 80 per cent in March. I have figures here on some south coast hotels which have had up to 99 per cent. In due course, I shall bring these figures.

Those hoteliers which had marketed their properties in Europe and in Canada experienced no change. In the United States of America, there has been the softening of the dollar, the Wall Street crash in October, this year is an election year, and the Americans are now rather inwardly looking, the Americans are now spending millions of dollars to entice Americans to stay at home. That is a fact and so I say to all those who have said that we have done not as well as we are purporting to do, I say that these are the figures.

When we came into this august Chamber for the vesting of Heywoods in BTIC, there was very little debate. When we came for a supplementary of \$2.8 million, there was little debate, except to make a few political points. During the Estimates, Tourism was not debated, except when the Member for St. Peter said that, perhaps, we are going to have the worst winter in 20 years, obviously alluding to the softening market in the United States of America and the Wall Street crash.

If you want to find the worst winter in the history of Barbados, you do not really have to look far, you should check out 1983, and you should check out the optimistic forecast then made in September by the

Central Bank. The official report printed a rosy picture. It said that it was the only sector that was doing well. But, Sir, the Prime Minister himself seemed to have backed away from a position he had previously held when he wrote a letter to the Director of the Tourist Board saying that their ineffectiveness was more devastating than a hurricane. Do you realise how devastating a hurricane is? I only have vivid memories of Janet, Sir, and that is what Prime Minister Adams said to Hinds, and Mr. St. John the Minister, who, by extension, he must have meant, because any Prime Minister that writes the Director of the Board of Tourism and tells him that, he means me as the Minister. He had better know that! That is my feeling. He thought so little of the Minister, that is what he said, and then he passed the buck, sent it to somebody else.

After that, we saw the worst winter in the history of tourism in Barbados, in my view. The Barbados Hotel Association implied that many hotels would go bankrupt. What is more, by March 14 that year Heywoods announced that the tourist season was over. Indeed, it never started for a lot of them, and, for sure, you can see that had it not been for the same Airtours and Thompson Charters, and indeed the concessions given by the Government, all of those small hotels that I have just alluded to would have been out of existence. They are partially bankrupt. If you doubt me, ask the bank up the hill there. Many of them are still in trouble.

There were peaks and valleys, therefore, Sir. Therein lies the origin of the seasonally problem.

If you want to know where it was bad management, the Barbados Labour Party completely emasculated that board. They kicked out the Barbados Workers Union, they kicked off the Barbados Hotel Association and they kicked off the Chamber of Commerce. I am telling you, Sir, that is what they did.

Fifteen minutes have gone already, Sir, and I have not actually got to my policy initiative.

Mr. SPEAKER: I would like to caution the Honourable Minister that it is not customary to allow names to be called as you just called them. I did not stop you in your speech, but I hope you refrain from one Hinds. I do not think it is fair.

Hon. W. W. HALL: Mr. Speaker, I am very sorry if I have violated the Rules of the House. I just wanted to make the point, because I never trouble trouble until trouble troubles me, and, therefore, I would have come here and told you about my bold policy initiative in the Ministry of Tourism without mentioning a name. But, Sir, I do not think it is right for people to devalue other people just to value themselves. I have said that before, and I mean it, and that is why I did it.

Let us see what we are doing in the Ministry of Tourism and Sport. As you know, Sir, the fusion is an interesting one. I hardly would get the opportunity today to talk about sport, but the fusion of tourism and sport is an interesting one, one which I know will go great places. We aim to develop the sports/tourism concept as the foundation for a vibrant tourist trade. In so doing, we have actually published a calendar of sports and culture.

I came into the office in June and, straightaway, having looked at what we had to do, it was obvious to me that we had to make people aware of what we were doing. It meant speaking to 40 organisations, it meant speaking to printers, it meant going around to people to get advertising going. No wonder it came out in February. In the other Honourable Chamber, we were accused of bringing it out too late. They have not looked at the quality. They never looked at the input. But they said it was too late.

This is not the calendar that is too late, you know, I have one here which was sent to someone in my constituency that now lives in your constituency, Sir, and I can make it a document of the House. The postmark is March 29, and it is a calendar from the Leader of the Opposition.

Mr. SPEAKER: I would have preferred that the honourable Member had acquainted me of that particular document before making it a document of the House. 3.30 p.m.

Hon. W. W. HALL: I can make it a document of the House with pleasure, because it came to my constituent, and I have one myself.

This calendar is not late. This calendar spells out quite clearly the Government initiatives. It tells everyone throughout the world what we do in Barbados culturally, sporting-wise, and everything that goes on in Barbados. Any place in the world where we have an office will be able to tell people who would like to come to Barbados what they can do.

Sir, we are looking very much at convention facilities. We know, Sir, that conventions bring tourists, not the other way around. We have demolished the Dover Convention Centre and, in a matter of months, we will have a spanking new convention centre, with a capacity for 750 persons.

We have talked about tourism in schools. We are not bringing tourism to schools as if it is the first time that tourism will be taught in schools. We are intensifying the programme whereby our school children will understand how important tourism is to the economy, and in so doing, they will learn to understand that tourism is their business, too. That is the important thing.

As regards the small hotels, Sir, we are trying to get some assistance for them through the OAS programme, through which we are making sure that they would have experts in marketing, accounting and on the physical plant.

We are looking very seriously at developing cruise ship facilities. Over 228 000 people came here by that means. In Bay Street, right now one facility is nearly completed, and the ground breaking programme for the other will soon be on stream.

We are looking at cultural tourism. I alluded to the Crop Over Festival. I do not believe that you should have just the Crop Over Festival, Holetown Festival and the Oistins Fish Festival. Sir, the day has come now when we have to look beyond that. We have to look to the total involvement of our people in the tourist industry, and it seems to me we may have to do it on a parish basis. Enough said for the time being.

We have to look at health-related tourism. We have to look at the maturing guests. We have to see that the demographic profile of the elderly is such that people are living longer, and what is more, in the United States of America, the older people are now working and they have extra cash. They are the ones that we will have to try and attract down here.

We have to look at sporting facilities. As the honourable Member for St. James South (Hon. N. K. Simmons) said, if we are bringing people to engage in sports in this country, our facilities must be up to mark. That is so important, Sir, that I, too, had to mention it.

Sir, we have to look at our marketing thrust to make tourism a year-round industry. We have to make Barbados an affordable destination. We know that we cannot compete with countries like Santo Domingo, Colombia and Mexico, but with value for money as our theme, we will compete with the world. If Barbados is marketing and is seen to be an affordable destination, therein lies our success.

Sir, we need to look towards games like golf. We know only too well that golfing enthusiasts travel the world over to play golf. In small Bermuda, there are nine golf courses, and what is more, you cannot get on any one at all. We recognise that we will have to do that very shortly.

Sir, I think we have to look very seriously at the programmes which have done us proud in the last year. In 1988, there will be an escalation of the Air Tours programme. We will have 20 hotels quoted in the brochure, there will be two flights per week, using 747 equipment, with a seating capacity of 505 people. We will in essence be bringing, in the 28 weeks from April to December,

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28 000 tourists to Barbados through the Airtours programme, an increase of about 8 000 tourists on last year. We will also have the Thompson programme, which will be continued using BWIA.

All those doubting Thomases who talk so vociferously about the non-use of air tours and charter programmes, I do believe they are now eating their words. A former Minister of Government is now writing me letters. I do not know, why, Sir, because I am not on his dial, and he certainly is not on my agenda.

When one talks about my purporting to have made a statement in England, that is not true. I had 28 journalists at a Press conference at Ocean View hotel. I spoke to them, and 27 said what I said. One, a lady who is rather left wing, wanted to know all about communists in Barbados. I ignored her, she is probably annoyed, and she is writing under a *non-de-plume*, Jenny Shield. There is no Jenny Shield. When you write in the *Advocate* and the *Nation* that there is a lady called Jenny Shield, that is not true.

Mr. SPEAKER: I have already cautioned the honourable Member about name calling.

Hon. W. W. HALL: Sir, the name is fictitious. I said it was a *non-de-plume*.

Mr. SPEAKER: Even so, I still do not want the names called.

Hon. W. W. HALL: I am sorry, Sir.

These people with Mercedes egos and bicycle brains just come to attack black people, and I am fed up with them, Sir. As I said, they are not on my agenda. All I need to do, Sir, is to tell the honourable Chamber about the policies that we have in the Ministry of Tourism.

We have advisory boards throughout the United States of America and Canada, and obviously what they will be doing is devising a strategy for stimulating the shoulder seating business — this is rather important in tourism, Sir — a methodology for increasing traffic for the smaller hotels in Barbados, 80 per cent of which are owned by Barbadians. I certainly feel that we have to try and help these small hotels. The policy of the Government is to help the small hotels, the not so small hotels and the large hotels. Out of 135 properties in Barbados, we have luxurious resorts down to the guest house type resort, and there is room for everyone; we just need to market it properly.

Sir, I have also had occasion to meet with the Secretary-General of the OAS in an effort to get the subject of tourism out of the department of Regional Development into the Economic Affairs Department. In

the department where it now resides, Sir, it is one with National Reserves Development, Agriculture, Energy and Fisheries, and I feel that our position would be better served if it goes into the Economic Affairs Department.

What have we been doing, Sir? Whom have we been talking to? We have gone on trips and we have talked to American Airlines. After I spoke to the director, the big boss, he allowed a daily hub out of Puerto Rico emanating from North Carolina. This will pick up the traffic from the non-traditional areas like Atlanta and Texas.

Tomorrow I shall be meeting 200 travel agents coming from Texas, all with a view to bringing many people from these areas. It is significant to note, Sir, that when one talks about Texas, five or six charters per week go to Jamaica, and not one comes to Barbados.

We have been talking to Air Canada about reduced air fares. People used to pay so much money out of Montreal that they would drive their cars to Toronto, park them and take the flight from Toronto. This is not so after we have talked to them; it is a mere \$50 more.

Wardair have told us that they will now be bringing smaller planes, especially during the Crop Over season. Eastern Airlines have reduced their fares. British Airways have brought in not one Concorde, but two. We had the enviable position of having two Concorde at the same time parked on the runway at Grantley Adams Airport.

Sir, we talked to British Airways, and they have increased their seating capacity by 81 per cent in the winter and 121 per cent in the summer. We have talked to Condor, with a view to bringing tourists from Frankfurt via Santo Domingo. We have talked to Viasa, with a view to bringing people from Italy via Caracas. We have talked to Air Antilles, we have talked to the Scandinavians, and 11 000 Scandinavians will be arriving here this year.

I say to you, with a great degree of confidence, that this year this summer will be a bumper year. Despite the protestations from the other side, I am confident that, by the end of the year, Barbados will have seen another very good year.

In conclusion, Sir, I would love to and I do support the Resolution in its entirety, lock, stock and barrel I applaud the Prime Minister for the masterpiece in all the circumstances, and Sir, I share the sentiments already expressed by my illustrious colleagues.

Thank you very much.

Applause.

3.40 p.m.

Hon. W. O. FRANKLIN (St. Philip North): Mr. Speaker, I would like to start where my colleague left off, and that is to say, I have no problem, morally, philosophically or otherwise, in supporting this Resolution.

Mr. Speaker, some of us have the fortune of only having to report to a constituency. Unfortunately for me, I have to report to a constituency and to all the people of Barbados. I would have had a problem if I stood by and saw nothing being done to correct the current problem, which could land Barbados into a worse problem than we have, into the hands of an agency that we fear so much. I have no such problem. I have no moral qualms. I have no philosophical difficulty in supporting this Resolution, and I, too, would like to compliment the Prime Minister on the Budgetary Proposals that he has put out.

Also, Mr. Speaker, I would not, as a Cabinet member, allow suggestions that there was misspending of expenditure, of the funds of the people of Barbados, last year. I think it was very well put by the Prime Minister at pages 41 and 42 of the Budgetary Proposals, which I shall read:

"The provision of \$318.2 million in the 1987-88 Estimates for Personal Emoluments was based on the 1986—87 salaries. No provision was made for higher salaries, because negotiations were not concluded at the time when the Estimates were being prepared. The wages settlement in respect of fiscal year 1986—87 was approximately \$18.6 million, while that for 1987—88 was approximately \$7.0 million.

"Therefore, it meant that during 1987-88, the Personal Emoluments component of the Current Expenditure was \$25.6 million more than 1987—88, even though, in fact, only \$7.0 million related to 1987-88.

"Secondly, the 1987-88 Estimates provide for amortisation, interest payments and sinking fund contributions of \$133.1m as follows:

(a) Amortisation	\$ 56.8m
(b) Interest	74.3m
(c) Sinking Fund Contribution	2.0m
	\$133.1m

"When the Estimates were approved, no provision was made for the servicing of the Euro-Sterling Syndicate Loan. This was signed in May, whereas the Estimates were approved in March of that same year.

In addition, as the dollar weakened against the yen, the pound sterling, and other currencies, the cost of servicing the debt increased significantly. The result was that the provisional data at the end of the fiscal year showed that debt charges in respect of local and foreign debt were \$162.0 million, or \$28.9 million more than provided, as follows:

(a) Amortisation	\$ 62.6m
(b) Interest	92.9m
(c) Sinking Fund Contributions	6.5m
	\$162.0m

"Thirdly, there was a number of supplementary provisions for goods and services, which the Government considered necessary in the public interest, were provided. The major ones were:

(a) Transport Board	\$13.0m
(b) Severance Payment Fund	7.0m
(c) National Conservation Commission	10.5m
(d) Tourist Board	2.8m
(e) Ministry of Housing	1.9m
(f) Prime Minister's Office	1.2m
(g) Queen Elizabeth Hospital	1.9m
(h) Child Care Board	0.5m
(i) National Assistance Board	0.6m
(j) Drug Service	3.9m
	43.3m

"All of the above sums of money were provided for the continuation of existing services which the Government considered vital to the well-being of the entire country."

Mr. Speaker, if there are those who would have preferred the Transport Board to leave the people in St. Philip and close down because they could not get \$13 million, I am not in agreement with that. If there are those who would prefer the people, during the hard times, when they were severed from their jobs, not to be able to

be paid because of the withholding of \$7 million in severance funds, I am not in that. If there are those, from all of the constituencies that the people are working from, who would want NCC to lay off 600 or 700 people, they can answer to the people when they are laid off. I am not in that. And if they did not want the Tourist Board to get another \$2.9 million to carry on the excellent work that my colleague, the Minister of Tourism, just spoke of, I am not in that.

Mr. Speaker, in summary, I reject totally the allegation that there was misspending or mismanagement of Current Account expenditure last year. It is just not true.

That brings us to the current, hard facts, that if you have a deficit on Current Account, you have to close it now, or some time, and the only way to close it is to raise revenue. I am one of those who believe that the revenue has to be raised now, and it was raised. I compliment the Prime Minister for taking the action now. It is timely now.

The doctors always tell you that if you do not take the medicine at the right time, there is no point taking the medicine, and my contention is that this was the right time to take the medicine. I compliment the Prime Minister for having administered the medicine in such a painless way, and, as the honourable Member for St. James South (Hon. N. K. Simmons) has said, if you go out there and take a poll, the people will say, "No problem". They knew that the Prime Minister has to raise some funds.

Mr. Speaker, I want to spend a couple of minutes allocated to me dealing with the Ministry that I have responsibility for, looking particularly at certain things that bother me.

The honourable Member for St. Peter (Mr. O. S. Arthur) has, on numerous occasions, said in this House that agriculture is in crisis. He said recently that it has stagnated, nothing is going on. The newspapers also said some time ago that there was no growth in production in the last 20 years. He has said that this year we had large importations because every single thing had failed, and the last thing he said is that the Barbados Economic Report 1987 went through a pressure cooker. I think those are the terms that he used.

Earlier today in this Parliament, we heard a Member making sure that we had certain behaviour and if a man is right, he said, it should be acknowledged that he is right. There is one thing about professional people, and I know, because I happen to be a member of a profession, that they have some type of loyalty to each other. The honourable Member for St. Peter certainly did not show any loyalty to his fellow economists when he used the term "put through the pressure cooker", which is a

euphemism for saying that they are cooked and he does not believe in them.

Mr. Speaker, in the Ministry of Agriculture, like the honourable Member for St. Peter, we have M.Sc.s in Agricultural Economics, and in Agricultural Marketing. We have statisticians. We have planners. We have four doctorates in the Ministry of Agriculture, all of them highly professional men, of high morality and integrity. I am certain that the Personal Assistant to the Leader of the Opposition would swear for the morality of the statistician we have in the Ministry, a person he knows very well, whom I think very much of as a Statistician, very much of as a person. Certainly he would not be one of those fellows that would be privy to anything going through the pressure cooker. As far as I know, this is the same staff at the Ministry of Agriculture that has been there during the middle Eighties and the early Eighties, with one or two exceptions. 3.50p.m.

The difficulty that the Member for St. Peter is having is with what is written in this document. The Economic Report of Barbados is already a document of the House. Page 32, chapter 5, says:

"Agriculture output in current prices reached its highest level during 1987, contributing \$171.6 million to nominal GDP, an increase of 17.2% over the previous year. The sector's contribution to nominal GDP rose from 6.4% in 1986 to 6.8% in 1987. Other agriculture, including fisheries, contributed 4.1% to GDP.

"After showing slight variation over the period 1983 to 1986, the contribution of food crops to nominal GDP increased significantly to reach \$51.8 million in 1987. This performance was 33.7% better than in 1986. The food crop subsector was the fastest growing in 1987 contributing 65.6% of the total value of non-sugar agriculture. Livestock and fisheries increased their contribution to GDP by 11.5% and 13.2%, respectively, in 1987.

"At December 1987, the agricultural sector owed the banking system \$111.5 million, compared to \$118.2 million in 1986."

At page 32, there is a section on Sugar Production, I will read the whole section, so you can make sure that I am not misquoting it.

"The 12 783 hectares of canes reaped during 1987 was approximately 8% below the area harvested in 1986. Small holders cultivated some 2 226 hectares, the same as in 1986, and produced 10.4% of the crop. This overall reduction in the area

harvested was intended to limit sugar production to the requirement of the domestic and preferential markets."

Mr. Speaker, I am going to back this up, because he made reference to the Central Bank Annual Report. The Central Bank Annual Report 1987, at page 5 - this is already a document of the House - under Agriculture, says:

"Sugar production, at 83 432 tonnes in 1987, was at its lowest since 1948, some 25 per cent below the 1986 level."

Mr. O. S. ARTHUR: Mr. Speaker, the honourable Member is misleading the House. I spoke not in relation to the Central Bank Report, but the Central Bank Economic Review on agricultural production on a quarter by quarter basis. If the Member wishes to cite me, he must cite me correctly.

Hon. W. O. FRANKLIN: Mr. Speaker, I apologise to the honourable Member for St. Peter.

"In the face of all remunerative prices on the free market, sugar industry officials have set a target of 90 000 tonnes, sufficient to cover contractual markets. However, a prolonged dry spell, along with the increased incidence of cane fires, reduced the yield per hectare, and the target was not reached. Yet, sugar export earnings of \$68 million were slightly higher than in 1986, as the export price per tonne increased.

"Production of our agriculture and fishing increased by an estimated 9%, owing to an expansion of acreage planted and higher tonnage of fish landed by ice boats. The fish catch rose by 6.5% to 9.7 million kilogrammes. The yam crop was again affected by disease and exports were minimal. However, there was a sharp rise in the production of sweet potatoes, reflecting the combined effort of the dry weather and an increase in the acreage planted. Cotton production increased by 28% to 161 000 kilogrammes of lint. However, with contractual export prices declining sharply, export receipts were about one quarter lower at \$2.1 million.

"The production of livestock rose by 12.6 per cent to 23.4 million kilogrammes with beef production up by 28.9 and pork by 8.7. The introduction of new chicken products in recent years continue to increase demand for chicken. Output of this commodity rose 10% in 1987 while egg rose sharply

by 35.4 per cent. Milk production rose 10.8% to 11.8 million kilogrammes reflecting a successful advertising campaign by the local dairy aimed at increasing consumption of milk production."

Mr. Speaker, those are the facts as they are stated. But I can understand the difficulty of the Member for St. Peter, because, continuously through the year, he painted the blackest picture you could of agriculture. Naturally, as in every other area, he wanted to predict a complete collapse of the industry, like he predicted a collapse of the economy of Barbados, and therefore he was completely blind to anything that was going on in agriculture. We have had our problems with agriculture, Mr. Speaker, and we will continue to have our problems.

I am now going to give a very quick review of what has happened sector by sector, and some of the things we hope to do. In 1987, 83.43 thousand tonnes, of sugar were produced. The export value, including about \$200000 from the crop before, was \$71.2 million. The average price per tonne increased from \$628 in 1986 to \$1 040 in 1987.

The policy on sugar has not changed. It is that we would diversify around sugar, and, for the time being, under the present conditions of price on the world market for sugar, we will produce for the preferential markets plus the domestic market, plus about 10 per cent, which comes to about 85 000 tonnes. If at any time there is an upward movement in the price in the world market and we figure that we could capitalise on that by bringing in some additional foreign exchange, we would increase the acreage. But for the time being, we do not think it is necessary.

Mr. Speaker, I have said before that the non-sugar area grew very rapidly. Let us take vegetables, Mr. Speaker. The production estimates for 1986-87 clearly demonstrate a significant increase. There were certain areas in which we had a decrease, Mr. Speaker, and I will go through these areas very slowly, because it is necessary.

We had a decrease in peanuts, due, Mr. Speaker, to the weather pattern. The harvesters could not get in time, the vines started to die, and we had a bad peanut harvest. Last year, we only reaped 34 500 kilos of peanuts. This year, we are going to plant a little earlier and hope that we can get the combine in early.

There was a reduction, Mr. Speaker, as I said in sugar and there was a reduction in cabbages by about 16.2 per cent. In 1986, we produced 944000 kilos. In

1987, we produced 790 600, a shortfall of about 153000 kilos. I am going to spend a little time on that, Mr. Speaker, because that is one of the main reasons you heard about these large importation of vegetables into Barbados. The main reason we had a reduction was that the diamond back moth severely attacked the cabbage and cauliflower. 4.00 p.m.

Mr. Speaker, coming in from Guyana for the year under review was some 25 672.9 kilos of cabbages. I am going to make this a document of the House — these are the imports from Guyana for the year — because there has been a lot of talk about the market being flooded with vegetables because there has been no production established. The 25 672.9 kilos of cabbages which came in from Guyana was due to a short fall of 153 000 kilos in the cabbages.

Despite the fact that we had an increase in pumpkins from 355000 kilos to 556000 kilos, we had some 45 402 kilos of pumpkins coming in from Guyana. The other things coming in from Guyana very quickly, Mr. Speaker, because I think we need to let these things be known, were beans, about 93 kilos; bora, which we do not grow here, 11 000 kilos; chives - as you know, there are lots of people making seasonings and bottling them - about 1 120 kilos; cucumbers, 1 626 kilos, which I heard have been flooding the market - eschalot, 19514 kilos; ginger, 336 kilos; marjoram, 11 kilos. There are pages and pages of pineapples, some 401 000 kilos; plantains, about 7 305 kilos; and water-melons, 31 000 kilos.

A total of 562 179 kilos of stuff came in from Guyana, our CARICOM partner, of which 401 000 kilos were pineapples, which we do not grow here, and you have the alarming statement that agricultural production in Barbados collapsed. You hear about the baron of importation and all kinds of things. That is the story of Guyana.

Mr. Speaker, they would not tell you of the things that we had this year that were positive. They would not tell you of the increase in cassava, by 354 per cent, from 108 tonnes to 450 tonnes. They would not tell you of the increase in eddoes from 248 tonnes to 533 tonnes. They would not tell you of the increase in sweet potatoes, which we are shipping, from 1 989 tonnes to 2 462 tonnes. They would not tell you of the increase in beans from 409 200 kilos to 545 600 kilos. They would not tell you about the increase in beets from 257 600 kilos to 324000 kilos, Mr. Speaker. They would not tell you of the increase in okras, and I want Mr. Bourne to know this, ...

Mr. SPEAKER: Who is Mr. Bourne?

Hon. W. O. FRANKLIN: the Member for Christ Church East..... from 105000 kilos to 310000 kilos, the increase in onions from 467 000 kilos to 567 kilos, the increase in hot peppers from 15 600 kilos to 48 400 kilos.

I am certain the honourable Member for St. Thomas would like to hear that BMC is making some money this year, and has decided to give the export growers a bonus. They will get a piece of change in their hands. I have instructed BMC that out of the money profit they make this year, because of some teething problems in the export programme, they should pay a bonus to the export farmers, and they are going to get a bonus. I will tell you about BMC later.

