

THE

House of Assembly Debates

(OFFICIAL REPORT)

FIRST SESSION 1991 - 96

HOUSE OF ASSEMBLY

Wednesday, June 30, 1993

The House of Assembly met at 12.20 p.m. o'clock for a Special Meeting.

PRESENT

His Honour L. A. WEEKES, G.C.M., J.P., (Speaker)

His Honour T. C. ESTWICK, B.Sc., LL.B., (Deputy Speaker)

Rt. Hon. L. E. SANDIFORD, B.A., M.A., (Econ.), J.P., (Prime Minister, Minister of Finance and Economic Affairs and Minister for the Civil Service)

Mr. H. deB. FORDE, Q.C., M.A., LL.B., (Leader of the Opposition)

Hon. P. M. GREAVES, Q.C., B.A., (Deputy Prime Minister, Minister of Public Works, Communications and Transportation and Leader of the House)

Hon. M. A. KING, Q.C., LL.B., (Attorney General and Minister of Foreign Affairs)

Hon. W. O. FRANKLIN, A.I.C., M.I.A.S., J.P., (Minister of Trade, Industry and Commerce)

Hon. N. K. SIMMONS, (Minister of Justice and Public Safety)

Mr. H. A. BLACKMAN, B.Sc. (Econ.)

Mr. O. S. ARTHUR, M.Sc. (Econ.)

Mr. D. A. C. SIMMONS, Q.C., LL.M.

Hon. C. V. WALKER, J.P., (Minister of Education)

Mr. L. L. BRATHWAITE, J.P., (Chairman of Committees)

Hon. E. E. GREAVES, G.C.M., B.A., Ed.M., (Minister of Housing, Lands, Community Development and Culture)

Hon. W. W. HALL, G.C.M., H. B.M., J.P., (Minister of Tourism and Sports)

Mr. C. LeR. TROTMAN, M. A.

Hon. D. J. H. THOMPSON, LL.B.(Hons.) (Minister of State, Ministry of Finance and Economic Affairs)

Hon. H. B. St. JOHN, Q.C., LL.B.

Mr. L. R. TULL, Q.C., M. A.

Miss B. A. MILLER

Dr. R. L. CHELTENHAM, Q.C., M.A., M.Sc. (Econ.)

Mr. J. O. TUDOR

Hon. D. W. BOWEN (Minister of Agriculture, Food and Fisheries)

Prayers were led by Fr. Mark Harewood.

Mr. SPEAKER: My eye has caught some instrument which I believe may not be proper.

The House is in session.

PAPERS

Rt. Hon. L. E. SANDIFORD: Mr. Speaker, I am commanded to lay the Income Tax (Amendment) Regulations, 1993.

FIRST READING OF BILLS

On the separate motions of Hon. P. A/. GREAVES, seconded by Hon. W. O. FRANKLIN, the following Bills were read a first time:

The Consumption Tax (Amendment) Bill, 1993.

The Income Tax (Amendment) Bill, 1993.

ORDER NO. 1 - THE CONSUMPTION TAX (AMENDMENT) BILL, 1993

Hon. D. J. H. THOMPSON: Mr. Speaker, this is a Bill to give effect to the announcement by the Prime

Minister and Minister of Finance during the Financial Statement and Budgetary Proposals made on Monday, March 15, 1993 in which it was decided, firstly, Mr. Speaker, that the decision of the CARICOM Council would have been accepted and Barbados' obligation under the CARICOM Treaty to abolish the 20% surcharge on goods from CARICOM with effect from April 1, 1993 and to recover the revenue from the introduction of the Common External Tariff, and also the measures which will result from the removal of that surcharge on selected imports from CARICOM origin, that the ad valorem rates of consumption tax, except for liquefied gas and natural gas, would be increased by 4 percentage points. That was effective from 1st April, 1993. In addition to that, the specified rates applying to alcoholic beverages and tobacco were increased by 15% and the exceptions to those increases were gasoline, kerosene, diesel, fuel oil, liquefied gas and natural gas.

This Bill is before the House to give effect to those decisions which had been made by the Prime Minister and Minister of Finance in the budgetary proposals, as I mentioned earlier.