They would not tell you about squash, an increase of 88 per cent, from 40 500 tonnes, nor of tomatoes, from 434000 to 551000 tonnes. Mr. Speaker, if you look in today's paper, you will see that carrots are being sold at 33 cents a pound. Those are the things you would not hear about.

Cotton. I have had a meeting last week with the cotton farmers and they are now happy, because they, too, got a bonus, of 15 cents per pound on Sea Island cotton because they fitted into the programme that we have of increasing the acres under cotton to meet our mill. The experimental work we need to do is being put in place. An experimental farm is being put in place and all the works on genetics for improvements. We have done mechanical delinting this year, and we hope that the cotton industry will be on its way.

Later this month, we expect the delegation from Japan to come down with their finished designs for the spinning mill. I hope that I will be able to come to this House very shortly to announce that the plans are completed and that everything is in place.

The cotton growers of Barbados have had a very frank meeting with me, and they are now satisfied that everything is in place. They have asked to have equity participation. They are glad that we are going to have an integrated cotton industry, and they compliment the Government of Barbados and the Ministry.

This year the ginnery made \$103000, in profits, and I insisted that the ginnery pay out every single cent of that to the farmers of Barbados at 15 cents a pound for Sea Island cotton as a show of our co-operation with the farmers of Barbados. So we are happy with the farmers of Barbados and the cotton industry is coming on.

Mr. Speaker, the fruit programme is on schedule, despite what we have heard from the Member for St. Peter. There are 209 acres under cherry, 72 acres under pawpaw, 16 acres of mangoes, and there are others. We are working towards a commercial orchard. There are 305 acres now, and we are working towards 375 acres in the first phase.

Those who grow in a certain part of St. George know that we now have a fairly sizable export of the pawpaws. For the first time, you are seeing pawpaws at the side of the road being sold. This has been part of the encouragement by the Ministry.

The livestock sector has been doing extremely well, Mr. Speaker. Every single aspect of the livestock sector improved. Beef has gone up by 28.58 per cent, from 308 000 kilos in 1986 to 397 000 kilos. Mutton increased slightly, from 21 000 kilos to 25 000 kilos. Milk moved from 10 570 million kilos to 11 million kilos; pork from 1.19 million kilos to 1.296 million kilos; veal from 5 300 kilos to 8 300 kilos; eggs from 1.35 million kilos to 1.83 million kilos; cold poultry, Mr. Speaker, from 7.4 million kilos to 8 million kilos.

I did not say it — the Poultry and Egg Producers said last week that they made \$50.4 million. When you put that, Mr. Speaker, against the sugar industry, to give you an idea of the importance of that, the sugar industry made some \$71.1 million and the pou'try industry made some \$50.4 million. Without any fuss — every single sector of the livestock industry improved!

Mr. Speaker, I am responsible for ADC. The ADC has also shown improvement. They reduced their operational loss last year from \$3.03 million to about \$1.92 million. This year, for the first time in a long time, three of the plantations made operational profits, Dodds, Wildey, and Turners Hall.

This year, in leading the diversification programme, ADC is putting in 40 irrigated acres under vegetables at Spencers, as well as leading the programme in the cotton industry. 4.10p.m.

As I have said before, we had some teething problems last year, but they are settling down now. We are projecting a profit from BMC this year of about \$850 000, of which I am insisting that the export farmers get some small amount of this.

To the Members representing Christ Church, on the Oistins' tendering, we have approached several firms to do the job. Among the firms are Morley Construction, Homex Limited, Coles Engineering Limited, Israel Holder, the Barbados Port Authority and the Barbados

Defence Force. For some reason or the other, they have all refused to execute the job because of the difficulty. We have now turned to MTW to have it done, and I hope that MTW will come to our assistance.

There was a report which showed that the icemakers broke down because of a lack of maintenance. Both of the compressors went "bum" on us and we have to replace both of them. We have placed orders for the compressors, and I hope that very shortly we will have them in place.

Mr. Speaker, the year under review is a year we look back on with some little contentment for the work we have done. The Ministry's staff has worked very hard, I have had the co-operation of the farmers of Barbados, and we have always been meeting with the farmers of Barbados. I expect to continue the work the Ministry is doing.

We are introducing a programme approach and we are involving all the technical and research people in Barbados, for example, those at the University of the West Indies and CARDI. We hope by this way to lick the problems we have with anthracnose, onion blast, and the diamond back moth.

Mr. Speaker, I have not had time to speak about fishing. With the advancement of the industry and the long lining boats that have been equipped, I hope, as we start negotiations with Trinidad on the 9th and 10th, that we will have a satisfactory arrangement so that we can continue to use its spaces.

I would like to compliment the staff of the Ministry of Agriculture for their wholehearted support during the year, and the farmers of Barbados for their co-operation with the Ministry. We look forward to the year coming with some anticipation that we will continue to play our part in the development of Barbados.

Thank you very much.

Mr. D. A. C. SIMMONS (St. Thomas): Mr. Speaker, this year's Budget is a watershed in the political history of this island. It is an historic Budget, and perhaps I can best begin by using the words of the Honourable Prime Minister, who himself described it as "a Budget of realism." Implicit in that description is an admission that the former policies pursued by the Democratic Labour Party in respect of fiscal matters were rooted in fantasy, not realism. Implicit in the Prime Minister's description is that truth has at last caught up with deception, lies and propaganda, which may spell DLP—deception, lies and propaganda. Those three have had a head start, but, thank God, truth has caught up with them.

At page 100 of his Budgetary Proposals, the Prime Minister told us: "History deals harshly with those who do not face reality." Indeed, history will deal harshly with the DLP for mismanaging this economy, for misleading the public of Barbados, and for soaking them with taxes and impositions, contrary to previously stated policies. No wonder a correspondent in the weekend Press was moved to write that the DLP may well be a one-term Administration.

What is the history of these fiscal policies, Sir? At page 4 of the Democratic Labour Party's Manifesto - this is a document of the House several times over, Sir - with a blue banner and the boldest possible type, "FIRST ORDER OF BUSINESS", a number of arrangements are set out, including specific tax proposals for Income Tax, 15 of them, and eight for Corporation Tax. These were only proposals in April and May 1986, but they were concretised in law by an Income Tax (Amendment) Act, brought by the former Minister of Finance in July 1986, when he introduced them, and then given effect later on in the year.

I now hear apologists for those proposals on the television questioning the methodology of implementation and saying that there was nothing wrong with the proposals *per se*, but there were difficulties in respect of how they were implemented. I reject out of hand that argument, for the reason that those same apologists, who wrote among themselves 83 bits of correspondence to the Press between April and May 1986, were well aware at the time that the Democratic Labour Party said these words, Sir: "Details of the immediate measures which will be taken by a DLP Government, ..." and so on, but particularly this, "A DLP Government, within three weeks of a General Election, will implement A NEW FISCAL ARRANGEMENT" and that was the new fiscal arrangement that was immediately implemented.

Not one of them who now questions the methodology of implementation at the time, two years ago, warned the Government about the immediate implementation of each and every one of those specific measures. It now does not lie in their mouths to try to escape. All are in the pot together, and will boil together. And all of them are now coming to the boil together! 4.20p.m.

The fact is, Sir, that, in a full year, this country has now seen the magnitude of the revenue loss, and its effect reverberating throughout the economy and Government finances. The Prime Minister has been forced to admit that what he did on Thursday last was necessary, and I quote his words at page 49, "to restore the fiscal health of the economy". The implied admission is that the health of the economy was not good and he has to do something to restore it.

Indeed, nothing captures the present posturings of the Government better than pages 68 and 69 of the Budgetary Proposals. One four letter word, Sir, at page 69 brings home, in the most staggering way, the failure of the policies of the Democratic Labour Party. This is what the Prime Minister said:

"Alas, there is little evidence to suggest that substantial amounts of money resulting from tax cuts will not, without elements of compulsion, find their way into consumption spending, thereby fuelling the fires of inflation and creating balance of payments problems. Secondly, there is little evidence to suggest that concessions and other resources available to the business sector will be converted into significantly higher production and greater employment, in proportion to the quantum of such concessions and resources. Thirdly, there is a question of how long a time span will have to elapse before the response of the business sector will have a meaningful impact on the levels of unemployment.

"Three things are certain. One is that any effect of a cut-back in taxation is felt, painfully and immediately, in the revenue available to government. The second is that any cut-back in Government spending is felt painfully and immediately, not among the upper middle classes and the wealthy, but among the poorest and most vulnerable groups in our nation."

And he went on to the third, Sir, which is not important for the purpose of my debate. This is an admission that the former policies, as the Prime Minister wishes us to believe, have failed, and have failed to meet the objectives which were set for them by the Democratic Labour Party prior to, and since, the General Election.

The effect of those policies undermined Government finances. That is what he said at page 69. The Prime Minister himself said it put the balance of payments and the foreign reserves under pressure. On this side, we can say proudly to this nation, 'We told you so!'

But why I say this Budget is a watershed in the political history of Barbados is that what the former Minister of Finance stood for has now been turned completely on its head. The Prime Minister rubs salt in the wound that must be felt by the honourable Member for St. Michael South Central (Dr. R. C. Haynes). Then he went to Queen's Park yesterday and told the workers at the BWU celebrations, "I had to take defensive measures to protect the economic health of the nation." Those were his words as reported, and I saw him on television last night, dressed in a blue kind of bodice, and heard him say, "If these measures had not been taken, the Barbados economy and the living standards of the

residents would have ended up on the same rocks that wrecked many developing Third World countries."

They have been in Government for two years. What the Prime Minister has not answered for this nation specifically, and he must, is this: if things were so difficult that you had to take defensive action, who caused the peril? Who caused the danger? Who put the country in jeopardy? He cannot blame the Barbados Labour Party now!

He used to talk about the debt. In this Budget at page 58, the Prime Minister has said there is no problem with the debt, it is manageable. He must tell us clearly and explicitly, and I want to hear him tonight when he replies, who put the country in peril.

Sir, the Prime Minister issued a challenge yesterday to anyone who could tell him how the policies have been reversed. He heard two Members on the back bench today say that this is a reversal of DLP policy. They should know better than I should, and I applaud those two Members, who spoke from principled positions, and who showed conscience, which I was beginning to fear was lacking in the political life of this country. They will be saluted and acknowledged as men of courage and character in this country.

I want to know from the Prime Minister in relation to where the former Minister of Finance reduced the level of personal taxation and the level of corporate taxes, if it is not true that in this Budget he has effectively, by the use of a word called "surcharge", returned them to higher levels than from the former Minister of Finance. They have all gone up, personal taxes between 5 per cent and 7 per cent and corporate taxes back up to 42 per cent. If that is not a reversal, I would have to be some kind of okra!

The honourable Member for St. Michael South Central has not spoken in this debate yet. I hope he will speak, because he must now take a principled stand, just as he did last September, when he announced that he had to leave the Cabinet on a matter of principle. He must take a principled stand, or else, in the language of the Prime Minister, history will deal harshly with those who fail to face reality. If he does not take that principled stand, one must regard him as being weak and an opportunist. I hope that I hear from him tonight what the country expects of him as the one who implemented the proposals which have now been destroyed.

The Democratic Labour Party, Sir, with the help of a number of advisors, two of whom are still within the purview of the Minister of Finance, heading major statutory corporations, fashioned their fiscal policy and sold it to them. One of the advisers has been most vocal

against this Budget. Decency demands that he resigns, or if he does not resign, he must dissent. He cannot be attacking his Minister of Finance and still wish to remain in there carrying out the policies that he does not agree with. 4.30 p.m.

What has happened last Thursday is not a surprise. In 1986, I brought this book in this House of Assembly during a similar debate. It is "The Triumph of Politics" by David Stockman, and the blurb at the back is most instructive, because Reagan tried what the DLP has tried, and Reagan failed, and the man who advised Reagan is David Stockman.

Asides

Mr. D. A. C. SIMMONS: I will lend it to the House. They will be better informed after reading it. Anybody who wants to borrow it can have it. I have read it from cover to cover.

This is what Stockman said:

"The bitter truth was that Reagan faced an excruciating test of presidential decision making. After an exhausting and prolonged political struggle, he had emerged in July triumphant, having enacted a generous tax cut for all Americans. Only three months later, he had to admit that the triumph had been an illusion. Even worse, it had not been his fault. He had been misled by a crew of over-zealous, and, ultimately, incompetent advisors.

"The original Budget plan I had devised for him had been fatally flawed. It is even harder to eat crow when you have not cooked it yourself."

The words of David Stockman, applicable, without change, to that text.

Sir, the Prime Minister and Minister of Finance will plead that he only came into office in September as Minister of Finance, but he cannot get away with this reversal of policy. The Prime Minister and Minister of Finance is an accessory before, an accessory during, and an accessory after the fact of deception, lies and propaganda. That is why on this side we say, you hang one, hang all. All are in the pot together!

Sir, what is the effect of this 1988 Budget? We have heard Ministers on that side tell the country and this House today how well things are going. You could not have wanted for a better exposition than from the Minister of Agriculture who preceded me. Things are so good. Things are going well. Well, if that is so, why is it necessary to take \$110 million from the people of this country? That is the question that Members on that side and their consciences must grapple with.

We say, Sir, that this Budget will slow growth. It will contract the economy. It will retard employment. It will increase the cost of food and beverages in the tourism sector. The consumption taxes will add to the cost of living and put greater strain on the workers.

This manifesto is now of no use. I am going to tear it up in here. It is a waste of paper. You can destroy that once and for all. Foolishness, Sir! It has gone through the window and is being replaced by something new.

Asides.

Mr. D. A. C. SIMMONS: I hear somebody calling for Solomon. I know I am wise, and that is my nickname, but give me a minute.

Mr. SPEAKER: Order, please.

Mr. D. A. C. SIMMONS: Look at the effect of the consumption taxes on the people of Barbados. Construction materials have gone up, from nails to bathroom fittings, bidets, the lot. Stoves and fridges have gone up. Fishing equipment, the honourable Member for Christ Church East (Mr. E. Bourne), Children's school supplies, from a pen to an exercise book, school uniforms, socks, shoes, whatever. Pine Hill fruit juices have gone up, Sir. Peas — black eyes and pigeon — up. Paints and varnishes. Soap, like Lux soap, not the Dominica soap; shampoos; tooth paste, all motor car parts, from umbrellas to underwear, from tops to bottom, from hats to beds, and even for those old retired persons in the rural districts, snuff has gone up by 50 cents a tin for the Government to collect \$163.29 in consumption taxes. Only about 400 tins are imported in a year, Sir.

What about the other areas, Sir? Electricity bills will go up. There is Consumption Tax on fuel oil. That will have a negative effect both on individual households and on hotels. Gasoline has gone up as well as busfares.

For the worker, this Budget raises serious implications. The Governor of the Central Bank last week called for wage restraint. The Prime Minister previously announced that Government had no plan for wage restraint or wage freeze. And a few months ago, the leaders of the unions were encouraging the workers to be more concerned with conditions of service rather than making demands for money. I do not know that you can carry a condition of service to J. B's Mastermart or Big B, or any of the supermarkets in Barbados, and I was amazed that the honourable Member for Christ Church East Central (Mr. R. L. Morris) spoke in here Friday night and never in his speech told the workers whom he represents how this Budget could impact on them.

Inflation, according to the Economic Report, has gone up, point to point in the last two years, six per cent. For most workers now, there is an additional five per cent added on in surcharge. The consumption taxes, in the view of the Opposition, will be inflationary too, at least three per cent - 14 per cent. I would like to hear what would be the base negotiating point for the workers of this country, because, to break even, and to put them in a situation to cope with the past cost of living and the future cost of living, there can be no question of wage restraint at four per cent or five per cent. You have to go into double digits.

That has implications for Government and its expenditure. Every one per cent is \$3.7 million. If there is a wage settlement in the area of 14 per cent at all, Sir, you can see what we are talking about. We are up to \$44 million and \$45 million added on. The Prime Minister has, apparently, taken that into account, and he promises that if he has to come back and deal with it, he will.

Some weeks ago, I came into this House, and my specific, precise and exact words were that I accused the Government of having a plan to keep civil servants' salaries constant in nominal terms following the expiration of the wage agreement in March 1983. I was abused in Douglas Leopold Phillips by the author whose face is familiar to me. He called me reckless, minister of propaganda and rumours. 4.40 p.m.

Sir, the Prime Minister of Barbados met with the IMF between October 21 and November 9, 1987. I have the report, Sir. I can make this a document of the House. And this is what the IMF said at page 11, Sir, listen to the words carefully:

"The authorities did riot"

"authorities" in this report in the Government:

"The authorities did not rule out a devaluation if the pursuit of restrained wage and fiscal policies turned out to be insufficient to bring about the improvement sought in the external sector. But they looked upon devaluation as an instrument of last resort. The authorities recognise that their strategy assigned a critical role for wage policy for attaining a satisfactory degree of external competitiveness."

Listen now, Sir:

"In this context, the Government, as the largest employer, intended to hold public servants pay constant in nominal terms, following expiration of the present wage agreement in April 1988, in order to give a signal to the private sector."

I am on page 15, Sir. Those sentiments are repeated now in the staff's appraisal:

"It is important in this context that the authorities adhere to their plan....."

I did not use the word plan. They said it!

".....to hold civil servants' pay constant following the expiration of the present wage agreement in April 1988 as a means of setting the stage for general wage restraint."

Now we will see who is lying!

We have been disappointed on this side, Sir, that the responses of members of the Government and the governing party to this Budget have been particularly disappointing. The Minister of Health on Friday night, illustrated and demonstrated to this country quite clearly that he has been too wrapped up recently with the problems at the Psychiatric Hospital, and he ranted and raged. I am not going to say like anybody, but he ranted and raged.

The honourable Member for St. John (Mr. D. J. H. Thompson) admitted that he had difficulty in fitting into Mr. Barrow's shoes.

Mr. SPEAKER: One minute more. Mr.

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

The honourable Member for St. John came across in the fullest possible proof of the description assigned to him by the late Tom Adams "raw, caustic, hostile," and, I will add, empty!

Sir, this Budget involves matters of political morality and credibility. This Government, the Party of the DLP, deceived the people, misled the Caribbean, and even an international organisation. But more particularly, there are implications when we toss and turn as politicians on matters of policy. When we do that, we, ourselves, engender and expand that element of public cynicism that there is out there that holds no respect for politicians. We have brought it on ourselves, because we would not tell them the truth and the facts. It is a serious matter that has to be addressed in the political culture now and in the future. That is why I was particularly heartened by the principled stance and the courage shown by the honourable Member for St. George South (Mr. R.P. Byer) today, because I thought that, perhaps, standards had gone once and for all. He has given me some faith, Sir.

I wish to tell the Prime Minister, Sir, that he wanted \$48 million, but he is taking \$110 million. We are going to follow the Accountant General's Report, and if there is an over-collection and over-taxation of the people of this country, we will be asking him, well in advance of the Budget next year, to return the money that he has over collected back to the people.

I can only end, Sir, by saying that the people of this country are tired of this jive. The Dems must fall in the fight!

I am obliged to you, Sir.

Applause.

Mr. C. L. TROTMAN (St. Michael Central): Mr. Speaker, I have a confession to make. I do not like paying tax, but I suppose, Sir, that nobody that I know likes to pay tax. I, therefore, take the position that if I can be shown what tax I have to pay, and if, furthermore, I can be shown a justifiable reason for paying that tax, I am prepared to be satisfied. I do not say happy, Sir, I say satisfied.

The 1988 Budgetary Proposals lived up, in my view, to expectations. They evoked tremendous public comment, some very pertinent, some not quite so pertinent or objective. I think, Sir, that there are certain areas of concern that should address the mind. Among those areas of concern I would wish to suggest that the following will obtain.

1. Are the levels of tax burdensome?
2. On whom does the burden fall, if there is a burden?
3. What are the benefits to be derived, or, put in other words, what is the justification?
4. What are the alternatives?

Before I deal with these issues, Sir, I would like to address certain submissions which I heard made earlier, and in which I would have a particular interest. I wish, first of all, to suggest that there is no drift in the party from its philosophical moorings, if, indeed, there may be a need, from time to time, to have corrective measures via a set of Budgetary Proposals. A Budget may be perceived as being a fiscal corrective measure which, from time to time, may occasion reviews of the pace of the implementation of a particular party's policy position. In that sense, therefore, the Budget may present a watershed. But I would not wish to associate myself with the language of the honourable Member for St. Thomas (Mr. D. A. C. Simmons), who attributes deception, lies and propaganda to the Democratic Labour Party.

Perhaps, there is a place for deception. Perhaps, there is a place for lies. I should like to think, Sir, that if he takes issue with positions which have been adopted in the Budgetary Proposals of the Democratic Labour Party, he would have the good grace to refer to those differences in position in language which would suggest a difference in opinion rather than in such pejorative terms as deception and lies.

It is not our view that honourable Members in this institution indulge either in deception or in the telling of lies. But then I might be mistaken, Sir, and I would prefer to bow to the superior experience in years of the Member for St. Thomas, who, perhaps, if lies obtain, would have gained more in that department than I have done. 4.50 p.m.

Mr. D. A. C. SIMMONS: Mr. Speaker, on a point of order: I object most strenuously to that, Sir! He has singled me out with a clear implication.

Aside.

Mr. D. A. C. SIMMONS: Who?

(*Aside:* Hon. M. A. KING: You said that about the Prime Minister.)

Mr. D. A. C. SIMMONS: The Democratic Labour Party, I said, Sir.

Mr. SPEAKER: Yes, but you also said the Prime Minister.

Mr. D. A. C. SIMMONS: He is an accessory

Mr. SPEAKER: You have made that connection.

Mr. D. A. C. SIMMONS:..... to the DLP policy. Yes, Sir.

Mr. SPEAKER: I allow it to pass.

Mr. C. L. TROTMAN: I believe I may continue, Sir, and I hope that I will get back the minute that has been taken.

I am obliged to the honourable Member for St. Thomas for making reference to certain comments attributed to the Governor of the Central Bank regarding the matter of wage restraint. I think, Sir, that when persons hold lofty office, as indeed that is a lofty office, and when they have in recent times assumed such lofty office, it would be in everybody's better interest if they did not seek to use the same shoes, however destructive those shoes may have become, and however distorted they may have been, but instead, try "to tread their own paths and use their own shoes. It would seem to me that persons of that ilk would do much better if they had used the occasion of a recent assumption of public office to endeavour to meet the social partners and those people who impact on the economy in a meaningful manner, and discuss with them their position as to where their views lie in matters of public policy, and certainly in matters of wage restraint, rather than taking pot-shots

from the dark at reputable senior and reasonable institutions, like the trade unions in Barbados have been, particularly the Barbados Workers Union, but, generally, the trade unions in Barbados.

I would not wish to say much more regarding that, because I do not think that our institutions need to be governed by swipes and snide remarks made from a distance by such institutions. We need, instead, to say that such institutions are able to use the occasion of their office to endeavour to get the social partners together. In that regard, Sir, I am pleased to know that the Prime Minister is concerned with meeting the social partners and the interest groups in Barbados, with a view, on an on-going basis, to have discussions regarding the economy of the country looked at, examined, and resolved to the advantage of all people.

I think, Sir, that, many years ago, when the General-Secretary of the Barbados Workers Union suggested a National Economics Council, that was a step in the right direction. Regrettably, the previous Administration of the Democratic Labour Party did not implement it. Equally regrettably, the Administration of the Barbados Labour Party, when it did implement it, sought to use it as a rubber stamp to bring through the back door those economic policies which could not normally be brought through the front door. Because there was objection by both the trade unions and the employers, the Economic Council had only one meeting, and that must have been the shortest life of any reasonable institution in our country.

I would like the current Prime Minister to recognise the benefits to be derived from such an institution and to endeavour to give new life to that organisation, having it meet at regular intervals and having it play the pivotal role which it can do in matters relating not only to the employers of the country, but the large masses of employees as well.

Sir, a quick word on the negotiating position which trade unions would need to adopt. I am very obliged to the Member for St. Thomas for using the experience which, from my recollection in meeting with him, he gained over two and a half hours of negotiations with my humble self to deal in the matter of wages negotiations, one set of negotiations with CBC, Sir, to advise us how we should look at the matter of negotiations when it comes to the public sector.

It is true, Sir, that the cost of Irving has gone up by six per cent over the last two years. It is also true that there is a surcharge of five per cent. But it is not true that that surcharge applies to everybody who is going to be covered by these negotiations. The negotiations are going to cover 22 000 public servants, and I

venture to say that about 14000 of those public servants, are not going in any way to be touched by the surcharge. I believe that the honourable Member for St. Thomas would be the first to admit that he made a slight error in that regard, and would wish, if it were possible, to recognise that he did have an oversight in that direction.

He may very well be right, Sir, in assuming a three per cent inflation rate resulting from the Consumption Tax. But that is a matter which I would wish to look at a little more fully, because it would be my view that the Government would have to be particularly careful to watch the impact of the consumption taxes to ensure that they do not rise by much more than the one per cent anticipated by the Prime Minister.

Sir, I go now to the questions I raised earlier. The first question, Sir - is the level of taxation burdensome? I say unequivocally that, in my estimation, of course, the level of taxation is burdensome. Any measure which reduces the level of disposable income to anybody represents a burden, and it would be silly to say otherwise.

But the use of the words "burden" and "burdensome", in my view, has to be seen as being relative. What I have endeavoured to do, therefore, rather than using a lot of words, is to look at the relative burden by submitting a chart which shows the earning levels of various income earners in Barbados in April, 1986, July, 1986, and resulting from the April 1988 Budget. In the interest of saving time, I have endeavoured to look at earnings at the level of \$12000 per year, \$15600 per year, \$24 000 per year, \$30 000 per year, and \$40 000 per year.

Taking those figures, Sir, the 1986 April Budget made persons at \$12000 per year pay \$47 per month in tax, or \$11 per week. In July 1986, those persons were removed from the tax net, and, therefore, had a saving of \$47 per month. They did not have to pay any tax. As a result, Sir, of the 1988 Budget, those same persons do not have a surcharge and, therefore, are still, in terms of direct Income Tax, in a net position of \$47 over 1986.

I would have to concede that there have been certain National Insurance increases which one would have to take into consideration.

A person at \$15 600 per annum in April, 1986, had to pay a monthly tax of \$176. As a result of the July 1986 Budget, those persons were called on to pay \$10 per month, or a savings of \$166. As a result of the 1988 Budget, they now are saddled with a surcharge of \$2.50 per month. While my mathematics have never been too good, Sir, that is \$10 plus \$2.50 per month from the savings of \$176 per month, and it seems to me that that

would represent a significant savings of \$163.50 per month.

The person who works for \$2 000 per month, or \$24000 per year, had to pay a tax in April, 1986, of \$369, I am assuming, Sir, that the same tax benefits apply to the same number of children, the same number of insurance premiums, mortgage interest and so on. So that the figures I am using would apply based on that criteria. Some \$369 per month is what we have worked out would be payable to one such person who has two children and who is paying the same amount of insurance premium, mortgage interest, medical expenses and so on as the others I shall refer to. 5.00 p.m.

As a result, Sir, of the July 1986 Budget, that person was then called on to pay \$ 150 in Income Tax per month, a saving of \$219 per month. The surcharge of the April, 1988 Budget now makes that person pay an additional \$37.50 per month. But that still gives the person an overall total of \$181.50 in savings over the position of April, 1986.

The person who is working for \$30 000 a year, that is \$2500 per month, in April, 1986 had to pay \$610 in tax. As a result of the July, 1986 Budget, the person paid \$223 in tax, which represented a savings of \$387. Come April 1988, the surcharge is \$62.50, and the person still has a savings over 1986 April of \$324.50.

A person at \$40 000 per year, or \$3 333 per month, paid \$896 in tax in April 1986. As a result of the July, 1986 Budget, the person's tax was brought down to \$514 — a different tax band as you will recognise, Sir — a savings of \$382. That person now has to pay a surcharge of \$104, for a savings of \$278 over the position of April 1986.

Of course taxes are burdensome, Sir, but when one examines the position, even with the surcharge of five per cent, against the position in April, 1986, there is not a single area where the person is not in a less burdensome position than that person was in before the Budget of July 1986. In fact, when the Barbados Labour Party imposed its levels of burdens on the people of Barbados, they were in more burdensome positions than they have been any time since then. Even if we were to add to those the National Insurance payments that are required since last year, the positions would still be much more advantageous for the workers at all levels, not forgetting, of course, that one of the fundamental differences between the approach of the Barbados Labour Party and the approach of the Democratic Labour Party to taxation has been that the Barbados Labour Party has taken the position that although it gave a tax threshold, the moment you went beyond that tax threshold, you

then had to pay tax on everything, whereas the Democratic Labour Party has taken the position that the tax threshold should be 50 per cent more, \$10 000 to \$15 000 per year, but then you will never have to pay on that \$15 000 threshold, it becomes a tax savings to you, so whatever there is imposed in the form of a tax, that money is saved to the worker.

I make bold to say, Sir, that for more than 70 per cent of the working people in Barbados, this surcharge will not apply in any case. So when we get up inside this place, or we jump up anywhere else, and we try to impress the people that we are talking about their interest, let us do it from a position of truth and sincerity. Let us let the people understand that there are very few of the masses of people, whom I have the honour to represent on a daily basis, who are touched by this surcharge. If we are looking for areas of taxation, therefore, let us look at other areas of taxation.

I say there is burden. Sir, and I am not going to pretend that there is no burden, because I am still of the view that any time a tax is imposed, there are people who are going to be hurt by that tax. Therefore, I believe in the precept that we have to concern ourselves with the greatest good for the greatest numbers.

Having said so, Sir, I still want to share a concern expressed before now regarding an area, which I consider to be a delicate area within the Budget, relating to part of the structure of our economic progress. I refer particularly to the construction industry. I believe that the construction industry has made tremendous strides, and it has been my pleasure to notice that construction activity has not been reserved for large buildings or for public institutions, but has extended itself to the villages and even to remodelling of chattel houses, with people adding facilities for dining rooms, toilets and baths, and that kind of thing. In short, I am satisfied that we have been able, whether by the trickle down theory that the economists like to talk about, or whatever else has been the reason, to find the poor people managing to improve the quality of their housing as a direct consequence of the money that has been made available through various lending agencies.

My suggestion, Sir, in that regard, is that consistent with the concessions given in areas of construction in 1987, the Minister should adjust the Consumption Tax as it relates to the component parts for construction. In short, construction should not be made part of the imposition of the increase in Consumption Tax, because I share the view that there are several people who have budgeted, down to the last \$10 or the last \$20, for improvement in their housing, and if the construction of their homes is changed by the increase in price of materials, I would think that they may have a particular hardship, and in the interest of protecting those same

engines of economic growth that we have recognised as giving impetus to the development of the country, we might want to review that aspect of the Budget.

My second question, Sir, on whom does that burden fall? I believe I partially addressed that a moment or two ago, when I referred to the 70 per cent of the masses of people who are not within the net of the surcharge. However, the indirect clement has to be monitored very carefully by the Government so that the masses are not disadvantaged unduly by the Consumption Tax.

In the area of the increases in bus fares, I am told by many that the current practice of many commuters who use the public transport system is that they place a silver dollar in the fare boxes now anyhow. But that is not the only basis on which I should have us look at the dollar in bus fares.

A bus fare of \$1.00 cannot in 1988 in Barbados be considered unreasonable. I regret that I do not have enough time to develop that, but I think that if we are being governed by honesty and by a sense of objectivity, we could not in any rational way suggest that a bus fare of \$1.00 in Barbados is burdensome or is unreasonable. 5.10 p.m.

I hope that the Minister of Transport may be able to address very soon the staggering of bus fares. I think that we need to address this. I think we need to examine, Mr. Speaker, the whole business of a dollar fare from Speightstown to Silver Sands, and we have to address that in comparison to the same dollar from Bridgetown to the Garrison.

Asides.

Mr. C. L. TROTMAN: I am awfully sorry that I used St. Peter as an example, Sir, I could have said from Bathsheba where I grew up. The whole point I am making, Sir, is that one has to examine it, because there needs at some stage or another to be an examination of exactly what we are doing when we have a national bus fare.

The second thing we have to address, Sir, is the rationalisation of the route structure. An increase in bus fares from 75 cents to one dollar will not bring any revenues to the Government if there is a continuation of the present system where both bus systems are allowed to operate in duplication one of the other. I am sure that the Minister would want to be looking at this matter of duplication to ensure that whatever revenues there might be accruable from this arrangement, might be to the advantage of the system, to the advantage of all of us and not merely to the advantage of the unofficial system.

I noted, Sir, that the Minister of Finance did make some offer, it must be considered to be a token offer, to old age pensioners. I would like to suggest again that when the current negotiations with the Barbados Workers Union, and, indeed, with the other trade unions, are completed, the Government seriously examine adopting a position by which it endeavours to place in a one-time, up-front offer the percentage increase that is agreed to at the bottom of the scale for people like maids and labourers, and to apply that to old age pensioners this time around, so that we might be able to get them in a position which equates to the movement in the cost of living and what would be considered to be a reasonable position at that level for pensioners.

At the level of the indigent, that is to say, not necessarily the old, but the indigent, there should also be consideration for an increase to these persons, but the Ministry of Welfare should move to establish a basis by which to arrive at the grant for this category of persons, since it is clear that if \$8 a week is being paid to the indigent for a child, that cannot buy much more than a can of milk and, perhaps, a few packages of locally-produced biscuits.

And so, I sum up very clearly, Sir, is there a justification and what are the alternatives? As I understand it, a Budget is intended to remove a gap or to narrow a gap between expenditure and revenue. If there is not such a closing of the gap, especially in a situation where Government pays about 54 per cent or 50 per cent of Government revenues to approximately 22 000 public servants, my understanding and my analysis is that it could be closed in one or two ways — we can either decide to touch jobs, or we can decide to touch supplies. But are we going to cut back in our debt service? Are we going to cut back in our supplies to our hospitals? Are we going to cut back in our supplies to the School Meals programme? Or to our day nurseries? If we cannot do that, are we going to cut back in jobs?

My understanding, Sir, is that we would be talking up to 1 600 jobs that we might need to cut back. I would love to see more people employed, because as I understand it, when we are talking about cutting back jobs, we are going to have a difficulty. Are we going to cut back at the university, where the economists are? Of course, Sir, they are people who could have other jobs. They are marketable. It is also true Sir, that they are not going to have very large families. Or are we going to cut back in doctors?

I hope, Sir, that we will not be talking about labourers and general workers that we have to cut back, because it is still true that labourers and general workers are in that position which makes the philosopher's words regrettably true, that the rich will get richer and the poor

get children. I say, Sir, that if we want enlightened self-interest to take over, let us do whatever we can to preserve jobs to ensure that we recognise that poverty anywhere is still a threat to prosperity everywhere.

I am obliged to you, Sir.

SUSPENSION OF SITTING

Hon. P. M. GREAVES: Mr. Speaker, I beg to move that this sitting be suspended for 15 minutes.

Hon. M. A. KING: I beg to second that.

The question that the sitting be suspended for 15 minutes was put and resolved in the affirmative without division, and Mr. SPEAKER suspended the sitting accordingly. 5.20 p.m.

ON RESUMPTION Mr.

SPEAKER: This sitting is resumed.

Dr. R. C. HAYNES (St. Michael South Central): Mr. Speaker, eight years ago, I sat in this House like the boy on the burning deck when all but he had fled in defence of the policies of the Democratic Labour Party, when others were running behind the coat-tails of Tom Adams to get a job, or were obsessed with the need to oppose the policies of the Democratic Labour Party to enhance their own personal remuneration. Today, Mr. Speaker, I stand in this House honour-bound to defend the policies of this Democratic Labour Party, supported by the people of this country, and which has been an outstanding success to date.

I will choose, Sir, to ignore the provocative pejorative language directed towards me in a national Budget which is telescoped internationally. I would prefer to follow the standards of conduct of my illustrious predecessors in the office of Minister of Finance. The people of this country will make their judgement on matters of propriety and appropriateness, and I do not need to urge them in that direction.

I want, first of all, to deal with this question of neo-conservative, supply economics, the term, by innuendo, applied to the policies of the Democratic Labour Party and overwhelmingly approved by the people of this country.

That policy, Mr. Speaker, had its origin on the floor of this House when the former Leader of the Democratic Labour Party the late Errol Walton Barrow, indicated that it was a policy of the party to exempt all persons with taxable incomes of \$12000 or less from Income Tax, at a cost of \$35 million to the Treasury. That was

some time in 1984. That policy was further refined in such a manner that the overall productive sections of the economy could benefit from the reduction, and that all people in Barbados would benefit from the tax reduction and the introduction of the concepts of social equity into our tax system.

It was in October, 1985, that we held meetings twice a week at his home, "Kampala", culminating in daily meetings between February and the first week of April, when we held consultations with all groups in this society — economists, accountants, actuaries — whoever could contribute and whom he trusted. He chaired all those meetings, so, therefore, when that pejorative term is used, it applies to all of us, for another reason, Mr. Speaker.

The Budget of the Barbados Labour Party in 1986 was a tax relief Budget responding to the same problem of overtaxation in Barbados. Therefore, the only conclusion that I can come to is that all 28 of us elected to this House since May 1986 — and I say 28, because I think the honourable Member for St. John (Mr. D. J. H. Thompson) is also included — are all supply-siders. The 100000 people who voted for us they are all supply-siders and, therefore, the insult applies to one and all.

I believe that I understand something about taxation in Barbados, and I understand what has happened in terms of this Budget. I think the people of Barbados must know and I want to say up front, without pulling any punches, that this Budget is a betrayal of the manifesto pledges of the Democratic Labour Party. It is a repudiation of the commitment of the people of this country. It is an act of punishment of all those income earners invited to participate in the process of national reconstruction. It is a fracture of the one remaining link between the Government and the people of Barbados. It is a breach of the social contract between Government, labour and the private sector. And it is, in fact, an example of the destruction by the blunt instrument of fiscal excesses of a programme in its embryonic stages, in a manner which may be described as a back street abortion when we note the lack of professional precision in the analysis.

That programme, Mr. Speaker, generated in this country economic growth of 7.3 per cent, reversing the negative trends in this society over a period of five years. That growth was balanced and export-led, the legitimate objective of all types of economic activity in an open economy.

All sectors of this economy benefitted from those proposals, with the exception of oil and sugar, which we deliberately reduced to enhance the financial integrity of those two sectors. The area of export manufacturing is not susceptible to this kind of fiscal stimulation, and

we allowed those measures introduced by the previous Administration, addressing the problems of market development, to take effect and have full effect during this two-year period.

Another aspect of a, and this is critical for the export manufacturing, is investment. Investment and market development are the only two dimensions that can rescue the export manufacturing sector of Barbados, because, Sir, the other variable of local production cost may be somewhat within our control, but external prices are beyond any sort of measure that can be taken in Barbados.

Other successes of the Budget, Mr. Speaker, resulted in the lowest rates of inflation, combined with growth, seen in this country since the 1960s, the highest levels of national incomes, and the highest levels of commercial bank savings. Wages during this period, for the first time for a long time, rose faster than prices, meaning that the vast body of workers in Barbados derived substantial benefits from those proposals.

Our balance of payments, which these draconian fiscal measures p. upon to address, were in suipits both in 1985 and 1986. Our foreign reserves fell by the small amounts of \$8 million in 1986 and \$7 million in 1987, reflecting heavy debt service payments rather than any chronic problems in our foreign exchange position.

The deficit in the Current Account of the balance of payments, Mr. Speaker, was a nitre SI 1 million in 1986 and \$13 million in 1987. That means, in summary, that in terms of the foreign exchange we earned, and the forc.'gn exchange that we spent to provide the goods and services of this country, the shortfall was a mere \$24 million in two years.

It means that every single cent that we borrowed went to debt service. In fact, the private sector of this country effectively financed the totai capital development of Government's programme in that period.

The job losses were stopped and some 6 200 net jobs were created during that period.

That report is contained in the two Economic Reports laid in this House for 1986 and 1987, neither one prepared by me, the two Central Bank Reports, the Budget that I laid in this Parliament a year ago, and the Budget laid in this Parliament on Thursday, which painted a glowing picture of the performance of the economy. Then, suddenly, a massive hiatus — and then taxation!

The people of Barbados must ask why? What has "happened in Barbados between the end of December 1987, which those reports addressed, and the Budget addresses, and last May? That is the question. What

serious imbalances have developed in four months, at a time when the tourist industry was doing reasonably well, when the sugar crop was on, and when construction was going? I tell you, Mr. Speaker, nothing has happened! 5.45 p.m.

I will tell you what has happened. The honourable Member for St. Peter (Mr. O. S. Arthur) is no genius, he may be bright. He was able to come in here and speak off the cuff for almost three and a half hours on a Budget. I will tell you why. The measures contained in this Budget were the same measures handed by the same people to Tom Adams, handed to him, handed to me, and handed to Errol Barrow. They were totally rejected. We all know what these measures were, and, in summary, what they add up to - protect your balance of payments by chopping income, and pushing prices up, irrespective of the social and economic destruction that happens to the country. That is, in essence what this Budget is all about.

Every Minister of Finance is faced with a most peculiar problem at the beginning of every financial year. There are local experts who see their destinies more with future development with the international agencies around the world, and they come with outrageous projections. And unless you know what you are doing, they will frighten you out of your wits.

In 1986, for example, Mr. Speaker, I was presented with a situation projecting a foreign reserve loss of \$60 million that turned out to be \$8 million. In 1987, I was presented with a forecast of a reserve loss of \$85 million that turned out to be \$7 million.

In each year, I was told we were facing a balance of payments crisis. In 1986, we had a balance of payments surplus of \$6 million, and in 1987, last year, a balance of payments surplus of \$33 million, the second highest since 1980, and the fourth highest since 1970.

Are we to put up with \$110 million in taxes to address a non-existent problem?

Those who do not believe that there is a fundamental reversal of policy, let me tell you that there are fundamental economic indices which can determine whether that has taken place. I have done all my calculations and I have had them rechecked, and there can be no doubt that the final index, namely, the tax effort, which is the amount of taxes in relation to the Gross Domestic Product — that is what determines a whole lot of variables in relation to taxation — the tax effort arising from this Budget will be greater than that arising from the Budget of the Barbados Labour Party in 1986.

If that is not a fundamental reversal of policy, what is? We must understand what we are talking about. There is no point picking out one tax here and one tax there and saying it is less. It is the overall impact of taxation that makes an impact on growth and other factors within • the society.

Taxation will not have any effect on the balance of payments of this country unless it is unreasonably low, or expenditure unreasonably high, because the fundamental problem in our balance of payments is structural, largely due to the CMCF debt. It is about time that some politician on the other side, it is not for me to do it, say who was responsible for that debt.

I do not see why the Minister of Finance should continue to take responsibilities for such fundamental and continuing deficits in the external position of this country, when, not civil servants at that time, persons employed elsewhere have been fundamentally responsible for it. Much of the debt that this country is involved in has been created by the negligence of those persons.

Let us be clear. The factors that operate in the balance of payments of Barbados will largely be a problem of debt service, borrowings. None of those things will be influenced by taxation. You cannot pay back a Japanese loan, a Eurodollar loan, or a sterling loan in Barbados dollars. You could raise a billion dollars in taxes in Barbados and it is not going to help you to pay one cent in relation to those loans. Let us get that record straight.

In looking at the impact of this Budget, Sir, I will deal with this Budget at the macro level only. I have half an hour, and I intend to use it effectively.

Those taxes, Sir, will reduce the purchasing power of this community and increase costs in every area. The purpose of the 1986 July Budget was the exact reverse. This will impact on every growth area in this society, whether it be tourism or construction, but particularly in domestic manufacturing, which last year benefitted from the fact that there was a 13 per cent increase in consumption in Barbados, but seven per cent of that was spent on locally-produced items, generating, in its train, 1 000 jobs.

How do you chop purchasing power, chop imports, and at the same time not ruin your domestic manufacturing as well, and the people employed in that sector? That is why I am saying that it is a blunt fiscal instrument that cannot be used in a developing society. Fiscal excess cannot be used. All previous Administrations in Barbados have been careful to use a delicate balance of monetary and fiscal policies in addressing these matters. For the first time in the history of Barbados, we now have a situation here where massive taxation is used to correct

a perceived balance of payments problem that might not materialise, irrespective of the damage that it would do this entire society which we have fought so hard and so long to turn around, with spectacular results.

I need not say that there will be a substantial reduction in employment opportunities. There must be. You cannot levy \$ 110 million on the productive sectors and individuals in Barbados, give concessions purporting to be \$55 million, which operate in a narrow sector of the economy, namely, the manufacturing sector, less than nine per cent of the economy, whereas the \$110 million affects the entire economy, and not recognise that what you have to bear in mind is the impact of the \$110 million on the overall society.

What they will also do, Sir, unless they are removed as rapidly as possible, is reverse the process of new investment taking place in Barbados. Nineteen eighty-five, Gross Capital Formation in Barbados, -0.6 per cent, I think the figure was, rising to around ten per cent in 1986 and 1987. And now this blow to the investment process!

How are you going to get jobs without new investment? How are the companies in Barbados, how are individuals, going to continue to expand? How are we going to face those people who believed us, those people in the lower middle classes who went out there and contracted mortgages, maybe have houses going up, who are marginal? Now, what can we tell them?

I can only apologise to them on behalf of the Democratic Labour Party, because I think that this taxation is totally unnecessary at that kind of level. Indeed, Sir, those surcharges on personal and corporate incomes, as I said, would affect the lower and middle income groups, and, in particular, the smaller companies in this country.

This party committed itself, as the previous Administration did, to introducing as soon as possible a graduated Income Tax to provide a special corporate tax regime for small companies in Barbados, bearing in mind the particular difficulties that they have. Now, instead of doing that, or at least postponing it for a year, because I found a committee in office working on it, under, I think it is, Mr. Phillips - he reported to me, the report is there — you have a surcharge on small companies in this country. This is not going to hurt the big companies this is going to hurt all the small companies in Barbados, and it is quite unnecessary.

Another fundamental error in this Budget is the application of the principle of reducing incomes in Barbados to influence imports into this country, to effect a reduction in imports. It is a total untruth - and I hear it repeated by certain technocrats in certain parts of the para-Government apparatus - to say that imports in this country increased since 1985. In fact, they decreased by \$186 million. What has happened is that last year, as

stated in the Budget, there was a six per cent increase in the dollar value of imports into Barbados.

Mr. Speaker, the US dollar has been devalued against other currencies. A six per cent increase in imports might well represent no increase in the volume of imports, at all, into Barbados for consumption. You had a 13.9 per cent increase in tourism last year. What are you going to feed the tourists on? Intermediate goods? Are you going to feed them on machinery? Surely you expect some kind of increase in consumer items if you have that kind of expansion. So to put on a surcharge so as to cut people's incomes to deal with a wrongly diagnosed problem is another major problem that I faced in dealing with this particular Budget. 5.55 p.m.

I already mentioned the balance of payments. There is no evidence presented to this House to support the argument about the balance of payments, and I would not be interested in any evidence based on the forecast of people that have been proved wrong since 1981, in each successive year. Their forecasts are always marooned, and at the end of the year, they are wrong, and they can lead you into these kinds of policies. And when they do not succeed, they go to the IDB, they go to the World Bank. Because remember, they leak all the IDB and the World Bank reports in Barbados, or if the Budget comes late, they may even leak a Central Bank Report to the Opposition.

Laughter.

Dr. R. C. HAYNES: Mr. Speaker, these taxes purport to address a Current Account deficit, that is the Current Account in the balance of payments. I said before that the Current Account of the balance of payments was \$13 million last year. We have had Current Account deficits in our balance of payments of up to \$248 million in the past. They were addressed by the application of a few levies, prior to 1985, to \$84 million, and in the following year, it turned into a surplus situation. It has never attracted taxation of this order, and I must say that it is a fundamentally wrong concept, rejected by the people whom the people of Barbados elected, but embraced by a few - a few professionals - and, unfortunately, for the first time, it is finding expression in a Budget on the floor of this House.

Let us look at the next point addressed by these taxes - fiscal imbalances. We have a situation where in the Budget it will say that we had \$724 million in revenue last year, and there was never any reduction in revenue in Barbados consequential on the tax measures.

Sir, there is \$724 million. There is a special item in the Estimates of \$24 million this year, consequential on a drastic reduction in refunds. That makes it \$748

million. These taxes, in fact, address a revenue position for 1988-89 of \$753 million. Are you going to tell me, Sir, that all the taxes in Barbados would not increase by more than \$5 million? Or that the natural increase in taxes in 1988-89 after last year's Budget, many of whose measures will run this year for the first time for a full year, and will have the benefit of a total reduction for replacement of inventory this year in respect of the indirect taxes, will be less than the increase in the year in which we slashed Income Tax and all other taxes in Barbados?