Assuming that there is no matter of any significant controversy, I beg to move that this Bill be read a second time.

Hon. C. V. WALKER: I beg to second that, Sir.

Mr. O. S. ARTHUR: Mr. Speaker, it is characteristic of the bungling that one has come, unfortunately, to have to be associated with this present administration that this Bill, like the other piece of legislation which will be before the House today, which I will not anticipate, is being brought to the House at this Special Meeting.

The fact is, Sir, that after this House over the course of the last few weeks had been taken up with the discussion of a number of issues that truly are peripheral to our economic circumstances and our economic survival, at the very last minute the Government has realised that unless it rushes legislation to the House which was first mooted in the budgetary proposals, the Government will stand in danger of being in conflict with the law. We are here today to discuss this legislation which, in my view, has been rushed. I want to say that up front. In relation to the Income Tax legislation, we only received that yesterday, and as you know, Income Tax legislation has to be carefully perused, because very often a comma in the wrong place in income tax law can make the difference between hundreds of millions of dollars.

It is symptomatic of the bungling of the Government that it had the opportunity to bring this relatively simple legislation to the House in a timely manner, giving the

Opposition ample opportunity to peruse it for accuracy and compliance with what is contained in the budgetary proposals, but we are getting it now in this rushed manner without the Members on this side having adequate time in particular to examine carefully what is contained in the legislation to follow. I want to say that up front because it is characteristic of the bungling of this Government.

The main point I want to make, Sir, in analysing this piece of legislation before the House today is that the change in the consumption tax is really meaningless in the context of the economic circumstances that are now confronting Barbados.

Mr. Speaker, this House is being called upon to pass legislation, the effect of which will be to raise taxes by \$18 million through a combination of measures intended to change the ad valorem rates of consumption tax, as well as to change the specific rate of consumption tax on certain alcoholic beverages and tobacco. The totality of it, Mr. Speaker, if I want to be accurate, is not \$18 million, but it is to raise taxes in Barbados by some \$23 million. I want to say to the House that having regard to the nature of the economic crisis that faces Barbados, there is nobody on the other side who can truly believe that raising consumption tax in this country by 4% is going to be an answer to our economic problems. There is also nobody on this side who believes that at our present juncture a change in the consumption tax really matters and will affect the price of peas in Pie Corner. I say that, Mr. Speaker, to get to the larger point. This House is being made irrelevant by being forced to have to deal week after week with economic measures and other measures that do not bear a relationship to the seriousness of the economic situation that is presently facing the people of this country. 12.30 p.m.

Yesterday, in a speech in a different context, the Prime Minister was good enough to confirm that the economy of Barbados declined by 1.5% in the first quarter of the year and he saw it as a come-back. We have to put it in its proper perspective. The economy cannot be coming back if it is continuing to decline. The decline experienced in the first quarter of this year is on top of and is compounding the decline that has been realised in this economy for the last 3 years. So we know now that the economy has continued to decline.

We also know that the sugar industry's problems are no nearer to a solution than they have been in the last 3 or 4 years. We know of the institutional chaos at the Barbados Tourism Investment Corporation which stops the tourism sector from being able to realise its full potential. We know of the continuing difficulties in bringing about a recovery in the Barbados manufacturing sector. And all that this House is being called upon in the face of those circumstances, circumstances aggravated by a rate of unemployment of over 25%, in face of the decline of our

macro performance, continuing distress in agriculture, manufacturing, tourism and record levels of unemployment, all this House is being called upon to do is to agree to raise consumption tax by 4 percentage points.

I make the point to the House that we are wasting the country's time if we in this House agree that at this juncture in Barbados the only economic policies that we should be dealing with are economic policies designed merely to raise the level of taxation. In short, all the Government is concerned with at this juncture is the bottom line of its balance sheet. Once the Government can be satisfied that its revenue position is protected, the lack of growth in the economy matters not to the Government, the problems in tourism matter not, the problems in manufacturing matter not, the record level of unemployment matters not to Government and the complete chaos in agriculture matters not to the Government.

I suggest to the House that to call us back for a special meeting to agree to raise consumption taxes by 4 percentage points when Barbados is in the throes of a very serious economic crisis is to waste this House's time.