I am saying that that was deliberately underesti- this country mated by certain professionals in the Government into this heavy estimate of revenue should not than that the \$775 million, which would mean Government is really facing a Current Account deficit of \$28 million. I will put my neck on the block that

After all, I have had the opportunity to be Minister of Finance of this country, and to serve this country as shadow Minister of Finance for almost ten years, and if it is one thing I know, it is the movement of Income Tax. I challenge any member of the Opposition to get up and deny that \$775 million is not a most conservative and reasonable estimate.

Mr. Speaker, this Budget raises serious problems, for me at a personal level, and certainly for the Democratic Labour Party at the moral, political, and economic levels. It is a question of political morality that is at stake in this debate.

From a technical point of view, Sir, it embraces principles which are inconsistent with the objectives of growth and development, and enhancing the welfare of our society. It embraces an approach to fiscal policy which is outrageous, has been applied by the International Monetary Fund with serious consequences in many developing countries. It is important to understand that that is at the crux of the Budget, the application of ruthless, draconian fiscal measures to correct non-existent balance of payments problem, or if you had a balance of payments problem, it was not corrigible by those means.

But, Mr. Speaker, the Democratic Labour Party can take some comfort that the workers in the construction industry, tourism, the local manufacturing sector, and in sugar and non-sugar agriculture, the pensioners in this country, the Government workers, home owners, self-employed, artisans and professionals, people in the transport sector, whether it be minibus operators or taxi drivers — in fact, workers and employers throughout this society — we can take comfort in the fact that

consequential on the measures which we introduced in July 1986, this entire society has benefitted. I think that each and everyone of us in the Democratic Labour Party has a duty to make sure that the conscience and integrity of this party is maintained. It must not be fractured by persons who do not understand what the Democratic Labour Party is all about.

Mr. SPEAKER: One minute more.

Dr. R. C. HAYNES: We are faced with a situation now of having a national embarrassment, by bringing a Budget in here prepared by persons who have no social conscience. The language is clear and recognisable. The measures have been rejected by successive Ministers of Finance in this country. The approach has been rejected by all of us. And now we are asked to vote for this.

Mr. Speaker, I cannot, and will not, support it. These taxes are punitive, misdirected, and not in the best interest of this country. I will not be party to this act of betrayal of the confidence of the electorate of Barbados.

I will continue to support those policies endorsed by the people of Barbados, and which constitute the core of the Democratic Labour Party policies. Indeed, Sir, I believe that I have a duty to respect the wishes of my constituents and the wishes of the people of Barbados.

I thank you for your patience, Mr. Speaker.

Hon. Dr. D. G. BLACKMAN (St. Michael East): Mr. Speaker, the debate on this Budget has saddened me immensely, because when I fled from machiavellianism, treachery, backstabbing, undermining and all of the" other kind of inhuman activities that pass for political in-fighting within the Barbados Labour Party and came into the Democratic Labour Party, I thought that I would have enjoyed an oasis of peace. 6.05 p.m.

It is regrettable that in this party differences of outlook, which I do not believe to be as yawning as the respective protagonists, understandably actuated by emotionalism, have been inclined to portray them have been exposed like this. I would have preferred to remain silent, but I believe that I have a duty to the people of St. Michael East, in particular, and the people of Barbados, in general, to say what my views are. They are not my comprehensive views, but I will summarise what my views are.

One of the fundamental errors made by the Democratic Labour Party, the whole area of Government, when they acceded to office in 1986, was to remain silent about what they saw there. Indeed, there were even civil servants within the financial departments of this country urging Ministers to remain silent, to refrain from any

animadversions of the previous regime, on the ground that it would hurt Barbados in international financial markets, as if the people who operate in international financial markets cannot read and interpret reports in Barbados without assistance or editorialising from anybody. That is why the Barbados Labour Party has been able to use a methodology which has always fascinated me, more for its weaknesses than anything else, and has been able to present a picture as if there was no past before May 28, 1986.

The fact of the matter is that the efforts of the Barbados Labour Party between 1981 and 1986 in the area of generating employment were an abysmal failure. The statistics reveal that between 1981 and 1986, unemployment in this country almost doubled, moving from 10.9 per cent in 1981 to over 19 per cent by the time the perpetrators of this incompetence had been unceremoniously kicked out.

The Barbados Labour Party, by its own admission, felt that it had overtaxed the people of this country, that it was absolutely necessary, if Barbados would develop, to have export-led growth. The gurus in economics within the Barbados Labour Party have for years been repeating the necessity to have export-led growth as an engine of development.

Since exporting is not done by the public sector, but by the private sector, it means creating a tax regime which would provide incentives for the private sector to undertake the export drive that they deemed necessary to accelerate development in Barbados. They never at any time developed a fiscal policy during that five-year period which could achieve this objective, as was manifested

Asides.

Hon. Dr. D. G. BLACKMAN: Laugh as you like! The stark unemployment figures were there, and they were a factor in the crushing defeat in 1986, a defeat which will be repeated in 1991, if I have anything to do with it.

Aside.

Hon. Dr. D. G. BLACKMAN: You are talking to Blackman, you are talking to the Member for St. Michael East. •

So against that background of total failure to generate employment, not to mention the thousand and one other sins committed - I will not go into that now - you had a new Government, and it became crystal clear that tax relief on a massive scale was necessary to get the country moving. That tax relief was granted, and it resulted in a net increase of over 6 000 jobs, and growth

in virtually every sector of the economy. Those are the facts. The reports amply document them.

What has happened, however, is that such expansion that has occurred did not substantially reduce unemployment, only minimally so, but it was an enormous success after a period of inexorable decline for five years, not only to arrest that decline, but to reverse it. But it failed to create a situation where Government's revenues could expand at the same rate as its expenditures.

I am a socialist, everybody knows that I am a socialist, and I believe, consistent with my socialist principles, that if it is necessary to raise money to solve a human problem, as long as the national health of the country is preserved, that money should be raised. The question, therefore, is whether the expenditure that is being raised serves human ends or not. That is the basic issue for me. If the expenditure can be shown to serve human ends, I am not opposed to a principle of taxation based upon the tenet, "from each according to his ability, to each according to his need." That is my credo as a socialist.

I believe that the differences, which, unfortunately, have been expressed here, involve a situation not unlike that of a dialogue of the deaf, where persons are talking past each other. I hope, Mr. Speaker, that emotions and passions subside. When they do, it will be seen that there is no cleavage that cannot be breached, no difference that cannot be reconciled. 6.15 p.m.

I do not want to go into any more details, because I do not wish to pour coals on fire, on an already delicate situation. It is my view that both sides are not without merits, and that one has to examine the differences coldly, and calmly, in a different setting where passions are not roused, where machismo is not involved, and where the issue of defending one's manhood does not arise. It is an unfortunate aspect of this debate that this has been permitted to happen. My own view is that this Government was given a mandate to change the *status quo* and this it did.

There is no Minister of Finance, born of a woman, who can present any Budget in which everything predicted - or rather, prophesied can be surpassed. What we listened to in these debates is mere prophesy, not prediction. Economists make bogus claims for what is essentially an art form to be a science, and this kind of scientific approach leads people into a terrible state of confusion, and I do not understand, given this reality, why persons talk about predicting accurately, or prophesying accurately, or not prophesying accurately. There are too many factors that an economist or Minister of Finance cannot control which can make nonsense of any policy he makes.

There is no doubt that if incentives are given to a group of businessmen, the businessmen can choose to do what the Minister of Finance would like or they could do the contrary. In a mixed economy, in the private sector, where people make decisions on the basis of what they deem to be in their own self-interest, there is no reason whatsoever why anybody should do what a Minister of Finance wants them to do. Therefore, in these circumstances, where prophesying is an art form, it is necessary, and understandable, that adjustments to policies will have to be made from time to time. This seems to me to be a matter of commonsense, and I believe that the Democratic Labour Party should not get itself in a mess taking rigid positions, or taking economists too seriously. The economics profession is in a profound crisis at the moment, has been for the last 15 years or so, as a result of the empirical evidence which has blown apart many of the theories that economists, for many years, considered to be akin to the Holy Writ.

So what we are doing in a Budget is injecting a large dose of psychologism in plans and policies, by taking it for granted on the experience of our experience that human beings would behave in a particular way if you do certain things which they might not do at all. So let us demystify, once and for all, this nonsense about prediction and call it exactly what it is, prophesy, which may be wide of the mark or close to the mark, depending on what other people do.

An issue was raised in the Budget Debate, which is the proposal to put the Transport Levy Fund into the Consolidated Fund. I have spoken to the Prime Minister and Minister of Finance about this, and he has given me the assurance that not one penny collected in the Transport Levy will be spent for purposes other than those related to transport and the roads. In this connection, demonstrating my confidence in the integrity of the promise, I shall indicate to this Honourable House, Mr. Speaker, and the country at large, what the programme for the expenditure of funds from the Transport Levy for the current financial year is.

In relation to the Transport Board, repayment of loans used to purchase buses, \$2.520 million. This relates to buses which were purchased some time ago, I think in 1984. I think this is the final year for which payments for these buses will be made.

The repayment of the BNB loan which was made to the Transport Board - \$1 569 140. This loan of \$13 million was made as a result of the disgraceful practice of the BLP administrators within the Ministry of Transport and Works, who, to conceal deficits, rolled over the debts. This is the accumulated debt during the inglorious and ignominious administration of a person called Vic Johnson.

Down-payment on new buses — \$720 000. New buses are going to be purchased. We could have bought the buses before, but the buses are being purchased with great care, as such expensive rolling stock ought to be. Gone are the days when officials of the Ministry of Transport and the Transport Board would go abroad to bus companies, giggle like adolescent females and say, "That is a pretty bus, I want it." Gone are the days when the taxpayers' money will be spent in that fashion.

There is the construction of a new Speightstown omnibus terminal and associated facilities. That terminal is due to be completed in a couple of months, and the final disbursement will be \$1 million.

Renovations and repairs to the Transport Board at Weymouth, Haggatts, St. Andrew, Mangrove, St. Philip, and the outfitting of office rental in the ICB building - \$1 million.

The construction of new Transport Board headquarters; the consultancy fees and site clearance of that - \$8 million, construction of Transport Board headquarters is 20 years late.

The purchase of communications equipment for the Transport Board - \$50 000.

In case it is needed, a sum is set aside to go towards the subsidy of the Transport Board, which is \$6 875 000. 6.25 p.m.

Workshop, plant and equipment - \$652 000; Patrol Vehicles - \$147 000, Office Equipment - \$69 400.

With respect to road-related works, the construction of the Six Roads Roundabout - half a million dollars; construction and renovation of minibus terminals at Probyn Street and Temple Yard - half a million dollars; sidewalk construction programme at Bank Hall, Pine Road, Wanstead, Husbands, Highway 1 and other projects - \$3 million; tenantry and subsidiary road programmes — \$3 million; highway rehabilitation and resurfacing - \$3 million, the provision of bus shelters — \$250 000; the purchase of a new asphalt paver — \$250 000; the purchase of six compactors — \$150 000; the purchase of four flat bed trucks - \$300 000.

This programme, together with funds voted in the normal MTW budget will include such projects as providing quality roads throughout Barbados. It involves, during this year, barbergreening the entire city of Bridgetown and the parish of St. Michael. In the following year, we will go into Christ Church, St. George and St. James. During the next two years, roads will not be an issue in Barbados anymore, not with this Minister.

We have other plans for the rural areas, but it would be premature to disclose what those revolutionary plans are at the present time.

I support the proposal for increased bus fares, although my estimate of what would be collected is somewhat different from that of the Ministry of Finance. My estimate is that \$4 million will be collected.

I support the increase of bus fares for this reason. For the last three years, the Transport Board has been flying by the seat of its pants, because its collections, more often than not, have been less than is required, or than is necessary to pay the wages of its workers. The Government is, therefore, faced with this position: should we lay off the workers or should we increase the bus fares?

I will never, never, and this is where I broke with the Barbados Labour Party - except it is the very last resort, do anything to deprive any man of his means of livelihood. The bus fares had to go up. I feel that this imposition was relatively slight when one considered the hardship that would have been done to hundreds of Barbadians if Transport Board workers had to be laid off because the revenue was not enough to deal with the problem.

It really takes me about three hours to deal with the Transport Board.

Mr. SPEAKER: You only have one more minute.

Hon. Dr. D. G. BLACKMAN: But in this one minute, I have to say something. As we all know, the problems of the Transport Board are mainly problems relating to revenue. They are cost problems. They will be straightened out by proper management and proper reorganisation.

The problem of revenue, Mr. Speaker, is largely the problem which was created by the Barbados Labour Party when they took the buses off the short-haul routes and put them in the rural areas, and replaced them with minibuses.

They talk about a somersault in policy. In 1976, the Barbados Labour Party was elected on a platform to nationalise the entire bus service in Barbados, and ended up, to this very day, defending the private sector of the public bus service of this country. They went up and down the country — I, along with them — in 1976 — preaching the gospel of complete nationalisation, of which I was in total agreement, and a few years later, because of the venality, greed and licentiousness of a mini-bus lobby that existed in the Cabinet of the Barbados Labour Party, they have done an about-face. It is detestable that a gentleman like the Honourable Leader of the

Opposition could be associated with defending a situation where the taxpayers of this country have had to cough up millions of dollars because a few greedy, dishonest businessmen in the Barbados Labour Party made a killing out of operating the minibuses. If challenged, I will call names, too! If I hear the slightest challenge from over there, I will call the names.

Mr. SPEAKER: Time.

Applause.

Dr. E. A. SIMMONS (St. Michael South East): Mr. Speaker, I rise in support of the Financial Statement and Budgetary Proposals put forward by the Honourable Prime Minister.

I find it very difficult to understand how men and women of learning find it so difficult to accept change. Mr. Speaker, if you are a batsman and you are a good batsman, you adjust your shots to suit the kind of wicket you are batting on. 6.35 p.m.

Those of us in the field of medicine, which I have the honour to practise, know that when you see a patient with a problem, you always come up with a differential diagnosis, which means that you are never too hard-headed to think that the first diagnosis you make must always be right. You must always keep your options open. If you do not keep your options open, as a scientist, you will run into problems. And I agree with what the honourable Member for St. Michael East (Dr. D. G. Blackmail) has said, Economics is not a science, it is an art. Therefore, one has to be very careful how one applies scientific theory to an art. Otherwise, one will always fall into problems.

But, Mr. Speaker, I think one of the things that we have to be very sure about is that in this country of ours we create a climate of confidence, because no matter what kind of Budget you have, if there is not a climate of confidence within the society, no Budget will prosper. I will give an example. In the United States last year, the stock market that had been existing for years collapsed because of insider trading and the fact that the investors lost confidence in the stock market. There must be a kind of confidence.

This brings me to the next point. There has been a lot said about the Budget and the Barbadian public. It is a fact that the Budget had something to do with the Democratic Labour Party winning the election in 1986. But it was a minor role, and I will list some of the problems that faced the people of this country that caused the people of this country to be so gracious as to give the Barbados Labour Party three seats.

Mr. Speaker, there was a crisis of confidence in Barbados in 1986. We had a problem with morality. We had the problem that Ministers of Transport in the Barbados Labour Party went overseas and came back to the Press and said that their previous Ministers were corrupt. We had a problem in Barbados where, almost every three or four months, young women were found dead in canefields. People in Barbados did not like that. Since 1986, one woman was found dead in a canefield, and I think the court has dealt with the particular individual responsible.

We had a problem with drugs in this country in 1986. While the Barbados Labour Party was up and down this country saying that there was no drug problem, the people in Barbados knew what was going on. I have been listening to the Senate hearings on drug involvements, and I am hearing the names of a lot of the leaders of the Caribbean being called, and that was during the time that the Barbados Labour Party was denying that there were drugs in this country.

We had the problem of impending gambling casinos. There was a problem of leadership within this country in the Barbados labour Party, because in 1985, when Tom Adams died, for one year this country did not have a Deputy Prime Minister.

Certain remarks made at this stage by the honourable Member for St. Michael South East (Dr. E. A. Simmons) were ordered by Mr. SPEAKER to be expunged from the Record.

Dr. E. A. SIMMONS: We had a problem in this country where the relations with our CARICOM partners were at their bitter end. We sent troops into St. Vincent when there was an uprising in St. Vincent, and the present Prime Minister of St. Vincent said in Barbados that the invasion of St. Vincent was not justified. We had a situation where the Prime Minister of Barbados and the Prime Minister of Grenada were abusing each other on radio day after day.

Of course, we had closures of businesses and receivership became one of the top professions in Barbados.

We also had a crisis in Barbados in the political sphere relating to the last Member that sat down, the Member for St. Michael East, who is now on this side.

But, Mr. Speaker, I want to address myself to something more serious, or equally as serious. As politicians, we have to be examples, role models, for the people in this country, and to illustrate what I am saying, I want to refer to two incidents that occurred during the Estimates Debate.

The first has to do with the fact that the Honourable Leader of the Opposition, after five days of

debate, got up in this Honourable Chamber and immediately proclaimed that the Opposition had spoken for 17 hours. On first appearance, that statement seems to be very catchy. But does one understand that for him to do that, the Opposition would have had to come in here with a stop watch and record every minute of the time that they spoke? At no time after, having made that statement, did the Honourable Leader of the Opposition mention anything about the content of which they spoke. Any child preparing for the Common Entrance Examination knows that he will not get proper marks just by writing all the words that he can write. It is the content that is important.

But there is something even more significant about the Estimates Debate. The Estimates is really the Appropriation Bill, and Webster's Unabridged Dictionary will tell you that an appropriation is a sum of money set aside for a particular purpose. When we discuss the Appropriation Bill, therefore, we are discussing the amount of money that should be set aside for the running of this country for the next year.

The Opposition, all three of them on that side, sat there and voted against the Appropriation Bill. What they were saying, therefore, is that they were not in agreement with that particular money to run the country. At no time at all did they say it was too much, enough, or too little.

The following day, in their newspaper — I say 'their newspaper' because the Honourable Leader of the Opposition is a shareholder in one of the companies that owns the *Nation* newspaper — there was a headline that the Opposition had voted against increased taxation. That is dishonest journalism, and the Leader of the Opposition should have come back to this Chamber and disassociated himself with that statement, because the Appropriation Bill has absolutely nothing at all to do with taxation. When you are discussing appropriations, you are dealing primarily with the amount of money that you need to run a country, and it has nothing to do with taxation.

But it reminds me of an interesting experience I had a couple days ago. An elderly lady came to me with what she called a Christmas calendar — I think I see one of them over there — that she had received in the post. She was very upset, because she said she could not understand how in April she was receiving a Christmas calendar from the Leader of the Opposition. She told me that she had commented to her neighbour about it, and her neighbour had also received one, and the neighbour had the answer. The neighbour said, 'I know why I got the calendar because a couple days ago, I was listening to a programme on VOB called "Bim Bam Bim", it is a programme for entertainers, and the Leader of the Opposition was on "Bim, Bam Bim". She said I think he is a comedian, because this is a practical joke.'

Laughter.

Dr. E. A. SIMMONS: That is the level to which we expect politics to be played in Barbados.

In 1975, the Barbados Labour Party went the length and breadth of this country telling the people of this country that Errol Walton Barrow was too old to become a Prime Minister in Barbados. In 1975, Errol Barrow was 55 years old. He had been leader of this country for nearly 15 years. The present Leader of the Opposition will be 58 years old in 1991. He is projecting himself as a political Leader when he, himself, said that to be 55 years old disqualifies you for being a Prime Minister. So we have to be careful how we send signals to the public. 6.45 p.m.

I want next, Mr. Speaker, to turn to some of the comments made by the honourable Member for St. Peter (Mr. O. S. Arthur), the Opposition spokesman on Finance. When he spoke, and the honourable Member for St. Thomas (Mr. D. A. C. Simmons), they had a lot to say about wages and taxes. I want to quote from the House of Assembly Debates, March 17, 1986. Speaking is the spokesman on Finance, the honourable Member for St. Peter and this is what he said on page 3427 about taxes:

"Our taxes in Barbados are at present relatively low by international standards and are realistic in relation to our commitments."

We reduced taxes, and we have not carried them back up to the levels that they had them at. But now he is saying that the taxes are too high. He has to make up his mind which one he means.

On page 3428, this is what he said about wages:

"I really want to submit to the House that we have to be very careful about the manner in which we grant public sector wage increases in this society. The Government does not pay taxes, people do, and everytime we add 1% to the public servants wages we are asking the tax payers of Barbados to find an additional \$3.1 million in taxes to meet those expenses."

Now he is saying that we should be generous, and should not talk about trying to keep wages down, when he, as the spokesman for the Barbados Labour Party, admitted that, you had to keep your wages down. But one is not very worried about that, because it suits the honourable Member for St. Peter to switch this way and that way when he wants.

In the 1986 Budget, presented by the Honourable H. B. St. John, the spokesman on Finance on that side made this statement:

"Overall, Sir, in 1976 the then Government was contemplating a deficit of \$106 million in the context of a \$700 million economy, a deficit of 14.6% of GDP. The results, Mr. Speaker, are history. By 1977, the country was in the hands of the International Monetary Fund."

I make that point because he tried to picture as though the Democratic Labour Party forced the Barbados Labour Party to go into the IMF.

I now refer to the statement made by the Minister of Finance in 1976-77, Mr. Adams, about why he went to the IMF, and everybody knows that Mr. Adams was a perfectionist at the politics of confrontation. If, indeed, the Democratic Labour Party had forced him to go to the IMF, he would have said so. But Mr. Adams explained in his Budget Statement exactly why he went to the IMF. He said:

"Even so, Government in January 1977 took a precautionary step of borrowing under the Compensatory Financial Facility of the IMF because it anticipated a shortfall in receipts from the export of sugar."

But the honourable Member for St. Peter tried a few years later to say that it was the fault of the Democratic Labour Party.

But that is not all he said, because he is now standing up in this Honourable Chamber and trying to make out that the Barbados Labour Party had sound fiscal policies, and that if the Democratic Labour Party had followed the policies of the Barbados Labour Party, we would be much better off. But that is not what he said after the death of Mr. Adams. When he was speaking on the same 1986 Budget, presented by Mr. St. John, this is what the honourable Member had to say of his own party's financial situation:

"I will be brutally frank, Sir, I must be brutally frank. In 1981, we made fiscal errors again. The deficit was established at \$181 million, amounting to over 10 per cent of GDP, in the context of a situation where there was tight liquidity in the banking system, where interest rates were high and where the economy had reached virtually full capacity, and anymore expansion would have caused it to over heat. Again, Sir, a deficit of that magnitude, within the context of the financial relationship at the time, caused us to go to the International Monetary Fund."

That is what the honourable Member for St. Peter had to say about the financial situation and the management of the finances of this country under his own Administration, the Administration of the BLP, that the errors that they made caused them to go to the IMF twice!

I do not need to stand in this Honourable Chamber and explain to the people of Barbados the consequences of going to the IMF. It was the Democratic Labour Party which had to force the Barbados Labour Party to admit, in the first instance, that it had gone to the IMF, and to plead with them not to take the measures it had recommended to them. Of course, one of those measures, as is done in every case of the IMF, is devaluation.

When I hear the honourable Member for St. Thomas talk in here about he has a report from the IMF, I say you should know very, very well about IMF reports, because you took us to the IMF on two occasions. And what you quoted is no secret because you would have had more in-depth recommendations, having borrowed money twice from the IMF, than we would have had. So you would have been experts. The honourable Member for St. Peter probably had even more experience, having helped to carry Jamaica to the IMF before he came to Barbados. So we have to be very, very careful.

Mr. D. A. C. SIMMONS: The honourable Member is now misleading the House. The honourable Member for St. Peter, who is not now in his place, and he has made this clear several times, was no part of any Administration in Jamaica which took a decision to go to the IMF. It is not true!

Dr. E. A. SIMMONS: Mr. Speaker, in 1976, when the Barbados Labour Party took over this country, the National Debt was approximately \$240 million. By 1986, the National Debt had risen to about \$1.2 billion, which is about \$120 million every year in borrowing. But the sad and grim story is that one of the reasons the Democratic Labour Party finds itself in the position it is in today is because of the wastage of money by the Barbados Labour Party. You had \$100 million spent on a Central Bank building. You had \$100 million spent on a road. You lost \$100 million in the Multilateral Clearing Facility. In three separate projects you can identify wastage of \$300 million, which was more than the total National Debt of 1976, which was \$240 million.

You talk about an economist. Everybody in Barbados knows that if you are keeping a shop in the Pine and you go to the bank to finance your groceries and so forth, you are doing fairly well and you are paying back your bank loans, and then you decide that you have a friend and you are going to build that friend a house, and you have to go to the bank to borrow, let us say, \$60 000 to build, and then you say you are going to put in roads and you borrow another \$40 000, you will know that in order to keep your business going there are some things you have to do. Either the business will sink, or you will have to expand the business, or you will be under severe financial strain. That is

precisely what it amounts to, and, therefore, the Democratic Labour Party has to take' some sort of measures to correct the kind of mess in which it has found itself, having been put there by the Barbados Labour Party. 6.55 p.m.

Mr. Speaker, I think I need to say something about the St. Joseph Hospital, which was alluded to by the honourable Member for St. Peter. He raised the issue as to when the hospital is going to be opened. I think that question should be directed to the Honourable Leader of the Opposition, because the Honourable Leader of the Opposition happens to be the lawyer for the St. Joseph Hospital. Therefore, he should be able to give us some indication as to when the papers for the sale would be completed, and on that basis, we would be able to answer the question posed by the member for St. Peter.

I hope what I have heard is not true, that somebody in St. Peter is encouraging people to put down their names for jobs at the St. Joseph Hospital, when, indeed, that person is apparently opposed to the hospital. I hope that is not true. I will not say who that person is.

Mr. Speaker, in addition to providing jobs for the people in St. Peter and beds for the people in the north, and indeed throughout Barbados, there is a higher level at which the St. Joseph Hospital can and must operate.

Within the last year or so, we have had come into Barbados a company called Blue Cross and Blue Shield. Blue Cross and Blue Shield are health insurers, and they have already sold insurance policies to a lot of the major businesses in Barbados, and indeed they are marketing their product throughout the eastern Caribbean. One of the things fundamental to the proper working of Blue Cross and Blue Shield is that it is in need of private beds for the hospitalisation of their patients. I do not think it is a secret, and I will make the statement. Blue Cross and Blue Shield, having studied the health systems in the Caribbean, know that Barbados has the number one health system in the eastern Caribbean. Therefore, Blue Cross and Blue Shield is very anxious to use some of the beds at St. Joseph Hospital, paying very attractive rates for a night's stay, and when we get St. Joseph Hospital on the way, Blue Cross and Blue Shield will make the beds at St. Joseph the first stop for people in the eastern Caribbean, meaning that if you get sick in St. Lucia or St. Vincent, because of the infrastructure we have in medicine here, they would prefer them to come here, because the patients who use Blue Cross and Blue Shield will be able to be hospitalised any place in the world where they have insurance. Therefore, for the first time in Barbados, the Ministry of Health may be able to see a profit because of the operation of Blue Cross and Blue Shield.

I make that statement because the honourable Member for St. Peter says that the Government has no plans for St. Joseph. We do not have to come out on the roof top and say everything that we know. We have been working assiduously reconstructing the St. Joseph Hospital.

Mr. Speaker, I could not sit unless I made some reference to my pet area, my constituency. It is with some pride that, within less than two years, we in the Pine have created the Errol Barrow Memorial Park. I had the honour of inviting the members of the Opposition, because they are saying a lot about NCC. I make a boast that it is the most beautiful park that has ever existed in this country. Those of you who do not know it, the next time you see the commercial "Everybody has a heart," advertising the Heart Association, on television, the background of that film was shot in the Errol Barrow Memorial Park. We turned a dump into a park.

In that park, we are now putting the Marcus Garvey Library. In that Marcus Garvey Library we are going to have black literature, the likes of which has never been seen in the eastern Caribbean, and we will be inviting not only Barbadians, but anyone from the eastern Caribbean, who wants to do research, to come in, sit down and read. It will be a reference library, you cannot take out the books, but also in that reference library we are going to have a section for secondary school children, where all school children, no matter what school you go to, can come in the park and into the library on the weekend and do their homework, because we know that education, especially in an under-developed area, is very, very important.

What makes me very, very proud is that, prior to two years ago, people used to turn their noses up at the people in the Pine. Today, school children are requesting that they be taken to the Errol Barrow Memorial Park in the Pine, and we will not only have our emphasis on social development, we will have our emphasis on educational development. I think that development epitomises what the Democratic Labour Party stands for. It epitomises the fact that we are a people-oriented party, so when we get up and talk about a Budget, it must be seen within the framework of how it operates to the maximum good of all the people in Barbados.

Mr. Speaker, I want to lend my wholehearted support to the Financial Statement and Budgetary Proposals put forward by the honourable Member for St. Michael South, the Honourable Prime Minister.

I thank you.

SUSPENSION OF SITTING Hon. P. M.

GREAVES: Mr. Speaker, I move, Sir,

that this sitting be now suspended for 45 minutes, that is until 7.50 p.m. today.

Hon. M. A. KING: I beg to second that.

The question that the sitting be suspended until 7.50 p.m. was put and resolved in the affirmative without division, and Mr. SPEAKER suspended the sitting accordingly. 7.05 p.m.

ON RESUMPTION Mr.

SPEAKER: This sitting is resumed.

Hon. P. M. GREAVES (St. Michael North): Mr. Speaker, I shall develop my statement here this evening as I go along on three themes. One, Sir, will be around the analyses, past and present, of the honourable Member for St. Peter (Mr. O. S. Arthur), another will relate to the performance of the Barbados economy, and the other will relate to the alleged reversal of the economic policies of the present Government.

Sir, last Friday, this Honourable Chamber was treated to three hours of rhetoric from the honourable Member for St. Peter, speaking on behalf of the Opposition, the Shadow of the Minister of Finance, in response to the Financial Statement and Budgetary Proposals. Shorn, Sir, of its excessive verbiage and of the extreme inflammatory language, the reply focussed attention, in my submission, on three main claims:

That the new Budget signals a reversal of this Government's fiscal policies.

Secondly, Sir, the allegation that the Budget proposals do not adequately reflect the revenue loss occasioned by the removal of the stamp duty. Here, Sir, I will have to lump the whole of the duties on raw materials. When I say you have the removal of the Stamp Duty, I refer to CARICOM goods.

Thirdly, Sir, the contention that the Honourable Minister of Finance underestimated the tax yield.

Sir, the last two issues the honourable Member claims add up and amount to over-taxation. Sir, I have no doubt that when the Honourable Prime Minister and Minister of Finance winds up, he will address all these issues, but for the time being, I would like to say a few words about the alleged reversal of the fiscal policies. It has become necessary, Sir, because there are certain persons who are sowing the seeds of mischief, and have set about to introduce emotionalism and hysteria in this Budget Debate.

The honourable Member for St. Peter compliments the Prime Minister for uplifting, as he puts it, the standards approved for public life, and, of course, he interjected, "to some extent." I certainly cannot give any compliments for his standard of analysis of the impact of the budgetary measures on various segments of the Barbados society and social life in this country.

Sir, I have not seen anything that the honourable Member for St. Peter says, especially relating to the financial and economic matters, as being very serious. He has been so acclaimed by his colleagues, both those with us and those not with us — I do not here include the honourable Leader of the Opposition, he has not been as fulsome in adulation — so foisted on the minds of the unsuspecting public, that that public would be likely to treat the analysis of the honourable Member as fact. The truth is, Mr. Speaker, that the honourable Member, too, has toes, if not feet, of clay. The honourable Member, Sir, will have to decide whether he wants to be a politician and whether he wants to be a professional economist. He has no creditable record when he plays the one off against the other.

I will recite, Sir, the honourable Member's sensitivity over his prediction — he now says he has been misrepresented — that the economy of this country would collapse in 18 months' time. That was in 1986. I will forbear to mention it, Sir, because he does not like to be reminded, but let us look, Sir, at some of the more recent pronouncements of the honourable Member.

Sir, in discussing the 1987 Budget, he said, and this is recorded in Hansard, "that these taxes will be massively inflationary and will definitely erode the improvement in the standard of living." Sir, what are the facts? The Economic Report for 1987 shows that the annual average rate of inflation continued to be very low at 3.4 per cent. The Central Bank, Sir, says at page 1 of the Central Bank Report - I have the report here with me, "There was moderate economic growth and inflation remained very low." The honourable Member was wrong.

He also said that if we were to analyse the tax measures in conjunction with the proposed package of expenditures, what would stand out is that this year we will not only have rising unemployment, falling disposable incomes and rising prices, but we will also have a massive cut in the quality of services on which the standard of living of our people rests. Now let the record expose the honourable Member!

The facts, Mr. Speaker, as regards unemployment, are that both the Central Bank Report and the Economic Report of 1987 show that unemployment remained relatively constant at about 17.8 — 17.9 per cent, even though there was marginal decline at the end of 1986—87

from 19 per cent in 1986 to 18.9 at the end of 1987. So the honourable Member was wrong again.

Sir, the honourable Member for St. Peter was emphatic that there would be falling disposable incomes. The Central Bank Report states quite clearly that the disposable income of households was higher than it was in previous years, and at page 6 it states, "During 1987 total deposits grew significantly, sustained mainly by the higher disposable incomes of private individuals." I want to remind this House that the honourable Member's prediction and analysis - I do not think the honourable Member for St. Michael East likes the word "prediction", he prefers "prophesies" — was that they would have falling disposable incomes, but the contrary is true.

The report goes on: "The overall level of deposits went up by \$155.9 million, of which private individuals accounted for 63.3 per cent". The honourable Member says they were falling. Private individuals accounted for over 63.3 per cent increase in deposits at the commercial banks. Sir, the honourable Member was wrong again.

Sir, if the honourable Member were a doctor and practising medicine, I would have to call him a quack. But, Sir, he is not a doctor.

Let us place this against his own predictions and analyses in this year's Budget reply. During his speech on Friday, he said that in the course of the past 18 months Government finances have been devastated, balance of payments have been undermined, our foreign exchange has been drained away. These, Sir, are the words of the honourable Member for St. Peter. 8.00 p.m.

The facts, Sir, are that despite what they call the giveaways in 1986, the revenue grew by 7.3 per cent to a figure of \$719.1 million. It had also grown in the previous year, 1986, from \$648.1 million in 1985 to \$665.9 million in 1986, giving the lie, too, to what the honourable Member for St. Thomas (Mr. D. A. C. Simmons) said in here today, that revenues had fallen. In fact, revenues grew in 1986. They grew again in 1987, against the predictions of the honourable Member for St. Peter.

The balance of payments surplus, which the honourable Member said would be undermined, was \$33 million in 1987, up from \$6 million in 1986. Does that strike you as undermining of the balance of payments?

As to foreign exchange, which he says has been drained away, the records show that net foreign exchange reserves fell from \$296.3 million in 1986 to \$289.6 million in 1987. In other words, Mr. Speaker, there was a decline, but that decline was marginal. Can honourable

Members still say that the foreign exchange has been drained away?

Asides.

Hon. P. M. GREAVES: Sir, none of this prognostication about the economy coming to grief has been realised.

(*Aside:* Mr. D. A. C. SIMMONS: What did Sandy say yesterday?)

Hon. P. M. GREAVES: I am dealing with reports. The reports are here. What I have given you are reports prepared by the Central Bank and the Government, the same reports that the honourable Members used to use when they were in Government. These reports are prepared by the same officers that they used when they were in Government.

When you hear expressions from the honourable Member that the surplus on corporate taxes — this is what is stated here — is going to have disastrous impact on those sections of the private sector which are just recovering from years of downturn, and which have just started to realise a profit, or that the surplus will completely wipe out any gains realised, to use his words, by the lower middle and middle class sections of the community — I assume that he means the middle income, rather than the middle class — when you hear that the economic policies of the Democratic Labour Party were a total and complete failure, you have to view and judge those expressions against the background of the honourable Member's propensity for quite erroneous analyses and wrong conclusions.

He was not to be seen in his place after the response to his reply on Friday by the honourable Member for St. Michael West (Hon. B. M. Taitt).

Asides.

Mr. SPEAKER: I have allowed every Member to make his speech without interruptions, and I will accord the Honourable Leader of the House the same opportunity.

Hon. P. M. GREAVES: Thank you, Sir. I am happy to see that he is here now, but on Friday he could not face the music. No doubt there was some justification for his departure, I do not want to say flight.

Quite apart from anything that I have just said, he would hardly have been pleased with the emotive language that he used in here last Friday night. He said that there were many persons and he identified those persons as policemen, as nurses, as teachers, as doctors,

as young graduates, who will be wiped out — he used the words "wiped out" — by the surcharge.

Mr. Speaker, Sir, I imagine that it was in an unthinking moment that the honourable Member criticised the surcharge as coining off the top without the benefit of the usual allowances to taxpayers. I say that, Sir, because I would like to know where the honourable Member was when he, as an advisor, or member, of the past Government, initiated and imposed levies on this country. People who live in glass houses should not even throw paper darts. I heard not one word from the honourable Member about those levies, which came off the top, without so much as an allowance. We are granting an allowance of \$ 15 000.

Asides.

Mr. SPEAKER: I have asked honourable Members to stop interrupting the debate.

Hon. P. M. GREAVES: They gave no living allowance. That was really and truly off the top. At least, in our case \$15000 is put aside first, and then we look at taxing. The surcharge then is placed on the net of the \$15 000. That was not the case when the honourable Member assisted the past Government in introducing levies to this country.

The honourable Member is silent, as rightU he should be. It is not out of place to enquire what kind of advice he gave privately, because publicly, Sir, certainly in this Chamber — I would not say out of malice, or a visitation of gods — we certainly heard not one word from the honourable Member. But it sounds good now for him to arrogate to himself the role of the champion of those persons whom he claims that the Democratic Labour Party Government is plotting to wipe out. This debate, more than anything else, has shown up the true colours of the honourable Member for St. Peter.

The honourable Member for St. Thomas, in a demonstration today of emotionalism, took the sacred document of the Democratic Labour Party and tore it to pieces.

Aside.

Hon. P. M. GREAVES: Oh, he has another copy? I know there was a trick somewhere. 8.10 p.m.

Laughter.

Hon. P. M. GREAVES: That he would tear one up, but make sure he retains one.

Laughter.

Hon. P. M. GREAVES: He retains the Bible. I am well aware of that. Sir.

Asides.

Hon. P. M. GREAVES: It is also baffling how the honourable Member for St. Peter primitively tore up the documents of the Central Bank Report and the Economic Report, and wrote his own report, giving his own analysis.

Sir, any analysis of these reports will show that the economy performed quite well under the Democratic Labour Party during the period that we have been back in office. There has been growth of 5.1 per cent in 1986 and there has been growth again, Sir, in 1987 of 2.2 per cent. All sectors of the economy registered increases, except sugar production and manufacturing. Manufacturing did not show an increase merely because the electronic manufacturing industry had declined by over 60 per cent. Yet, in spite of that, we had marginal decline in manufacturing of only 6.6 per cent. The balance of payments showed a \$27 million increase over the past year. Foreign exchange reserves were at a level comparable to that of previous years, and they were down. This is certainly not evidence of the economy being in shambles, as the honourable Member would want to point out. As a matter of fact, Sir, the economy performed well, and not only do these documents, the Economic Report as well as the Central Bank Report, show this, the preamble of the Prime Minister's statement to this House also indicated that the economy did well over the past year. I think it should be said that the Democratic Labour Party has done well under the outstanding leadership in the Ministry of Finance, including the former Minister of Finance, I am referring now, Sir, to the honourable Member for St. Michael South Central (Dr. R. C. Haynes), who made a significant contribution to the management, and restructuring, of our finances.

Having painted such a good picture, you would want to know why it is that we are seeking to increase taxation by over \$55.6 million. It is very simple. During this financial year, it is necessary to find nearly \$50 million to close the gap between revenue and expenditure.

In the few moments left to me, I want to draw my attention to the allegations of a reversal by the Prime Minister of the economic and fiscal policies that had been pursued by the honourable Member for St. Michael South Central when he was Minister of Finance. This is an allegation started by the Opposition, embraced by the partisan Press, which is total, and other persons. It is an allegation that I totally reject.

I do not understand the macro economics. I can understand economics that the people out there can understand, and that is what I intend to deal with. Therefore, to prove my point, I want to turn my attention to

the Budgetary Proposals made by the then Honourable Minister of Finance in 1986, the Budgetary Proposals made by him in 1987, and the proposals that have been proposed in this Chamber.

In 1986, the proposals conformed to what had been set out in our Election manifesto of 1986. They are law, as the honourable Member for St. Thomas has said. I am going to read out the Proposals that were laid here, and I would like to know how these have been reversed.

First, Sir: No Income Tax payable on total assessable income of \$15000 or less. Has that been reversed, Sir? No!

Secondly, a maximum rate of personal income tax, of 50 per cent. Up to \$15 000, no tax. We listed the respective bands, up to \$55 000 and over, which attracted 50 per cent. This, Sir, has not been changed, but there has been a surcharge placed on incomes in excess of \$15000. That surcharge is temporary, and it automatically comes to an end at the end of March next year. Automatically, Sir! Otherwise, it would have to be re-imposed. It cannot continue. Is that a reversal?

All family allowances increased by a minimum of 50%. Allowances in respect of housekeepers/household help/gardener increased from \$500 to \$1 200. Full mortgage interest allowed as deduction from assessable income. All these things that are still in place.

Fifty per cent of insurance premiums allowed as deductible expense in respect of owner occupied homes.

Full cost of repairs allowed as deductible expense for owner occupied house. This, Sir, has been changed by this Budget.

Allowances for medical expenses increased by 50%, and the requirement that the first \$20 be met by the claimant removed. Any expenses in excess of the allowance may be carried forward for two years. Still in place.

Effective income year 1986, interest will be paid at the rate of one per cent per month on tax refunds not made within six months of the prescribed date of filing. Sir, that has not been interfered with.

Effective income year 1986, no Income Tax will be payable on severance payments. With effect from income year 1986 all pensions will be exempted from income tax. No change!

Maximum rate of Corporation Tax reduced from 45% to 35%, with effect from this income year. There has been a modification here, Sir, which has now sent it from 35 per cent to 42¹/₄ per cent; and this, too, Sir, is temporary.

Effective April 1986, land taxes payable by hotels and apartment hotels will be reduced by 50 per cent. No change, Sir!

With effect from April 1, 1987, persons living in their own homes will pay Land Tax on 70 per cent of the improved value of their properties. No change, Sir!

Pensioners living in their own homes will be granted reduction of 50 per cent of tax payable on the improved value of their property with effect from April 1, 1987. Again, Sir, this remains the same.

Effective April 1, 1986 the Agricultural Levy will be abolished. This has not been changed either, Sir. A grant of \$250 000 to the Barbados Agricultural Society.

Effective January 1, 1987, the taxes and fees payable on public service vehicles will be reduced by 50 per cent. Again, Sir, this has not been changed.

Hotels and Restaurants Sales Tax will be reduced from eight per cent to five per cent with effect from December 15, 1986. No change, Sir!

There were other matters relating to drivers permits and television licences, Christmas advances to public servants. He said that fees on professionals would be abolished and they remain abolished. He said that a hire purchase regime would be announced shortly. I am not sure if that has yet been announced. Also, minimal pensions payable by the National Insurance Office will be increased, and stamp duties on wines and certain basic building materials and foods will be reduced from 12 per cent to ten per cent.

Last year, the same Minister of Finance, the honourable Member for St. Michael South Central, introduced another Budget. I do not have the time now to go through the measures one by one, but there was no change at all, Sir, except that the then Honourable Minister of Finance increased the Consumption Tax from five per cent to six per cent and now the new Minister of Finance increases it from six per cent to nine per cent. Both instituted increases.

Sir, how has this been a fundamental change, amounting to a reversal of the fiscal and economic policies of the Government? I was at pains to read them out one by one. I would like to know how this can be considered a change.

Sir, I rest my case here on this question of a reversal. Not only is it not a change, so much the more can it not be considered a reversal. 8.20 p.m.

These are the points that I had wanted here to make. I think they are points worth making, because

the public outside will get one impression of the Budget that has been introduced by the honourable Member, and I think they ought to know that their position has remained unchanged, except that the Consumption Tax will affect certain prices. One cannot get away from that. But, Sir, this occurred last year, and when it affected prices last year, the inflation rate grew only marginally, and remained exceedingly low at 3.4 per cent. The Prime Minister and Minister of Finance predicted that the inflation rate will grow by one per cent. I will not commit myself to that. The honourable Member for St. Peter is the one who makes the prophesies. He is the one that always, inevitably, Sir, falls flat on his face whenever he makes these prophesies.

The honourable Member for St. Peter does not have an excellent record. He has a disastrous record in his advice to this Government, which ended up at the IMF. He was also, Sir, an adviser of Manley in Jamaica.

Mr. O. S. ARTHUR: Mr. Speaker, on a point of order: The honourable Member is attempting to mislead this House. I was never an adviser to the Prime Minister of Jamaica, Sir, and I want the record of this House to say. As I have said too often in this country, it is not true.

Hon. P. M. GREAVES: The honourable Member for St. Peter did not advise the Jamaica Government. The Jamaicans will tell you, Sir, that "Tass" advised the Jamaica Government, not the honourable Member for St. Peter. But, Sir, "Tass" and the honourable Member for St. Peter are one and the same person.

Laughter.

Hon. P. M. GREAVES: The honourable Member knows and understands what is meant by that, Sir.

Mr. SPEAKER: One minute.

Hon. P. M. GREAVES: I am much obliged to Your Honour, Sir, for allowing me this time to make the few points that I have been able to make.

Hon. M. A. KING (Christ Church West Central): Mr. Speaker, I have participated in Budget Debates now for a number of years, and it seems to me that every year the substances are just about the same. There is nothing which is dramatically new about Budget Debates. Every year at this time we find that economists, budget analysts, political commentators, other commentators, and even members of the public indulge in a lot of speculation and guessing games as to what set of Budgetary Proposals will be good for the country, what this set of Budgetary Proposals will do or will not do. The honourable Member for St. Michael East earlier today called that exercise not prediction, but prophesy.

When I say that they all engage in guessing games at this time, I do not make that statement pejoratively, Mr. Speaker, because if there is one basic truth about Economics, it is that it is not an exact science. The honourable Member for St. Michael East differs again from that and says that it is not a science at all, it is an art form. Now I am prepared to go the distance and treat Economics as an art form, but I prefer to regard it as an inexact science. That being so, we recognise that predictions or prophesies or guesses, call them what you like, can go haywire from time to time, and there can be no certainty and analysis or anything of the sort.

If you want to develop that argument further and see how it has been argued to its fullest, there is an interesting little book called "Economists At Bay", in which the whole approach of the economists over the years in recent times has been analysed. The point which is being made is that, in this modern world, situations vary so often and so quickly that the science of Economics is one which is so inexact that you can really never rely on anything that economists tell you with any certainty.

The honourable Member for St. Peter is an economist. He is in the area of predictions and prophesying, and he, like other economists, is one of the economists who are at bay in this day and age. So it is a small wonder then that the honourable Member for St. Peter has been under so much attack in this Honourable House in the course of this debate.

I made the point, Mr. Speaker, that in this economic environment things are always changing. Nothing remains static, not even human behaviour, about which we are so often wont to make psychological assumptions. In Budgets in recent times, certainly since 1985, we have been talking freely about overseas markets, about promoting export growth and development. And yet, in doing all that, we have no real control over the whole equation which is necessary to make a policy in relation to the promotion of export growth successful.

When the Barbados Labour Party was in office in 1985, and certainly in the early months of 1986, it brought before this House a number of proposals, the object of which was stated as intending to promote export growth. Those programmes, about providing allowances in respect of market research and so forth, are what I think honourable Members over there flaunt so much. But a factor in the total equation is that as politicians, as Government officials, we have no control at all over the entrepreneurial skills of the Barbadian businessman.

We know that, traditionally, the Barbados businessman has tended to be fairly conservative. We have no control over his capacity to respond to the facilities and

the incentives which have been placed at his disposal. We have no control over his capacity to respond to the several opportunities in relation to coping with the problems of export promotion provided by various Governments in Budgets from time to time. We have no control when we are talking about market research as providing a basis for earning of foreign exchange. We have no control, as well, over the wishes and wants of consumers in overseas markets.