I believe that we ought to begin to grasp the opportunity to seriously begin to discuss the things that the people of Barbados want us to start to discuss. There is nobody in Barbados who will agree with Government that right now is a time to raise consumption taxes even further. Consumption taxes have been raised by this Government in almost every year since 1987 and every time the Government raises the consumption tax rate the economy gets weaker. We are sending a message from this Chamber to people who have seen what consumption tax increases have done to this economy. We are sending a message to them which tells them that the only way forward being conceived of by this Government is further pursuit of a policy which, by any sensible measurement, simply has not worked.

I believe that we have a responsibility today, Mr. Speaker, while we are contemplating this consumption tax, to also begin to address our minds to, if not the consumption tax increase, the other things we should be doing in this House to begin to offer the people of Barbados some hope that the economic crisis which has now foisted itself on this country, and which apparently from what the Prime Minister has said will continue unabated, can be solved and that Barbados can rise above its present economic difficulties. I therefore want to make a contribution to that particular issue.

I believe that rather than discussing the consumption tax increase that this House should be today discussing how to start building an export culture in Barbados. I say that deliberately, Sir. We are all of one mind that employment creation in this country will only come from 2 sources: the expansion of existing enterprises and the

creation of new ones. To create the conditions in this country where we will have the expansion of existing enterprises and the creation of new ones we have to look to the fullest development of our export sectors. This is a good reason. Our main productive sectors have to be export oriented; but those sectors such as the retail trade, professional services, government services and agricultural sector that does not sell on the export market also depend upon there being the availability of a lot of foreign exchange in Barbados.

If you are going to begin to deal with Barbados' economic problems, if we are going to create the conditions in this country whereby enterprises can expand and new ones created we have to create an export culture in Barbados. I say we have to create it because it presently does not exist. I say also to the Government, Mr. Speaker, that the Government's approach to creating an export culture in this country is as wrong headed as its attempt to address our problems in this country today by increasing the consumption tax. We are not going to create an export culture in this country by the efforts of the Foreign Exchange Committee which has gone nowhere. We are not going to create an exports culture in this country, by appointing at the level of trade ambassadors, people who have no track record of expertise in the area of export development. We are not going to create an export culture by throwing institutions such as the trading agencies behind the exports problem in the absence of export capacity.

Mr. Speaker, we will create an export culture when we put in place in this country policies and institutional arrangements that allow Barbadian potential exporters to be able to compete in international markets on equal terms and equal footing with people producing comparable products. That basic set of conditions do not now exist precisely because the nature of Government's policies and the nature of the institutional arrangement under which our economy operates are such that our potential exporters do not now operate on an equal footing nor on equal terms with foreign producers producing similar products in international markets.

Let me explain what I intend to say, Mr. Speaker. Unless you are going to be producing for preferential markets, in order to be able to be a successful exporter you are going to have to be able to sell at world market prices or international prices. You can only sell at international prices if you can produce at international costs. And you will never be able to produce at international cost if everytime you import inputs into this country, intended to be used for export production, a government imposes a heavy tax on it. The persons abroad producing a similar product do not have to pay stamp duty nor the consumption tax nor import duties that are presently charged on inputs being used in this country for export production.

It ought to be clear to Government that the nature of Government policy in this country, as it presently exists, and as it has evolved since 1987, have put Barbadian producers in a position where they cannot compete on equal terms with producers in foreign markets and even in CARICOM markets with comparable products. It is for that reason rather than our talking today about increasing the consumption tax we should in this House be talking about a no-tax policy on inputs to be used for all of our export sectors.

Let me elaborate the point, Mr. Speaker, Sir. There are some export sectors in Barbados that have done well despite the international recession. They are sectors such as the offshore financial sectors. They have done well because of the international recession precisely because the basic conditions for successful exporting operate in their case. They operate in a policy environment and an institutional arrangement environment where they compete on equal terms with people in the rest of the world producing a similar service. But the same cannot be said for tourism in Barbados because we have a situation where a man operating a tourist plant in this country has to pay a luxury tax on his inputs where a similar person operating in Jamaica competing in an international environment does not have to pay a similar tax on his inputs. 12.40 p.m.