One of the things which we do not tend to follow from time to time is a programme for maximising advertising and salesmanship in the overseas markets. Let us face it, you can produce as you will, what is necessary is that the standard of your products has to be high, but that alone does not guarantee success. When you are dealing with the overseas markets where competition is inclined to be high, it is going to be very important that advertising and good salesmanship takes place in overseas markets. Government would provide the basic structure for all of that here, but yet, the other part of the equation, bearing in mind the conservativeness of the Barbadian businessman, tends to go unheeded. 8.30 p.m.

I make the comment that debates on Budgets every year seem to be the same because my perception is that in small developing economies, like ours is, there are not an awful lot of options which are open and available to a Minister of Finance for dealing with the problems which the economies of countries like ours face. Let us face it, we are not a large industrial or commercial economy. We are a small developing economy, in which the problems tend to be very concentrated and capable only of simple solutions.

I pause for a moment, Mr. Speaker, just to identify the problems of the Barbados economy, to make the point I am making.

(*Aside:* Hon. H. deB. FORDE: Pause for station identification?)

Hon. M. A. KING: Not station identification, to make the point which I want to address.

The problems, as perceived and identified by the economists, tend to be the fiscal deficit, the problem of narrowing the gap between expenditures and revenues, and maintaining adequate levels of foreign reserves. If those two matters are addressed, dealt with and solved, as the economists tell us, there should be no problems for the Barbados economy, because those are the two major things which we are all going to be concerned about, having enough money to meet your current expenditure and ensuring that you have adequate levels of foreign reserves available, always having to make sure, of course, that provision for balance of payments is stabilised. If you perceive those to be the problems of the

Barbados economy, it is easy to recognise that these are the problems of the Barbados economy in 1988, they have been the problems of the Barbados economy in 1977, and they have been problems of the Barbados economy for all time.

How did the Barbados Labour Party, in the ten years that they were in office, seek to deal with these problems? They sought to deal with the problem of the fiscal deficit by raising revenues, by raising taxes. In those years, we were, mark you, already a very heavily taxed nation, but what the Barbados Labour Party Administration did certainly in the years between 1981 and 1986, was to shift the burden of taxation from direct taxation to indirect taxation. So we found that the incidence of consumption taxes was broadened. Stamp duties were introduced, I believe, in the 1982 Budget, then there were the levies, of course, Transport Levy and the Health Service Levy, which were introduced in that famous mini-Budget of 1981, and in the 1982 Budget, Mr. Speaker, the House of Assembly Debates for March 31, 1982 at page 1352, you will note that they introduced a surcharge on corporate taxes. They are quarrelling about this Budget because this Government has introduced a surcharge on income taxes, but they started it in 1982 by introducing a surcharge on corporate taxes.

I will go on in the course of time, Mr. Speaker, to show you that the same measures which honourable Members of the Opposition are quarrelling about today are exactly the same measures which they were using in their time, particularly when the honourable Member for St. Peter was the adviser. Largely, it is just a question of degree. Again, that is why I tell you and this Honourable House that, the more I debate these measures, the more they seem to be the same.

Hear what the honourable Member who presented the Budget at that time said about the Corporation Tax. Page 1352:

"I turn next, Mr. Speaker, to another branch of direct taxation, that is Corporation Tax. Corporate profits in Barbados have felt the squeeze of the economic recession just as much as the rest of us. And in times of pressure, it is not usual to lean heavily on the corporations as generators of economic activity and providers of employment. Nonetheless, I consider that in these times of need the corporate businesses of Barbados should make some further contribution towards the alleviation of the country's fiscal problems. There will be no increase in Corporation Tax proper, but I propose

listen to this —

"..... a temporary surcharge, in the first instance for income year 1982, of a 3 per cent tax on profits over and above the 45 per cent ordinary

rate. The tax will be removed as soon as circumstances permit. I estimate that this will yield \$2 million in revenue."

So what we had in 1982 was the introduction of a surcharge on corporate taxes, stated to be "temporary", but to be removed "as circumstances permit." Contrast that with the situation in relation to the surcharge on Income Tax introduced by the honourable Member for St. Michael South, the Minister of Finance, where he stated at page 92 of the script that the surcharge which he has applied will apply for fiscal year 1988-89 only. The surcharge on Income Tax on this occasion is of very limited application only, it is to run for one year only. Specific action will be required if it is to run for a further period of time. That contrasts with the situation back in 1982 where the Corporation Tax was levied and was to continue for all time until, to use the words of the Minister of Finance, circumstances permitted its removal.

During the course of Budgets which have been presented by Ministers of Finance on the other side, we found, as I have indicated, that taxation was shifted from direct to indirect taxation. The result was the same, more or less. My position in relation to indirect taxation remains the same, but I understand the philosophy which governs indirect taxation. I believe the then Government felt that indirect taxation was less easily recognised and not so easily felt by the citizens as direct taxation, that if you came by consumption taxes and stamp duties, although in a general way it affected the cost of living, people did not feel the incidence of tax as if it came through the technique of direct taxation. 8.40 p.m.

So when the Barbados Labour Party Government made a boast about relieving so many taxpayers in this country of taxation by removing certain areas of direct taxation, but introducing indirect taxation, it was an idle boast, because I had always maintained the point that by introducing the indirect taxation method on a wide area of commodities, you were thereby affecting all income earners. Indirect taxation at the time affected all income earners, even income earners who by the direct taxation route would not normally have been paying income taxes. From that perspective I always had problems with the use of indirect taxation, unless you applied indirect taxation — consumption taxes and stamp duties — in such a way that essential items, which were needed for the lowest income earners in the community, were not subject to a high incidence of indirect taxation.

The point I am making is that the techniques which they have used to deal with the fiscal deficit are no different from the techniques which are being used today to deal with the fiscal deficit, because consumption taxes and stamp duties remain. There is now the surcharge as well, but in basic analysis, it is a question of to what

extent you apply consumption taxes and Stamp Duty. So, fundamentally, the structure of the tax is the same, it is only a question of how much. That is the area of difference. You are not attacking basic principles, you are just attacking the concept of how much.

How did they deal with the problem of foreign exchange? I have made the point that, in the Budgets of 1985 and 1986, they had introduced measures, which, basically, were: rebate from profits earned from sales in extra-regional markets, market research development allowances, incentives to develop and exploit markets abroad, concessions to construction and other professional firms which went out and worked overseas and earned foreign exchange which was remitted to Barbados, and initial investment allowances for all extra regional imports. Those were the measures which the Barbados Labour Party Administration initiated in 1985 and 1986 to deal with the problem of foreign reserves.

The significant thing, Mr. Speaker, is that these measures were all retained in the Budget by this Government in July 1986. The measures to promote export growth, which you would want, are still there. What are you quarrelling about? Those proposals remained in existence, but in addition to allowing those proposals to remain in existence, what has happened, in essence, is that by virtue of the tax proposals of 1986, more money was left to the business community.

In 1986, in the Budget Debate, you quarrelled about that. You made a noise about the money that was being left with the business community and you talked about the vast sums of money which were being left for the corporations. In 1988, because the corporation profits are now being surcharged, bearing in mind that they are not even back at the level at which you had them, you are saying we are hitting the corporations too hard. What is the position? We are dealing with the same issues, we are dealing with the same approaches, and saying it is only a matter of degree.

Mr. Speaker, taxation on corporate profits has been reduced to 35 per cent. They had it at 45 per cent. The surcharge, which is a temporary measure again, has been taken back to 42 per cent, still less than what you had, and you are saying it is too hard. I do not know really how to deal with the presentation which you are putting up.

Asides.

Hon. M. A. KING: I would not curse you. That is out of place.

Our argument in relation to the 1986 Budget which we presented, and which was a faithful representation of the manifesto of commitment, was that the tax cuts

which we had put in place would assist the companies which you were talking about in promoting export growth. Your argument was that they would stimulate demand for imports and would lead to pressure on the balance of payments. Have those predictions come true? I think the evidence shows that they have not.

You went on to make the argument- that the Barbados Labour Party export development proposals should have been allowed to remain in place before alternative measures were taken to increase domestic spending. Were they not left in place? Are you saying they were not left in place, when all the evidence shows that they have been left in place? So the question I ask members of the Opposition is this: despite the favourable climate which was created by virtue of the economic proposals which had been started by you and continued by us, despite the favourable tax climate as a result of the 1986 Budget proposals, has export growth increased according to your expectations and predictions, or the prophesies or guesses, call it which you like, of the economists?

Mr. Speaker, one of the problems about the 1986 proposals of the then Minister of Finance is that while they were courageous proposals, they needed time to work. I will tell you why giving them a chance was such a problem. They also needed the understanding and co-operation of the Barbadian people, and they needed the assurance from the members of the Opposition and from a mischievous Press that they were not going to articulate a lot of critical comment about what was happening throughout the economy. But the nation was impatient, and there was this wide, orchestrated public comment stimulated by the Barbados Labour Party and by the Press, which had undertaken a commitment to represent the Opposition, that nothing was happening in the country, despite all the evidence to the contrary. 8.50 p.m.

I say that things have been done. The fiscal measures which we had promised had been completed in 18 months. Housing construction — the Minister of Housing could have told you about it — has been underway. He could spend a whole day telling you about the progress in housing. The road repair and construction programme is being tackled by the Minister of Transport and Works, and the maintenance of public buildings is being addressed, whether you like it or not.

But the problem in this country was that there had been over the years very bad neglect of the road system in Barbados, and total neglect of maintenance and repair of public buildings. Suddenly, when the Democratic Labour Party took office, everybody, all the critics, found their voices and began to comment on the state of the roads — how the Democratic Labour Party was not repairing the roads, how the buildings were in disorder

and decaying. All that had been the result of years of neglect, so the Democratic Labour Party is under pressure because the roads, which the Barbados Labour Party had neglected all the years, have not been repaired.

When I talk about the Press and the things they do. I am reminded of a recent statement on *World Scene*, on television, on April 25, this year, in relation to the conditions of the police buildings. They said that physical conditions at Hometown in St. James were deplorable, and only last week the policemen complained about getting wet when working.

The week before April 25, there was not a drop of rain in Barbados, to start with, and the second thing is that while we concede that that work needs to be done at the police stations, the fact was that in March this year, we had undertaken and completed a complete repair of the Hometown Police Station. When we heard on the news that policemen got wet at Hometown and how deplorable Hometown was, we knew that we had done repairs the month before, so we checked with the police to find out if they were, in fact, getting wet. They were not getting wet, because the rain had not even fallen. This shows you the mischievousness which can put a Government under pressure to get things done.

Although we have repaired the Hometown Station, we have taken a decision to complete a new complex at Hometown, including a station and a Magistrate's Court. A firm of architects has been selected to design the project, and it is expected that construction of the court and police station will begin later in this financial year.

For the record, and for all those who say Government is doing nothing in relation to the public buildings, which we have undertaken to do, work has already started at a new police station at the airport. It has started, it is not planned. You will remember the very dilapidated condition in which that station at the airport had been in, one not fit for human residence.

Major repairs in relation to police stations, and maintenance work, are also in progress at District "F" Station, the Bridge and in St. Joseph, Central Police a systematic programme Harbour. All of this is part of to carry to all the police of maintenance which we intend this country after years stations and public buildings in Barbados Labour Party. of neglect by members of the

It was against all these pressures about what Government is expected, and not expected, to do that we are faced with the problem of meeting the needs of the people.

In summary, Mr. Speaker, the point is that when we come to this House to deal with budgetary considerations, those budgetary considerations, whatever they are,

have to be interpreted in the context of history, and in the history of political considerations in the country. You cannot deal with Budgets in pure economic terms, because once you do that without paying regard to the human and the political content of people, you are heading for problems.

In the final analysis, then, Mr. Speaker, I am arguing that we need not become hidebound about procedures. Budgets are essentially about people. Budgets are about meeting the needs of the people. We talk about the macro position, as you would have us, because it is important to deal with that from the perspective of the total picture, but, in the final analysis, if you deal with that alone and neglect the concerns of the masses of the people of the country, you deal with it at your peril.

Applause.

Hon. H. deB. FORDE (Christ Church West): Mr. Speaker, there are obviously two constraints under which I suffer in having to reply to this debate on behalf of the Opposition, summing up the Opposition's position. The first, Mr. Speaker, is the fact that the Government has some 24 members. 23 of whom have spoken in quantity, but not in quality, and obviously, Sir, during the process of time it was not possible for us to deal immediately with the mis-statements and various allegations made against the Barbados Labour Party.

There will be several occasions, both in and outside this House, when we will address those questions, and if in my brief time allotted to me I do not refute those allegations, it is not because the Opposition is accepting them at all. Some of them are reckless and wide of the mark. Some of them are totally unfounded, Sir, and all of them are not deserving of any serious analysis.

The second constraint under which, obviously, I am having to wind up on behalf of the Opposition, is (he constraint of the Rules of the House. Under Rule 31, Sir, unless the Rules of the House are set aside for the debate, or unless the House allows it, every Member of this House, except the Prime Minister and the person speaking first on behalf of the Opposition, is allowed 30 minutes.

I had adverted to the fact that a tradition had grown under which the Leader of the Opposition, certainly the Right Honourable Member who is now deceased, was allowed a longer time. I am told that the constraints of time do not permit this now.

Sir, I seriously say to the House that, if necessary, that convention should be put into a rule of this House for the future, since the people of the country, at such a momentous occasion, would wish to hear from the Opposition, particularly in a winding up speech from the

Leader of the Opposition. Secondly, Sir, the Government should have nothing to fear, because of the vast numbers they have, that they will be giving us enough time, unless, as I know, the Government is afraid because of the quality of our contributions. 9.00 p.m.

Sir, those two constraints aside, let me begin by congratulating the honourable Member for St. Peter (Mr. O. S. Arthur) and the honourable Member for St. Thomas (Mr. D. A. C. Simmons) for contributing to the enlightenment not only of Members of this House, but the public of Barbados, for the second time, flitting out the Government, bringing out, in no uncertain terms, the inequities which this Budget will impose, highlighting the contradictions in the Budgetary Statement, and, more than anything else, snuffing out for public gaze the vast divide in the Democratic Labour Party.

Mr. Speaker, it is 11 months and some few days since the Right Honourable Member for St. John passed to the Great Beyond. And it is perhaps now almost 25 days short of two years since the Democratic Labour Party was returned as the Government of this country, with what the Prime Minister described in his Budgetary Statement as the clear mandate to govern, a mandate that we do not contest at this stage.

But, Sir, within that two years, the Democratic Labour Party has found itself lacking in the quality of stability and leadership that is necessary to carry out its mandate. We make this point, Sir, because what we have witnessed here in the House today, despite the mouthings of Douglas Leopold Phillips, betrays, in no uncertain terms, a tremendous divide in not only the philosophies which inspire some members of the Democratic Labour Party, but in the leadership of the Democratic Labour Party, and in the perceptions which the public has of that leadership.

Mr. Speaker, on September 2, 1987, in reacting to the resignation of the honourable Member for St. Michael South Central (Dr. R. C. Haynes), I said that it was obvious to me that there were serious fractures and fissures within the bosom of the Democratic Labour Party. And I said then that it was obvious to me that these fractures and fissures were being accentuated by the failure of the monetary and fiscal policies of the Democratic Labour Party.

Speaking on behalf of the Opposition, I predicted that decisions had to be taken, decisions which would mean an increase in levies, possibly taxation, and an increase in oil prices, and, obviously, those decisions could have with them the seeds of unpopularity. I went on to say then that there appears to be a fundamental difference in view between the Prime Minister, the honourable Member for St. Michael South, and the

Member who had just resigned, the Member for St. Michael South Central, for while the latter had been preaching how well the economy was performing, the Prime Minister had last Sunday, at the Annual Conference of the Democratic Labour Party, pointed out to the public the serious problems confronting the economy, and had expressed grave doubts as to whether supply-side economics, as preached by the honourable Member for St. Michael South Central, was working, and whether the private sector was playing its role.

That was on September 2, last year. It is not now in the Budget Debate that the Opposition has the prescience to see what is happening in this country, and where the difficulties are. When you hear us refer to the predictions made by the honourable Member for St. Peter, we make those predictions based on analysis that is sound.

Aside.

Hon. H. deB. FORDE: The honourable Member for St. John (Mr. D. J. H. Thompson) has some difficulty with my pronunciation of the words.

Aside.

Hon. H. deB. FORDE: The Prime Minister, too, Sir. I sometimes have difficulty with his as well.

The point is, Sir, that the analyses which we made were not made now — we made the analyses of the economy when we had the historic debate and divide between the political parties prior to the last election. The honourable Member for St. Peter, like the then honourable Member for Christ Church East Central, analysed quite carefully to this House the cost of the fiscal arrangements which the DIP here proposing, and stated that one had to be careful in implementing such arrangements at that time, because the result could well be fiscal deficit and difficulties with the balance of payments, and for your foreign reserves. That is documented, Mr. Speaker, in the records of this House. We said that then.

Sir, we have available to us civil servant advisers, and the records in the Ministry of Finance would show that the Barbados Labour Party at that time was as anxious as anyone to make available to the public at least \$50 million more than we made available by our 1986 Proposals. But the analyses from the Central Bank, and from the Director of Finance and Planning, told the Minister of Finance that he has to put election success on the back burner and place Barbados first. We did it, no doubt, to the short-term disadvantage of the Barbados Labour Party, but in the interest of the long-term advantage of Barbados.

We are not surprised that the wheel has come full circle, and tonight we find a change of tune, for if there is one common theme which objective, non-partisan commentators have made about the Prime Minister's Budgetary Proposals and Financial Statement, it is that it has signalled a change of tune within the Democratic Labour Party.

Mr. Speaker, I am sure that honourable Members on the other side who spoke on Friday night, immediately after the Member for St. Peter, would have wanted to dismiss, out-of-hand, that analysis. But the honourable Members, two of whom are now no longer in their place, the honourable Member for St. Michael West (Hon. B. M. Taitt), the Minister of Health, and the Minister of Trade and Industry, the honourable Member for St. Lucy (Hon. E. E. Greaves), away, I understand, on public business, but the Honourable Members, will now have to deal with a similar analysis made by at least three of the Members on the Government side.

I can rest my case without even saying another word. I have never seen a more vicious attack, if you want a vicious attack, on any set of proposals than that made from the Government side, within its own breast.

We had a lot of noise from most of the Government Members, but very little content. The four Members who spoke on Friday night spent their whole time attacking the honourable Member for St. Peter *ad hominem*. It was not he, however, in the refinement of language which he used, who referred to the Prime Minister's Budgetary Proposals as a "back street abortion." That is how it was described. It is not he who referred to it as a breach of fundamental faith with the people, including the workers and the private sector. It was not he who said that it goes contrary to the manifesto, on the basis of which the Democratic Labour Party was elected. It was the honourable Member for St. Michael South Central!

And the honourable Members for St. George South (Mr. R. P. Byer) and the City (Mr. P. J. M. Miller) have found great difficulty in supporting these proposals as they have come to the House. And how have they characterised them, Mr. Speaker? They have characterised them as a reversal of the Government's policies. 9.10 p.m.

. The first charge we are making — and I think the honourable Member for St. Michael North (Hon. P. M. Greaves) obviously does not understand, the charge at all — is that it is a reversal of policy. There is no point in reading out a whole host of measures and not seeing the substance of the charge. The substance of the charge, quite simply, is that if you substitute one form of taxation for another, in which the taxation substituted is greater than the taxation foregone, you have reversed

yourself. That is what the honourable Member must recognise.

Let me get out of the way very early, Sir, this idea that there was no loss of revenue. Part of the trouble with the Government is that they do not want to compare like with like. The position is that if you took the revenues — they said the revenue is \$724 million — \$60 million approximately in new taxation was imposed in last year's Budget, and if you take away that, and then you take out the levies that you have now paid into the Consolidated Fund, which were not incorporated in the revenue prior to July 1986, these amount to \$41 million, you would find that in the current year, rather than saying that you have had revenue growth, you are ending up with something like \$623 million, comparing like with like. That is what we are saying.

There is no point coming in and arguing that nothing has changed. Your members are saying that things have changed, analysis shows that things have changed, and, as I understand the back bench of the Democratic-Labour Party, they are saying that it is a change — a drastic change — in the mandate which the Government obtained.

Sir, that is a very serious charge to make. As I understand it, if a Government is given a mandate, it has to be some extraordinary emergency which could not have been foreseen to permit the Government, within the constitutional principles that operate in our Westminster system of Government, to depart from that mandate. And we are saying, Sir, that, in the substance of the measures, obviously there is a breach of the obligations which had been received from the public at large.

I would have expected honourable Members over there, some with their oratorical skills, like the honourable Member for Christ Church West Central (Hon. M. A. King), some with their analytical skills, like the honourable Member for Christ Church East Central (Mr. R. L. Morris), to bring their skills to bear. At least, you can say for some members of the back bench that they were able to show some courage. What can you really say for the front bench?

The honourable Member for St. George North (Hon. C. V. Walker) did not even speak on his portfolio, Education. I am finding it difficult to understand what he was saying. The honourable Member for St. Michael North (Hon. P. M. Greaves), obviously, got very confused on almost everything he said. He sat down without telling us what plans his Ministry has.....

(Aside: Mr. D. A. C. SIMMONS: They do not have any!)

Hon. H. deB. FORDE: to help improve the foreign reserves of Barbados. Not one word from him. Instead, he made the boast about how well off the foreign reserves are, and tried to contradict the analysis of the honourable Member for St. Peter, Sir.

Sir, at the end of May, the foreign reserves stood at \$412 million. The Government had borrowed massively, and they were propped up by that borrowing. They have fallen by over \$160 million since then, and in April this year, they fell by a further \$30 million. That is what we are saying, and that is why the Prime Minister is saying that he has to address that problem to stabilise the foreign reserves. And in his speech, the honourable Member adverted to the fact that the Government was going to have to borrow, and had a mission abroad at the time seeking to borrow to prop up the foreign reserves.

Sir, the honourable Member forgets — and they made a lot of play in this House about the massive borrowing, as they characterise it, under the Barbados Labour Party. But let the record show that, by the end of the year, this Government would have borrowed in excess of \$460 million in two years.

They criticised the Labour Party for borrowing \$700 million in ten years. To do what? To extend the very hospital that the honourable Minister of Health spoke about, to build the fishing harbour in Oistins, to put in a Housing Credit Fund of which the honourable Member for St. Philip South (Hon. H. A. Blackman) should have spoken in his speech, to put money in the Barbados Development Bank to have made the greatest amount of loans made in the history of the Barbados Development Bank to small businessmen — the Prime Minister himself has had to remark that the Barbados Development Bank must do more — they still have the supply-siders there — and to put money available to help small people to repair their houses. We did all that.

In the process, we started, for the benefit of the honourable Member for St. George North, building schools, particularly primary schools. Both the honourable Member and myself will now be the beneficiaries in the coming year of that programme — and the Prime Minister, too, when the new St. Matthias is built — of 20 schools. Polyclinics were built. That is what we did with the borrowing. Look around you and you will see the legacy which the Barbados Labour Party left for future generations. All we said is that they had to make some contribution in future to that \$700 million.

Let us get the argument out of the way. Of your \$460 million, tell me what exactly you have done with it? I have seen an arch and I hear promise of an examination and a convention or something centre. Tell me what you have done with it. That is all I say to the honourable Members when we hear them talking here and criticise the Barbados Labour Party.

In the process, Sir, we also looked at economic enterprises and areas contributing to the development of this country, whether it was the Insurance Corporation of Barbados, the contribution being made through Barbados External Telecommunications Limited, the revenues being earned by the Government from Barbados Feeds and Barbados Mills Limited, or the process of improving the stock in fishing, so that the Minister of Agriculture could now get in here and boast that we are up in that area. We did all this to stabilise the position of Barbados. 9.20 p.m.

Sir, this year's Budgetary Proposals, we say, are not only a reversal of the substantive position of the Democratic Labour Party in its approach to taxation. The Prime Minister made it quite clear that he is no longer a supply-side person. This Prime Minister does not believe in supply side economics. He said he was never a believer in supply side. That is what he may say, but there is a change, we are saying, because we hear from the honourable Member for St. Michael South Central that the supply side was accepted collectively by all members of the Democratic Labour Party from as early as 1984, with these measures being planned at Kampala. We are not only saying you have changed in this way, we are saying that even the very measures that you have brought before the House, before they have bitten, you are beginning to change them.

When the honourable Member for St. Peter spoke, he referred to the Prime Minister's statement, as contained in his Budgetary Proposals, from which it was quite clear to us, and the public of Barbados, that the surcharge would be collected on net income from all sources. Those were the words. Under the Provisional Collection of Taxes Act, the moment the Prime Minister has spoken in his capacity as Minister of Finance, his taxes can begin to bite, and obviously his word has the force of law. In these circumstances, Sir, I would have thought that the honourable Member having raised queries, the place to have replied to them would have been on the floor of this House.

Sir, we saw the spectacle of Ministers of Government, including two senior Ministers of Government, speaking that night and not trying to reply to the honourable Member's query, that it seems as though the Government was now surcharging income that normally was not subject to taxation, and that included dividends, pensions and investment income. Do you know when it took the Government to wake up to this, Sir? Over the weekend, to give us their reaction on that! We are saying that that, too, shows a reversal on a reversal. We needed the clarification.

Aside.

Hon. H. deB. FORDE: The Prime Minister is saying that he was setting us up to knock us down.

Aside.

Hon. H. deB. FORDE: I understood him to say that, like ninepins to knock us down. His voice dropped at the end, so I did not hear him.

I want to deal with the overdose. One of the charges being made against the Government was that if they had managed the economy properly, there would have been no need for this overdose of taxation. And the third charge, related to that, is that if the exercise is done properly, you will see that you do not need \$110 million in this year, even when you forego part, the \$55 million or so that you are going to get, not on the basis of the available information and the law as it stands relating to some specific aspects of these tax proposals. That is a charge with which honourable Members on the other side, including the honourable Member for St. Michael South Central, agree.

I would have expected that the honourable Member for St. Michael Central (Mr. C. L. Trotman), a trade unionist member, a very good trade unionist, would find it a little bit difficult, as he had last year, to support such measures. First, he said he had problems of conscience agreeing with levies at all. The Democratic Labour Party had promised to abolish at least one of the levies, the Transport Levy. That is now within the Consolidated Fund. I have not heard him on that. In addition, I thought he would have found it difficult to go along with measures which have been characterised by the Democratic Labour Party's principal spokesman, up until September, as "draconian" in the extreme.

I would have loved to have heard him speak and try to refute the statement, which is irrefutable, by the honourable Member for St. Thomas about the plan for wage restraint, call it what you want, maintaining at a nominal rate wage increases in this country. Instead, the honourable Member sought an analysis to say, yes, you are taking home less, but you are still better off.

We have not got time to go into his analysis in an accounting manner, Sir, we will in due course in other places. But the honourable Member must know that there is a lot of disquiet in this country at the level of the lower income sections about the shift of taxation so massively into indirect taxation. Some 62 per cent of all the revenue being collected in this country is now coming from indirect taxation, which, of necessity, impacts hardest on those at the lower end of the ladder in our country.

The honourable Member for West Central keeps saying we started it. But what the Government does not realise is that since they have come into power, they have more than doubled it. If you increase from five per cent to six per cent, and from six per cent to nine per cent, you are almost doubling the charges on Consumption Tax that are being made, in percentage terms, Sir, and that is exactly what has been happening.

There is no point saying we started it; When are you all going to stop being the Opposition and be the Government? When are you going to govern and stop the idea of who started it and find out what proposals you must put? You are two years on now, and the country wants to hear what you are going to do and how you are going to do it. That is what the country is asking, and the tremendous shift must be cause for serious concern in this country as to what is happening.

Our contention is that there is a growing overdose of taxation on the poorer sections by way of indirect taxation, and that had the Government pursued an alternative course of the correct mix of policies, which would have stimulated growth in the economy, given incentives to those areas of the economy which could benefit, and not merely have a taxation policy that is going to bolster the income of the distributive sector, pure and simple, the Government tonight would have been on better footing in this House. That is the case. I urge and the indictment which we will lay.

I want to finish off in the minute, I think, that is available to me

(Aside: Hon. P. M. GREAVES: Ten seconds.)

Hon. H. deB. FORDE: Ten seconds.

Mr. SPEAKER: There is only one Speaker in this House. I never said ten seconds.

Hon. H. deB. FORDE: All right, Sir.

I will finish in that minute by making the point that I think that the Prime Minister cannot close off this debate tonight except by talking about the position of his members on the back bench. 9.30 p.m.

If the honourable Members can show that they are men instead of mice, they would join with the Opposition in dividing this House and vote against the Resolution. I do not expect the honourable Member for St. Michael East (Hon. Dr. D. G. Blackman) to vote that way. I have never seen a better ballerina than tonight. Sir. He was a mixture of Alicia Markova and Margot Fonteyn, the way

he approved on the one hand, and on the other hand, how he embraced the proposals.

At the end of the day, this House must be satisfied that there is a serious crisis with the Democratic Labour Party itself. There is an obvious lack of confidence within the Democratic Labour Party. There is obviously a serious division of opinion on economic policy within the Democratic Labour Party, and I go back to what I said in September, this problem will have a serious effect on overseas and local investment in our country. If it is not addressed - I see, Sir, that you have given me your final nod - the country will be worse off, and we have to address that problem, because it undermines, and has undermined, the mandate of the Democratic Labour Party in a very serious manner in this country.

Hon. L. E. SANDIFORD: Mr. Speaker, we have had a long debate on this Resolution that is before us as it relates to the 1988 Financial Statement and Budgetary Proposals. This is understandable, because when one attempts to take a fundamental look at any particular statement, position or situation, it is expected that there would be concerns and differences expressed, and uncertainties. That is why during this particular debate, as I sought to explain to this Honourable Chamber and to the nation at large, I was at pains to go very slowly, very carefully, and to explain exactly what the position in Barbados was, the kinds of dangers which loomed ahead and the kinds of steps which needed to be taken. I did that, Sir, in a way that the people of this country might understand, and so that there would be no confusion, no misunderstanding, as to exactly what I was saying, or what the Government intended.

I will start, however, at the point where the Leader of the Opposition left off. He wanted to know when the Government will stop acting as the Opposition. I will turn the question around and ask, when will he and his two other members stop behaving as though they are the Government?

I had to speak very sternly to him at a public meeting in Independence Square and tell him that if he were the Prime Minister, he could fire the Commissioner of Police. In here now, I have to tell him that if he believes that he is the President of the Democratic Labour Party and the Prime Minister of the Democratic Labour Party Government, he can come and clear up matters which he believes are in confusion over here.

One thing is certain, my style is not your style, and it is not the style of your former leader, because I was in this Chamber when the late Prime Minister Adams turned to you and said, 'Who wants to resign, resign now.' I am not telling any of my members over here that, certainly not on the floor of the House.

That is not my style, I do not follow those kinds of patterns. So you concern yourself about matters inside of the Barbados Labour Party. We will deal with whatever matters we have over here.

Let me put it this way, Sir. I believe that in this country there can be differences over economic and political issues, and approaches to social problems. Some take right-wing positions, some take left-wing positions, some take centrist positions. What I believe we should seek to avoid in this country, and certainly in this Chamber, when we are debating these issues, is to leave out what the Leader of the Opposition refers to as *argumentum ad hominem*, we can leave those personal references out.

I was in this particular debate, directly or by inference, called vicious, wicked, there was a reference to corned beef and biscuit politics, and I was even accused of being an accessory, before, during and after the fact, to lies and distortions and so on. No apologies!

Asides.

Hon. L. E. SANDIFORD: I will sit down and let you apologise. I have to come to my own defence, because there is no protection that was provided in that particular case, and I think you have a duty to get up and apologise. Do not do it sitting down, get up as a man. You are telling people over here that they acted as men. Well, get up as a man and say you are sorry about it.

(*Aside:* Mr. D. A. C. SIMMONS: I am sorry I hurt you.)

Hon. L. E. SANDIFORD: To the House.

Mr. D. A. C. SIMMONS: Mr. Speaker, I am very sorry I hurt the Prime Minister.

Hon. L. E. SANDIFORD: That is an apology? Is that apologising?

I am talking about the way we conduct our debates in here. I think the one thing we should never lose is courtesy in debate.

Aside.

Hon. L. E. SANDIFORD: I believe you have suffered enough during this debate. And I do not break personal friendships, so I am not going to interfere with you.

There has been a number of accusations about breaking faith with the Democratic Labour Party tradition. I made it absolutely clear during my presentation that we are firmly committed, and have been, all of us in here, to the principles and policies of the Democratic Labour Party, and that there is no case at all for any Member to be so confused as to charge that there has

been a breach of the manifesto of the Democratic Labour Party.

The Leader of the House has gone through the proposals one by one, and has indicated that, substantially, there has been no change from the proposals that had been set out in the manifesto. I realise, Sir, that in these matters, if one had to make out a case, it is better to destroy the record or the facts of the case — that is a traditional method in certain activities, let me put it that way — so that a case cannot be made if the evidence is not there. So I saw one member take a copy of the Democratic Labour Party manifesto and
9.40 p.m.

Asides.

Hon. L. E. SANDIFORD: You tear it up because you can destroy the evidence thereby. That is the only reason I can assume that the honourable Member was destroying it.

I am going to go through them one by one, also, because this charge that there has been a substantial change is a major one.

"The New Fiscal Arrangement will:

- (1) ensure that no income tax will be payable on the level of income necessary to provide the basic needs of an individual and his or her dependents in respect of food, shelter, transport, education, health and recreation."

,£- I am reading from the Manifesto of the Democratic Labour Party, page 4, Sir.

There has been no change in that.

"(2) ensure that income tax will not reduce the take-home pay of any worker to a level which would prevent him or her from qualifying for a mortgage loan to acquire the type of house which the said worker should be able to afford:" No change.

- "(3) increase disposable income to a level necessary to provide adequate demand for the goods and services of firms producing for the local market;"

That is a general statement, and it may be modified one way or another by the proposals here, just as all increases may affect this very general statement.

"(4) achieve balance, equity and efficiency in the tax system:" No change.

"(5) enhance the viability of all businesses and create conditions which will conduce to sustained economic growth, high levels of employment and a stable economic environment:" No change.

"INCOME TAX

1. No Income Tax shall be payable on the first \$15,000 of income per year. This applies to all income earners. If you are earning \$15,000 per year, or \$289 per week or \$1,250 per month or less, you will pay NO INCOME TAX."

There has been no change in that. These particular measures do not bring anyone with \$ 15 000 or less of income in the year into the Income Tax net. No change!

- "2. The maximum rate of personal income tax will be 50% on a taxable income of \$55 000 per year and over"

The tax rates and bands and the adjustments to those are set out. There has been no change at all in that particular area. No change!

- "3. All family allowances will be increased by 50%." No change.

- "4. All pensions will be exempt from income tax." No change.

- "5. There shall be no taxation of severance payments." No change.

- "6. Full mortgage interest payments on homes will be allowed as a deductible expense." No change.

- "7. The full cost of house repairs in any year will be allowed as a deductible expense."

There has been a modification of that. Instead of house repairs only, we now include improvements. I believe that has already made a significant difference to how these matters are interpreted for Income Tax purposes. So this is actually clarified, and has improved the position.

- "8. 50% of insurance premiums paid on owner-occupied homes will be deductible." No change.

"9. There will be a Householder's Property Tax, Allowance."

No change.

"10. A deduction of \$1 200 per annum per household will be allowed for wages paid to household assistants." No change.

"11. The allowance for medical expenses will be increased by 50%."

No change.

"12. Withholding tax shall only apply to interest payments of \$6000 per annum or \$1 500 per quarter or more." No change.

"13. In respect of taxation on overtime earnings, steps will be taken to ensure that overtime earnings are not eroded by overtaxation at a time when the worker needs his money, that is, when he receives his pay cheque."

We have not specifically addressed that particular question.

"14. Interest, at a rate corresponding to the penalty rate, will be paid on tax refunds which have not been paid within six months of the filing of a return." No change in that.

"15. Employees with income of less than \$15 000 per annum will not be required to submit a detailed income tax return." No change in that.

"CORPORATION TAX

1. The maximum rate of taxation on the profits of corporations will be reduced to 35%."

That has been affected by the temporary surcharge on Corporation Tax. I will come back to that a little later. The modification has been introduced to deal with the fiscal deficit. We have to raise money. There is no getting away from it, and the modification there is in response to that.

"2. A graduated system of corporation taxes will be introduced and the rate will range from 15% to 35%."

That particular question has not been addressed, neither before nor now.

"3. A regime for reinvestment allowances will be introduced whereby allowances can be claimed in relation to retained earnings"

No change.

"4. Reductions will be effected in a range of excessive government-imposed charges on various businesses." No change in that particular provision.

"5. For companies graduating from tax-free to taxable status, accommodation will be made under the new graduated corporate tax arrangements." Does not arise.

"6. More favourable tax allowances will be introduced in respect of start-up expenditure for small businesses." No change.

"7. Special tax relief in respect of expenditures incurred in pollution control will be introduced."

Does not arise, because that particular matter has not been addressed.

"8. All Regulated Public Utility Companies will be exempt from Corporation Tax."

No change.

"STAMP DUTY

The stamp duty on basic foods, medicines, building materials, and wines will be reduced."

Sir, there is no change in that. I do not think the Consumption Tax applied to them in the first place. Am I right on this? I do not think it extended into that particular area. Anyhow, there is no change on that.

"SPECIAL MEASURES IN SUPPORT OF TOURISM

1. In the hotel industry Property Taxes will be reduced by 50%."

There has been no change in that.

"2. Hotel and Restaurant Sales Tax will be reduced from 8% to 5%."

No change.

"3. The charge for a visitor's Driving Permit will be reduced from \$30 to \$10.

This Budget has made no change in this particular provision. 9.50 p.m.

- "4. Hotels will benefit from the reduction in stamp duty on basic foods and medicines....", and so on.

Again does not arise.

Sir, those are called the First Order of Business the New Fiscal Arrangement. There were special measures in support of agriculture and there has been no change in those.

THE MISCELLANEOUS FISCAL MEASURES:

"Legislation will be introduced to impose a requirement that all taxes, levies and imposts be paid into the Consolidated Fund."

Sir, we have sought to implement that completely by now putting the Transport Levy into the Consolidated Fund, in keeping with the promise that has been made in our manifesto. But, apparently, on the one hand I am to stick faithfully to what is inside of this manifesto, and then on the other hand. I am not to stick to the proposals inside the manifesto. It was a commitment that all levies, and that includes the Transport Levy be put in. We put the other two in, and I said in my Budgetary Proposals that I was going to complete the process and, therefore, stick to the manifesto. And my Minister for Transport and Works has indicated to this House that we will work on a programme to ensure that there is an improvement in the roads and in the bus system, and that these that are now going into the Consolidated Fund will be provided to ensure that that particular Ministry gets on with its work, so that all Members of this Honourable Chamber will be able to see some improvement in their constituencies in relation to the purposes for which the Transport Levy were designed.

All I am seeking to do in this is to carry out the manifesto of the Democratic Labour Party. Apparently, I am not supposed to carry out the proposals of the Democratic Labour Party in this particular regard. You see, I admit there is some confusion. So we cannot tear up the document. We need the document in its entirety.

Aside.

Hon. L. E. SANDIFORD: And we need to read it.

(Aside: We have another one.)

Hon. L. E. SANDIFORD: You have another one. Okay.

- "2. There will be no impositions on professionals over and above the cost of regulating their activities." No change.

- "3. Taxes and fees for minibus operators and taxi drivers will be reduced by 50%."

No change.

- "4. Christmas advances to public employees will be restored."

No change.

- "5. The annual renewal licence fee for television will be abolished."

No change.

Then it goes on to say, ".....we move along the NEW PATH, doing things in A BETTER WAY."

Sir, then it talks about deficit financing. There is a general statement about deficit financing which says that to state a figure for the projected size of the overall deficit for 1986-87 would be to divulge our views on a wage settlement with public servants, and so on. That, again, is a generalisation, not a specific proposal.

There is nothing that has been introduced in this particular 1988 Financial Statement and Budgetary Proposals which run counter to any of those particular proposals that I have set out in this Democratic Labour Party manifesto, except the two to deal with the fiscal deficit. That is why during my presentation I made it clear that we have to have two concepts before us, one the concept of justice and the other the concept of realism. We cannot wish the deficit away. It is there.

If the Member for St. Peter wishes to refer to my own brand of economics as elementary, let him say that it is elementary, and let him say that he disagrees with it. But let me repeat, I believe that in this country, current expenditures should be met from current revenues, and that when that is not happening, we have to raise the revenues in order that there should be a balance, and preferably that there should be some excess to go towards Capital Expenditure.

That has nothing to do with deficit financing. Deficit financing has to do with the entire Budget, Current and Capital. We are always doing deficit financing in this country, if you want to put it in those terms.

I believe that capital works, the capital programme, or the development programme, is an appropriate area for implementation through loans. So we have to borrow that money. But we have to get our current revenues and current expenditures in line, if not we will find ourselves borrowing to satisfy current consumption. If that is elementary, I plead guilty to being elementary. But that is what I believe in, and I happen to be the Minister of Finance at this particular time, and those are the principles

that I will follow as far as current revenues and current expenditures are concerned. In order to find that \$48 million deficit, the difference between the projected revenue and expenditure, the money has got to come from somewhere.

I have heard a lot of talk about reducing Government expenditure. I have gone through a very careful exercise with all of my Ministers and their Accounting Officers to try to cut back the 1988-89 Estimates to the greatest extent possible so that we can hold down expenditure, so that it would not be too high.

Aside.

Hon. L. E. SANDIFORD: I am told by the Minister of Agriculture it was cut twice, and I want to hear from those who say now it should be cut a third time. I invite any of the Ministers who can volunteer a cut to get up and say that they can volunteer a cut. I have talked to most of them already on this particular matter. We are down to the bone already, and when we realise that most of the expenditures go towards salaries and related payroll expenses, then we understand what we are talking about.

I believe that we should try to get more for the dollar that we spend. I believe that we should seek to get more efficiency for each public dollar that is spent. But you cannot construct Estimates of Revenue and Expenditure on the basis that you are going to get more efficiency out of your tax expenditures. If that comes in, that is a bonus. That is what we will work towards, but I cannot construct the Estimates of Revenue and Expenditure for this country on the basis that the dollars that we spend on the buses, let us say, will go further in time to come than now, or in the past.

I call, Mr. Speaker, for realism, and I believe that the people of this country understand that when you have that gap of current revenue, it has to be closed. There are those who are saying that the taxes are not necessary. Tell me how you are going to close the gap? 10.00 p.m.

You start with some \$48 million as the gap that you have to close, so that, at least, has to be imposed. It has to be met. We cannot go anywhere else and beg somebody to close it for us. We have to deal with that here as an independent country. This is what is meant by standing on your own feet. We are not talking about an individual who is 17 years old, 16 years old, or 15 years old, who can go to run to mummy and daddy and say 'I want \$10 to do something.' We are a sovereign, independent country, and we have to act prudently and responsibly in terms of the public finances. So we have to find that money.

Secondly, Sir, we deal with our exports. There is no doubt at all that our exports have been falling.

From the way you hear the Opposition, they have spoken as though they have the solution to all of the problems in Barbados. You would not believe, no one would believe, that they had the reins of Government in this country from 1976 until 1986, and that by 1981-82 they had us in the hands of the International Monetary Fund. And we are still paying back that money. If you want to know what we are raising the money for and where it is going, it is going to help to pay the foreign debt of this country, including payments to the IMF. We still have a lot of debt outstanding. Most of this money that we have to borrow has nothing at all to do with any projects that have been implemented by the Democratic Labour Party. It is in relation to the position left in this country.

I made the point that the major problem that we are faced with is the fiscal deficit, and the second problem that I have identified is to make our exports more competitive.

I am not an exporter, but I listen very carefully to my Minister of Trade. I listened very carefully to the representations that have been made by the relevant interest groups in this matter, and many things were urged on me in respect of making our exports, particularly our manufacturing, more competitive. Repeatedly, this country and I were told that you should remove the Stamp Duty.

The Leader of the Opposition spoke to one of the interest groups in this country, the Manufacturers Association, and he made a very earnest call and plea on that occasion for the Stamp Duty on CARICOM goods to be removed. Are you in agreement with that? You are in agreement with that. Why do you not get up and say so, and say that if we remove the duty, it has a cost attached to it, and that we have to find the money to do that? Any particular proposal we talk about, you have to find the money to deal with the problem.

Sir, I will try to refresh my memory, and that of the House, as to exactly what I said about the Stamp Duty. There is no automatic removal of the Stamp Duty. It is a reciprocal matter. So those who argue that it should be reciprocal are only saying what I have said in my presentation.

I have heard all kinds of dates given about September, or whenever it will be. When we have the matters in place, those particular duties will come off. It is not just a case of Barbados dismantling the present arrangements and leaving the position just as that. It is

reciprocal. The Ministry of Trade, as the Minister said, I believe on Friday last, is already in contact with other CARICOM Governments on this particular matter.

Sir, I do not wish to go through all of these. I believe all of these things are well understood. We have to raise taxes, and I set out the details of them quite clearly — the amount of money that we have to give up from the revenue, the amount of money that we expect to raise, leaving a balance of some \$55 million, which will close the deficit gap and then make a small contribution, hopefully, towards the capital development programme.

So I have pointed out, Sir, that it is necessary to raise taxation, to raise revenue in this country. I have pointed out the reasons why it is necessary to raise that revenue, and I have indicated the sources from which that revenue would be raised. Consumption taxes are included.

One would believe that this is the first time that revenue is being raised in this country. Until the Attorney-General spoke, those out there might have believed that certain actions had not been taken before to raise revenue.

Let me deal with interest rates before the matter slips me. I am trying to condense, because I believe this House and this country has been held up long enough on this particular matter.

The Member for St. Peter was a member of the Central Bank of Barbados when interest rates were raised in this country. Yet, I hear a big song and dance about interest rates.

Mr. O. S. ARTHUR: Mr. Speaker, on a point of order: Interest rates in Barbados were raised in 1981. In 1981, I was not a member of the Board of the Central Bank. I was a member of the Board of the Central Bank in 1984 when interest rates were reduced. That is a matter of public record. 10.10 p.m.

Hon. L. E. SANDIFORD: Sir, I have a copy of the 1984 Central Bank Annual Report. What were the interest rates in 1984?

(*Aside:* Mr. O. S. ARTHUR: Read the thing. Can't you read?)

Hon. L. E. SANDIFORD: But I am having difficulty in reconciling what I am reading here with what you just said. I am quoting from page 5 of the Central Bank Annual Report 1984. It is a document of this House, Sir:

"The Directors of the Bank were also concerned to resuscitate private residential construction activity. The Bank raised the interest rate on new mortgages twice during the year. The changes allowed trust companies to offer more competitive deposit rates and so increase the flow of funds into the mortgage market. In April the rate on new residential mortgages was raised to 11 %; in July it was raised to 13% along with the rate on commercial mortgages; the rate on existing residential mortgages was then set at 11%."

That is elementary, and it relates to mortgage rates, but in the last sentence before that paragraph:

"Accordingly, as foreign interest rates rose the Bank allowed the average lending rate to rise from 11.5% to 12.0% at the beginning of July." Don't play around with me!

Laughter.

Hon. L. E. SANDIFORD: But let me leave the interest rates. I will leave you to wallow in that particular matter and try to reconcile or square the circle. I will leave you in that particular difficulty. Let me deal with the raising of money.

Aside.

Hon. L. E. SANDIFORD: I have already said that I did not know we had supply-siders in here, I really did not believe it, because when I made that particular comment, I was talking about an economic theory which neo-conservative economists were dealing with. I would not really categorise anyone in here as a neo-conservative economist. For a start, there are not so many economists in here. According to the count of the Member for St. Thomas (Mr. D. A. C. Simmons), there are two economists in here, so by definition there could only be two neo-conservative economists.

Aside.

Hon. L. E. SANDIFORD: Exclude me from everything, man, I am not making any claim in that direction.

I could not think that supply-side economics could apply to Barbados at all. This economy is too small and narrow in its base and so on for anyone to conceive that supply-side economics could actually have any significant place in the management of the economy of this country, so I would have ruled that out from the start. I was not referring to anybody in here at all, certainly not to the two Members who spoke, so I will

just leave that where it is. I do not think that is a matter • that should really detain the House.

Let us talk about the raising of funds. Certain concessions, in accordance with the fiscal arrangements that the Democratic Labour Party set out in the manifesto of 1986, were given in 1986. By 1987 - it is a fact, a matter of record - money had to be raised in this country. In 1986, after these fiscal arrangements were introduced, there was a problem in the public finances, and it was necessary to raise revenue. Fifty-one million dollars approximately was raised in 1987 by budgetary measures, including an increase in consumption taxes, stamp duties, the Employment Levy, and, I think, a new Employment Levy. I did not hear on that occasion that this was any departure from the principles of the Democratic Labour Party.

Aside.