So let us therefore get away from this nonsense of wasting this House's time about raising Consumption Tax and start to deal fundamentally with our basic problems. It must start, as I have said, Sir, with creating a culture for export development beginning with a no-tax policy on imports for exporters and also removing all of the impediments that stop our potential exporters from facing international market price conditions. It is the responsibility of Government to get down to that rather than tell us that we have to wait two more years for indirect tax reform. The people of Barbados cannot wait for 2 more years.

I also feel, Mr. Speaker, that rather than wasting our time here talking about raising the Consumption Tax, this House should have the imagination to be talking about how we are going to recapitalise the Barbados economy. I have to criticise the Government for the trading agency. There is no point our talking about creating a trading agency for exports while we do not have the production capacity to produce the goods to export.

It ought to be clear to Government that there is a tremendous need for us at this juncture to recapitalise the Barbados economy and to put in place modern competitive production capacity that would enable us to produce the kind of goods which can be competitive in international markets. I am saying that in large parts of our economy - tourism, manufacturing and agriculture - part of the problem is that our capacity is outdated. We have to recapitalise it, so let us deal with it.

How do we deal with it, Mr. Speaker? First of all I have already told the Government that the monies that are realised from the sale of our assets must be put to the rebuilding of our productive sectors rather than to be used only for repayment of debt. That is, Sir, the existence of Heywoods, Arawak and all the enterprises that Government proposed to sell have nowhere to go. They will remain here to produce goods and services in Barbados; to generate income and foreign exchange. But the proceeds from their sale should be used, in my view, not to pay in the context of our straightened financial circumstances to create new modern production capacity to replace the one that we all agree is so entirely outdated.

Secondly, Mr. Speaker, in terms of recapitalising our production capacity, it is obvious that the Government of Barbados has come to a dead end in its relationships with the multilateral institutions. The Government of Barbados has signalled its intention to recapitalise the economy by having access to financing from the multilateral institutions. But the multilateral institutions have told the Government of Barbados that, in the absence of what they call a suitable macro-economic framework, they are not going to be providing the Government of Barbados with any financing. Now it seems to me, Mr. Speaker, that in the light of that impasse it is incumbent upon the Government of Barbados to tell us what the alternative is. To date I have not heard from the Government of Barbados any sensible alternative as how it is going to get access to foreign financing in the absence of support from the multilateral institutions to set about the task of reforming our productive sectors in compliance with the requirements of the day.

I want to say, Mr. Speaker, that imagination is called for now. What the Government of Barbados and the private sector of this country should do is to make a joint approach to the international capital market with a view to raising the financing that obviously is not now forthcoming from the multilateral institutions. Let me say why it should be joint.

First of all, if you are going to be financing structural reform at the level of the productive sectors, most of the capacity you will be refinancing is private sector capacity. It means therefore that the private sector has to come in at the ground floor to define their financing needs and help identify the usage to which the financing will be put.

Secondly, Mr. Speaker, there is precedent for it. You will recall that in December 1991 it was the access enjoyed by the private sector to the international capital markets which saved the Government of Barbados from failing the International Monetary Fund test. The private sector was able to go out and borrow funds against their pension reserves to bring foreign exchange into this country to prop up the foreign exchange reserves of the country at a time when, in the absence of a capital inflow of that kind, the Government would have, failed the IMF test.

The sugar industry, Sir, also went out and borrowed funds on the international capital markets against the crop, to help keep the country going. I am saying that kind of joint collaborative effort, Government and the private sector working in a common approach to the market, is what Barbados needs right now because, as we all know, the Government of Barbados' name in the market is now at its lowest possible ebb.

It is within my information, Mr. Speaker, that bonds issued as recently as 1990 by the Government of Barbados are now being traded at a discount by the bank that took the lead in raising those bonds. I want to repeat the point; that bonds raised by the Government of Barbados on the London market in 1990, the \$120 million that was raised in London, is now being traded at a discount by one of the leading banks in the arrangement. That is indicative of the kind of lack of credit-worthiness attached to the name of the Government of Barbados in the international financial markets. Therefore, there is no point our continuing week by week, month by month, to hear of plans by the Government to borrow money on the market when they know the market is not responding.