Hon. L. E. SANDIFORD: The Member for St. Thomas said so, and if the Member for St. Peter said so, anyone who gets up and says they said so, I will concede that. But I certainly did not say it in 1987, so I do not see how it becomes a big, major, ideological divide now. How can that become a big ideological divide now in 1988?

Aside.

Hon. L. E. SANDIFORD: I am speaking to this House and to the nation.

It cannot be a question that money has to be raised, and it cannot be that you cannot increase consumption taxes, because that side has increased consumption taxes. In fact, they are the fathers!

(Asides: No, no, no!)

Hon. L. E. SANDIFORD: All right. Both sides have dealt with consumption taxes. It cannot be therefore a question of the introduction or the increase in stamp duties or consumption taxes. Are we to ask, therefore, then, is it because it is the person who is introducing the increases in these taxes? I do not know, I have to find the argument. 10.20 p.m.

I said that I will speak frankly about public finances, public issues and political economy in this country. Let me make the point clearly. I believe that as the holders of public political office in this country, all of us have a first responsibility to this nation to ensure that whatever we say, do, and the actions we take relate to the improvement and development of our society and the economy in this country. I believe that must be uppermost in our minds as public servants in the political arena.

Secondly, and I have no hesitation in saying this, even if I found that my political party had made a statement and we then discovered that that statement was leading in the wrong direction, I think we all have a responsibility to correct it. Do you wish to fault the logic or the argument there? I am saying that if there is any policy being pursued in this country which, in our judgment, is leading or tending towards harming the economy of this country, I think we have a duty, as Barbadians, and as political leaders, in this country, to correct that particular position, whatsoever your ideological or philosophical position is, because in the last resort, and in the first place, it is the welfare and the well-being of this country that the Democratic Labour Party is concerned with, and, I can safely say, the Barbados Labour Party. I believe that both political parties in this country should be concerned about these matters.

But that is not the case here. I have demonstrated, Sir, that there has been no departure from the fiscal arrangements and philosophies set out in the Democratic Labour Party 1986 manifesto. Almost 98 per cent of the proposals in that particular manifesto are still intact, have not been changed in any way whatsoever, and I have pointed out why we have had to make two changes, in terms of the surcharge on corporation profits and on incomes, both temporary measures, temporary in the sense that if they have to be continued, as Minister of Finance, I will have to come to this House and say that I wish them extended for a further year for reasons a, b and c. They come automatically to an end on March 31, 1989. I think that is quite clear.

Let us not confuse ourselves as to whether the Corporation Tax would be due from January 1, 1988. There is no retroactivity in these measures. They come into place in May, and they will therefore run for income year period 1988, from May to December. The Income Tax year is from January 1 to December 31 but I have said that the surcharges run from May, they do not run from January 1, 1988, and then for income year 1989, the surcharge would be from January to March. It comes to an end then as far as this Financial Statement and Budgetary Proposals are concerned. There are two income years we are talking about, income year 1988 and income year 1989.

There was a question raised by the honourable Member for St. Peter as far as stamp duties are concerned. He said that the removal of stamp duties on raw materials would not lead to a loss of revenue because the Stamp Duty was refunded on exports.

The position, Sir, is that there was a system in place for refunds to be made in respect of raw materials which were used in the manufacture of exports. But we have to take that into account that, under that system, the

Stamp Duty was refunded only in respect of raw materials used in the manufacture of exports. But according to these proposals, now all stamp duties on all raw materials are removed, not only in relation to exports. Before, anything used in domestic production had to pay the Stamp Duty as well. Secondly, packaging material was not granted exemption previously. These proposals now include packaging materials. So, there will be a loss of revenue, and we have to take that into account. We just cannot ignore it.

I believe, Sir, that I have dealt with most of the matters. I would not like to hear that if I have not dealt with No. 7, which was set up by some member of the Opposition. I want to make it absolutely clear that if there is any particular matter that I have not dealt with, I am prepared to supply the information to any honourable Member, or to the members of the public, in the way that I feel will get through to them.

As far as the increase in the cost of living is concerned, we said one per cent and they said three per cent. If we take everything into account, including the concessions, it should be one per cent. I would only hope that all of these matters are dealt with as they should be, so that the projections for the increase in the cost would be maintained. I did say at the start that when we are getting into the area of forecasts, that is a particularly hazardous area.

I believe I have already dealt with the surcharge on incomes and how that will apply. On energy, I have said that when the cost rises, we will increase our production, and when the cost goes down and is below economic cost, we will cut back. I have already said that we have started our drilling programme, because our projections are that it may be possible to have increased production in that area.

As far as the surcharge on corporations is concerned, there was some reference that these corporations now make a contribution to the Tourism Development Corporation.

Aside.
10.30 p.m.

Hon. L. E. SANDIFORD: That will stop, says the honourable Member for St. Thomas.

Let me point out that the contribution to the Tourism Development Corporation is an allowable expense for the calculation of net profit, and the deduction that is made is 150%. The surcharge, therefore, should not affect corporations contributing to the Tourism Development Corporation, unless that is done for other purposes. But it is not for the purposes of this

Budget, because it is already an allowable expense for the calculation of net profits.

I believe, Mr. Speaker, that I have dealt with the main issues. I have defended these proposals, and I have pointed out that this country has to take the necessary steps to ensure that our economic health is maintained. I have pointed out that taxes were increased, including consumption taxes, in 1987.

I end by saying that all of us have to pull our weight in this country to ensure that we continue on the path of progress and development. To that, I urge all honourable members of this Chamber, to that, I urge the Opposition, wherever it is, and to that I urge this nation.

I thank you, Sir.

Applause.

The question that the Resolution do now pass was put and resolved in the affirmative, the House dividing as follows: -

Ayes: Hon. L. t. SANDIFORD, Hon. P. M. GREAVES, Hon. M. A. KING, Hon. H. A. BLACKMAN, Hon. N. K. SIMMONS, Hon. W. O. FRANKLIN, Hon. W. W. HALL, Hon. Dr. D. G. BLACKMAN, Hon. C. V. WALKER, Mr. C. L. TROTMAN, Mr. J. J. PAYNE, Mr. R. L. MORRIS, Dr. E. A. SIMMONS, Mr. C. A. NEBLETT, Mrs. M. BARKER WELCH, Mr. D. J. H. THOMPSON: - 16.

Noes: Hon. H. deB. FORDE, Mr. D. A. C. SIMMONS, Mr. O. S. ARTHUR: - 3

Abstentions: Mr. R. P. BYER, Mr. P. J. M. MILLER, Di. R. C. HAYNES: - 3.

BORROWING OF 10 BILLION JAPANESE YEN RE CAPITAL EXPENDITURE AND FOREIGN DEBT PAYMENTS

Order No. 2 was called - To more the passing of a Resolution to approve the borrowing by the Government by the issue in Japan of bonds, of the sum of up to ten billion Japanese yen to be used to assist in financing Government's capital expenditure and in meeting its foreign debt repayments.

Hon. P. M. GREAVES: Mr. Speaker, I have not risen to move this Resolution, but just to remind the Chamber that proceedings hereafter will be without the use of television. So the television should be off at this point and the radio.

Hon. L. E. SANDIFORD (St. Michael South): Mr. Speaker, I am grateful to the House for dealing with this matter at this stage, and I will not impose on the patience of honourable Members and others.

As the Addendum states, the Government proposes under the External Loan Act, Cap. 94D, to raise a loan of up to ten billion Japanese yen, through a private issue and sale of bonds in the Japanese capital market.

The money will be used to finance the Government's capital expenditure and in meeting foreign debt repayments. It has been projected that we will have to make heavy foreign exchange payments, certainly into the 1990s, and this is part of the financing arrangements.

I have set out the debt management strategy in my Financial Statement and Budgetary Proposals for 1988, so I do not propose to go into that now. The House is well seized of my position on these matters.

This particular loan will have a maturity of ten years. The price will be par. Interest will not exceed seven per cent, and redemption will be ten per cent of face value at par, every year commencing at the end of the sixth year, the remaining 60 per cent of the principal amount to be redeemed as the final redemption at maturity.

The Nomura Securities Company Limited will be the lead arrangers for this particular issue. 10.40 p.m.

This is not the first time that we have raised money on the Japanese market, and since 1986 this Democratic Labour Party Government has also raised money on the Japanese market. We believe that the Export Exxon Bank of Japan will participate in this particular issue because they are authorised under the Nakasone proposals to use participation in the market as a means of recycling some of those balances that the Japanese have been built up.

I commend this measure to this Honourable Chamber, and I therefore beg to move that this Resolution do now pass.

Hon. P. M. GREAVES: I beg to second the Resolution, Mr. Speaker, and reserve my right to speak.

Mr. O. S. ARTHUR (St. Peter): Mr. Speaker, it is late in the evening, but the Opposition would still welcome a few words on this particular matter, Sir.

It has become very easy for the Government to bring measures to the House on the same day, and an obliging Opposition, has in the past complied with the courtesies requested of it by the Government and allowed a lot of expenditure and other matters to go through

with the minimum of debate. Thereafter, Sir, having extended the courtesy, we have been cursed for it, Sir.

Asides.

Mr. O. S. ARTHUR: By members of the Government.

Last year, we found ourselves in a position where matters were brought to us on the same day, without giving the Opposition a time to go into all the ramifications of the issues, Mr. Speaker, and at the time of the year when Government, which was by slow accretion indulging in overspending, found itself in a position where, having overspent, it sought to tangle the Opposition into its overspending habits.

I am going to warn the Government, Sir, that we are reserving our rights to exercise the greatest scrutiny of all of these matters. I will never again find myself in a position where supplementaries are brought to the House, we are asked, as a matter of courtesy, to help Government in expediting Government's business, and are then tangled up in Government's inefficiencies.

I stress that point, Mr. Speaker, because last year, when loan Resolutions were brought to the House, they were brought to the House specifically stating that the funds that were to be borrowed were to help to pay debt of the existing year, to help meet some of the balance of payments problems of the existing year, and that some of the monies were to be put down, Mr. Speaker, to help finance Government's future capital development programmes.

I very clearly remember that, and that is why I say that this Opposition must reserve the right to look at these things with great scrutiny.

What that would have meant, Mr. Speaker, is that the funds that were borrowed last year would have been put in a special account, that the Government, would have done what we did in 1985, Sir, not touch the special accounts, because I want to remind this House again, Mr. Speaker, that we borrowed money in 1985 to help finance things to come in 1986. We did not touch the special accounts. We went through an election, in which we were charged with wastage and extravagance and overspending. But we left the special account, as we said we would leave it, to help with things to come.

Last year, the Government borrowed to help finance things to come. The funds were put in a special account, but only for a short while. Their special account has been utilised. The reserves, which were at \$412 million in May, have been drained down to about \$260 million. The Government is giving itself credit for having prevented a drain of the reserves, although if you look

at the situation from May to the end of the year, they fell by \$160 million.

We are now, Mr. Speaker, to come and agree, without having gone into all the ramifications of the matter, that the Government, which borrowed last year for capital development this year, is now to borrow for the same purpose. That is why I am saying, Sir, that in the future we will exercise only the greatest care in these particular matters, so that, at the end of the day the Government will stand alone by its own inefficiency.

It is also my understanding, Mr. Speaker, that this year and next year are the years in which Government's foreign debt service payments were to fall. Nineteen eighty-seven was the difficult year of debt service, because that was the year in which the IMF loan was to be repaid in a large proportion. But that hurdle having been cleared, it was not envisioned that the level of amortisation payments this year would be anywhere near the kind of amortisation payments in 1987. That is a matter, Sir, of fact. It was shown very clearly in the statement brought to the House by the Member for St. Michael South Central (Dr. R. C. Haynes), when he introduced his July measures of 1986.

If Government last year borrowed to pay the debt of this year, but is now again asking us to borrow again to pay debt, it has to tell us what were the circumstances that led us to the position where that money no longer exists. Because, Mr. Speaker, this is a large part of what recent things were all about. The borrowing for one purpose and the running down of those borrowed funds for another purpose is a part of the reason why the Government now has to do certain things on the fiscal side.

The honourable Member for St. Philip South (Hon. H. A. Blackman) should not look at me in that manner.

Laughter.

Mr. O. S. ARTHUR: He always accuses me of making the same speech.

Laughter.

Mr. O. S. ARTHUR: I made the same speech over and over again for his benefit, Sir, because his head is hard.

Laughter.

Mr. O. S. ARTHUR: More seriously, Mr. Speaker, my colleagues have already made the point, Sir, that this Government, which is accusing the Barbados Labour Party of having borrowed massively over the course of ten years, has committed itself to an even more massive •

programme of foreign debt over the course of the last two years. It is conveniently using the excuse that it is borrowing to repay debt, although the amounts borrowed bear no relationship whatsoever to the amount of amortisation that has had to be met. 10.50 p.m.

I make the additional point, and I keep making this point in this House, that when Government borrows money, it does not go into any pool marked "debt" or "motor cars", or whatever else, Sir. Whenever Government borrows money, it goes into a general pool, and let us begin to understand that the reason why funds have been borrowed from abroad is for one reason, and one reason alone, that the total amount of foreign exchange available to the Government is less than the amount of foreign expenditures that the Government has to incur.

Those expenditures can rise not only because of increased debt payments, but also because of increased importation of consumer goods, which was the case last year, and because of the increased importation of capital goods. And I have always made the point, and I will continue to make the point, that it is purely an argument of political convenience for the Government to convey the impression that it is borrowing to pay debt, and to pay debt alone.

These things will make it very difficult for the Barbados Labour Party to continue to subscribe to this Government's heavy debt borrowing programme. The Government has to level with us. Given the dip in the amortisation payments that face Government now, and the fact that the Prime Minister has already said it has borrowed to meet these obligations, it becomes difficult and impossible for this Opposition to support this Resolution. I am therefore serving notice, Sir, that the Barbados Labour Party's Opposition will not be supporting Government in this particular matter.

I am obliged to you, Sir.

Dr. R. C. HAYNES (St. Michael South Central): Mr. Speaker, the honourable Member for St. Peter (Mr. O. S. Arthur) seems to have forgotten that the money borrowed in 1986, roughly the equivalent of \$10 billion Japanese yen, half split between Japanese yen and US dollars, was a decision taken by the Government prior April 1986, but because of the elections, going to the Japanese market was deferred. By the time we got around to dealing with that matter somewhere in July or August, the Japanese market had gotten rather tight, and therefore we had to go to the London market and the US market to raise the total of 10 billion Japanese yen. We got about \$5 million, the equivalent of about US\$28 000, on the Japanese market, and the remainder, roughly

\$30 million to \$40 million, on the Eurodollar market in the United Kingdom.

The essential point is this, and there is no point • fooling around about it, we have had difficulties elsewhere, but I have no difficulty whatsoever with the propriety of bringing a Resolution to this House couched in this language, for capital development. I agree with you that there is only one single pool. Nevertheless, there are clear reasons which you should understand, and I will understand, why I think this is the appropriate wording for a Resolution of this nature going to the capital markets.

I think that particularly with the matter which I had looked into some time ago, with the Japanese public agency being involved in the issue, the ten year maturity aspect of the loan is desirable, because what it does is to help replace existing debt with a loan of longer maturity, and it looks to me that it is at reasonable interest rates at seven per cent or thereabouts.

I think that it is sensible for the Government to go to the Japanese market this year, and I believe in subsequent years to want to maintain a presence in the Japanese market, and also to reverse the exchange rate disabilities that will now exist in relation to repayment of interest and amortisation on the two previous Japanese loans. I would strongly suggest that some of this money should be kept in Japanese yen at least; enough to meet the yen repayments this year so as to avoid the exchange rate cost if the money is converted either into US dollars or Barbados dollars. The only way you can avoid the serious exchange losses which we would have encountered in the Japanese yen loans is to go back to the market and borrow yens, and roll over in yen.

So I do not have any particular difficulty with the wording, and I think that many honourable Members will understand why I will stress that point. We all understand what it is all about and why it is worded this way. It is appropriate that it should be worded this way.

Aside.

Dr. R. C. HAYNES: Tom started that. There is no problem. We all understand that. So there is no point trying to castigate anybody over this particular point. It is a reasonable point, I think.

I think the honourable Member is confining himself to the public sector debt. But the country's foreign debt, I think, will be over Bds \$200 million this year, and when you take the total amount of this loan and the total amount of project loans, you will probably be in the region of \$200 million. We are talking about the total debt, the public guaranteed debt and the private sector

guaranteed debt. I am sure the figure is going to be somewhere in that region.

Aside.

Dr. R. C. HAYNES: I do not have the exact figure. It does not really drop below that figure until about 1991. This is public guaranteed debt, private sector guaranteed debt, and private debt. The Central Bank has to make sure that it has the resources to meet all of those aspects of the debt.

The point I am trying to make is that when you have this \$160 million in Barbados currency, even assuming you leave the equivalent of \$20 million or less in Japanese yen - I would not know the exact amounts you have to pay in Japanese yen this year, and amortisation and interest payments - this will lead to a significant build-up in the Central Bank in terms of special deposits if it is handled in that way. The special deposits will be the equivalent of the \$160 million minus whatever proportion is left out in yen without being transferred into the Consolidated Fund. So the special deposits will rise by that amount.

It does emphasise the further point that I made today, that whatever your fiscal position is in Barbados, whether you have \$200 million, or \$300 million in Barbados dollars in surplus, it does not matter — you still have to go to the market to find the appropriate foreign currency to finance these debts.

There is every possibility that you may have significant reserves in special deposits in the Central Bank of Barbados and find yourself with significant surpluses on the Current Account arising out of local taxation that will reflect a massive balance of payments surplus. But anytime you are a borrowing country and you are building up heavy surpluses in balance of payments, all it means is that you are over-borrowing by that amount. It is not often understood that when you are a net borrower from abroad, your best position is when your balance of payments is zero. Anytime it goes above that, you have, in fact, over-borrowed. Similarly, if you are not a borrowing country and you end up with a significant surplus on your balance of payments, all that means is that you are lending to the rest of the world at rates that are usually un-economic, as would have happened to Trinidad over a number of years. The problem that arises then is that when you need to borrow from the rest of the world, when your reserves are eroded, you have built up no credit elsewhere. 11.00 p.m.

I cannot at this time of the night make an appropriate judgment here, but it would seem to me that in the current situation, the best bet the Government may have

is to go to the market and raise the money, which I hope will be successful. But I think it will be very necessary to try and keep as much of it as can be kept in Japanese yen, and in such currencies with which you can reverse the impact of any fluctuations in the exchange rates. The matter has become slightly more complicated because of the numerous currencies in which we have borrowed, but it does raise very interesting points.

We can borrow this money to protect our balance of payments, foreign reserves and to finance the capital programme. We need to borrow this money. At the same time, the Government has to be very careful not to allow over-taxation to creep in again and build up unnecessary surpluses on the balance of payments, because then you are solving no problem, you are just building up problems in the system that will reflect further down the road.

I am very happy to support this Resolution, because I think it is necessary in the current circumstances. I think there is everything right with borrowing this particular money, because I notice that the maturity is ten years, the interest not exceeding seven per cent, and it is partially underwritten by a Government agency, which means that the Japanese Government would have delivered on their promises when these matters were first discussed with them in Japan a year ago. I am very pleased to see that Japan and its agencies have recognised that they have a wider responsibility, particularly to countries like Barbados, which have a negative balance of trade with Japan. This would be an important gesture in recognition of the fact that Japan has to do something to redress the trade imbalances which they have with small countries like Barbados.

While I take the point made by the honourable Member for St. Peter, I do not think you need worry about this one, because it would seem to me that, on all counts, it is a good investment on the part of the Government to go to the Japanese market for this particular loan.

(*Aside:* Mr. O. S. ARTHUR: To refinance the debt.)

Dr. R. C. HAYNES: To refinance the debt.

The final point I would like to make is that Barbados is not in the dire straits that some people would have suggested to the Government of Barbados year after year. As I pointed out today, in fact, in 1986 and 1987, apart from \$24 million, Barbados actually financed its own capital programme, and in 1985, in fact, it financed more than its own capital programme. So I believe that if care is observed in watching certain representations, the best use can be made of funds of this nature.

This should be enough, I believe, along with capital inflows to projects, to meet the debt service obligations for 1988, \$160 million, unless unusual circumstances develop during the year. It should also be enough to finance the Government's capital programme, along with judicious borrowing from the domestic market, which means — I do not like to say this - but there may be a possibility of some tax reduction during the course of this year.

Thank you very much.

Mr. D. A. C. SIMMONS (St. Thomas): Mr. Speaker, I do not want to delay the House too long, but we have a little difficulty over here and we need some assurances. I raised this problem of the debt in 1986, when a similar Resolution was brought to the House similarly worded, but, in fact, the purposes were not accurately stated, and I got a number of explanations. Tonight the honourable Member for St. Michael South Central (Dr. R. C. Haynes) has given explanations, and I understand, and I am going to be responsible and not go too far in developing my understanding and the explanations for the wording of the Resolution.

This business of borrowing again raises questions of credibility, Sir. In the manifesto which I destroyed this afternoon, the Government had said, when it was in the Opposition, that it would only need to borrow moderately. In the Budget speech, in the Prime Minister's own table, when we include this amount of \$160 million, Government will have borrowed in two years \$461 million. I do not even mind that, I do not even mind if Government cannot explain the purposes in terms of capital development to which \$461 million has gone. What I am concerned about, angry about, Sir, is that this Government knows that of this \$461 million borrowed since May 1986, this Government has to pay interest on that, and the interest payments on these loans contracted by this Government, not the Barbados Labour Party, is contributing to the deficit. All the loans that we had were interest free. Therefore, I just want the Prime Minister to understand and to give us some assurances. 11.10p.m.

When the Prime Minister spoke in here on the Budget Debate Thursday evening, he said that Barbados' debt position was within manageable limits. Then he went to Queen's Park yesterday and tried to give the impression that the problems associated with the deficit - balance of payments, foreign reserves - are of the Barbados Labour Party's making because they have to pay some loan to the IMF. It is not fair. We will co-operate and let Government have this money, if necessary, without a division, but the time has come when we must be honest with the people of this country. Stop

blaming everything on the Barbados Labour Party. Stop accusing us of being responsible for the level of debt, when you know that you have borrowed \$461 million..

We have a manageable debt situation. The debt is not threatening the stability of Barbados, as I understand the Prime Minister's language. Both parties have built up debt and both parties are responsible for interest payments from time to time. All I want us to do for the people of this country is to explain to them that it is not all our fault, it is not all your fault. Do not keep on saying all the time that the problem is that we went straight to the IMF and now you have to clean up the mess and you have to pay so much and so much. You have to pay interest, too, on what you borrowed.

Hon. L. E. SANDIFORD: On a point of order: If the streaking to the IMF hurts the honourable Member for St. Thomas, I will withdraw it.

Mr. D. A. C. SIMMONS: I have made the point, Sir, and I am done with that.

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

ADJOURNMENT

Hon. P. M. GREAVES (St. Michael North): Mr. Speaker, we have met here today from 10 o'clock this morning. This, Sir, I believe is easily the longest sitting in which I have been engaged in my years of parliamentary life in this country.

I believe that the staff, the reportorial staff in particular, are deserving of some special mention for their forbearance in assisting the Government in getting through this work on this particular day. I must apologise to the staff for keeping them to this time,

which is in excess of 11 hours, but at the same time, I am grateful, on behalf of all Members of this Honourable Chamber, for the amount of work that they have put in this day to bring this work to a conclusion.

I now move that this House do now adjourn until Tuesday, May 24, 1988, at 12 o'clock noon. -

Hon. M. A. KING: I beg to second that.

Hon. H. deB. FORDE (Christ Church West): Mr. Speaker, I should like to join in the remarks in relation to the staff. This is probably not the occasion to go into a long debate, but I hope that the Debates Committee and the honourable Leader of the House would be aware that some sections of the staff feel that the existing arrangements for them in physical terms and otherwise are certainly not satisfactory. When they have to work under such long conditions, those arrangements become even more incommodious and onerous, and I trust that the appropriate Committee of Parliament, which I believe is the Debates Committee, will at the earliest opportunity examine the conditions, particularly the conditions under which some of the administrative staff is temporarily housed, and certainly the reporters of the House.

It is because I am conscious of those circumstances that I also feel that the House is indebted to them for going beyond the call of duty.

The question that the House do now adjourn until Tuesday, May 24, 1988, at 12 o'clock noon, was put and resolved in the affirmative without division, and Mr. SPEAKER adjourned the House accordingly. 11.17p.m.

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