The time has come when Government should tell the private sector, let us go jointly pooling our reserves with your reserves and your credit-worthiness, let us jointly identify what is necessary to recapitalise this economy and make a joint approach to the market on the Government guarantee. But I fear that in the absence of such an approach we will not raise the money that is so necessary now to make a difference in this economy. There is obviously scope for imagination to be brought to bear in the way in which the Government should proceed on the question of recapitalising this economy but we are not hearing it from the Government. All we are hearing week after week, month after month is that it wants to raise the Consumption Tax and it wants you to pay increased prices for a number of commodities. While he is doing all of that foolishness unemployment in this country is rising, and rising, and rising.

I also feel, Mr. Speaker, that the role of the domestic financial system in helping to recapitalise the Barbados* economy has not been properly investigated by this Government. But it obviously must be clear to all of us that at a time when unemployment is at 25% and when the level of investment has fallen by 50% that the existence of high levels of excess liquidity in the banking system must mean that there is a potential surplus that will be available to help finance domestic investment; once the necessary innovations can be brought to bear to release that financial surplus for investment purposes.

Mr. Speaker, in short, if I can sum it quickly here, we are short of investment but there is ample savings in our banking system. We have a Government that is powerless to reconcile the 2 things and to convert excess

savings in the banking system into increased investment for the benefit of the people of this country. We have to focus on this point because all we are hearing from the Government, in terms of financial reform in the banking system, is fiddling around with the structure of the BNB. We are being told that financial reform of our economy for the purposes: of meeting IMF policy targets*is institutional reform at the BNB. 12.50 p.m.

I say, Mr. Speaker, that the fundamental reforms that are necessary now in our financial system is for the development of new types of lending institutions and instruments that can integrate people who have traditionally not had access to that financial system into its mainstream so that we would no longer have to confront the folly of reasonably high rates of savings in this society, the existence of a financial surplus but yet, low levels of investment in the economy. The question is, what is Government really doing, in the face of rampantly high levels of unemployment, to make the most of the existence in this country of a surplus of domestic savings? Nothing at all.

It therefore is clear to us that rather than again waste our time with foolishness about raising the consumption tax that we should be here today discussing how best can the Government mobilize the surplus domestic savings in support of a higher level of domestic investment. We can, in due course, return to that issue.

Mr. Speaker, Sir, I am also totally satisfied that the whole question of cost and productivity has to be addressed if- and I am talking about money cost in general including wages, fees, commission, interest, profits, all costs of production and their relationship to productivity have to be addressed in a sensible way, if Barbados is to find its way out of this particular impasse.

In a way I want, with your leave, to address this in the light of what one has heard concerning Government's proposals on incomes policy. The Government of Barbados is, in my judgement, on the point of defeating any purpose that one can attach to trying to have a policy in this country that seeks to relate all cost increases including, as I said, fees, commission, profits, interest and so on to changing the productivity in the country, Sir. It arises because the Government of Barbados has misjudged the temper and it is misjudging the mood of the people of this country.

The people in Barbados have reacted to the present economic difficulties in a way that suggests to me that they have more confidence in the economy than the Government has.

I have lived in another country where there was an economic crisis and the response by those persons was to

move their capital from their country. Some left and took their skills elsewhere. But the people of Barbados have responded to the crisis by accepting the need for adjustment, I believe, and they have adjusted to the crisis by refusing to do things like form black markets for foreign exchange or carrying their skills elsewhere because, fundamentally, the people of Barbados want to live here and they want to see this country progress.

There is no need therefore in circumstances where the people themselves have voluntarily accepted the need for adjustment for any Government of this country to come now talking about putting in draconian legislative systems to force people to do things and to make criminals of them for doing things that ordinarily are not criminal activities. There is no need, in the context of the manner in which the people of this country have accepted the need for adjustment, for any government to talk in terms of legislating any wages for the private sector. The people of Barbados voluntarily accept the need for adjustment.

But this Government reacts only under pressure from international institutions now. It is under its own commitment to try to prove to those international institutions that it is tough and that it can belatedly do things that it promised the institution that it was going to do a year ago.

I am saying, Sir, that there is no way that any person in Barbados who has seen how our people have reacted to the crisis can sensibly agree that Government should legislate any wage freeze in the private sector when, all across the society the people at large are prepared voluntarily to accept restraint. There is simply no way by which any set of people in this country should agree that the Government should attach any criminal penalties to wage settlements in circumstances when, as I said, the people have shown that they would voluntarily accept adjustment in Barbados. I am saying that the incomes policy as I have heard it articulated by Government is a backward, ill-conceived, almost Machiavellian policy the only purpose of which is to try to convince the international institutions at the last minute that the Government is, at last, serious. But they are trying to show that they are serious by the use of the wrong kind of methods.

Allow voluntary guidelines to operate in relation to the settlement of wages in the private sector, trust the judgement of the people of Barbados to do what is best for this country. Trust them in this matter in the same way that they could have been trusted over the course of the last two years, not to destroy Barbados by creating black markets for foreign exchange. I challenge the Government to do that. Give the people the chance voluntarily to work in their best interest. Do that and after they have done that and you are satisfied it cannot work, then come back to this House and let us talk about alternative measures. But in the

climate of the circumstances, as they exist now, where the people have voluntarily accepted the need for adjustment and are prepared to do what is in this country's best interest, I can see no need for an authoritarian, dictatorial Government to come now and impose rigid and I believe autocratic forms of economic management on the people of this country.

I have, from 1982 believed that it is in Barbados' best interest to try, as far as possible, to relate changes in our money cost, not only wages and salaries but profit margins, interest, rent and all the things that go to the total cost of production to changes in productivity. I have always been of the view, Mr. Speaker, that it is in our national interest to make sure that our total money cost of production should not be allowed to rise faster than those of our main competitors, nor should they be allowed to rise faster than the level of productivity. If we allow our money cost to rise faster than those of our competitors, we will make ourselves uncompetitive. If you and I are selling the same product, and my costs rise faster than yours, you will get the market and I will lose it. And also if we allow our money cost in production to rise faster than productivity the same thing will happen. But the way forward in dealing with that delicate issue, Mr. Speaker, Sir, simply is not by the imposition of an iron, authoritative system that destroys collective bargaining in this country.

I therefore urge the Government, strongly, strongly to go back to the drawing board and come back when they are ready to deal with our realities rather than to deal with what the IMF would want to regard as Barbados' realities.

I am also of the view that the time has come for Barbados to have an active technological policy. For the first time in a long time the nature of technological changes in the world has created an opportunity for a country like Barbados. What has been happening is that the mastery of information has become the key factor that can determine a country's cutting edge in international markets. There was a time when wage costs were important or raw material costs were important, the most important parts of the cost of producing most commodities. But the reality now is that raw material cost and wage cost have been diminishing in importance and the largest proportion of the cost of producing most commodities like a computer chip is the knowledge that has gone into it. Barbados has never enjoyed any advantage in relation to raw material. Our raw material base is not ample. We never enjoyed a natural advantage in addition to our wage cost. But we do enjoy an advantage in this hemisphere relative to all other developing countries in the hemisphere in relation to our capacity to master information and the level of education and our capacity for training. And to the extent, Mr. Speaker, more and more international activity will take the form of skill intensive information type of activities, Barbados is indeed, Sir, poised, more so than any of the other developing countries in the hemisphere to be part and

parcel of that lead forward. Except, Sir, that we have to become actively informed in understanding and absorbing the technology necessary to be able to be involved in the new information age. 1.00 p.m.

We need, Sir, an active technological policy to deal with this. What is now being conceived as the St. Thomas Secondary School should really be converted, if the Government had imagination, to a school in which Barbadians who want to become skilled in the absorption of new information technology that is becoming available to the world, would have easy access to it to make sure that the 25 or 30 years of investment that we have made in education in this country can now be translated into higher and higher levels of technological capacity for the people of Barbados. Sir, we need now, more so than ever because the opportunity is great, to have an active technological policy. By that I mean, Sir, that we just cannot be passive and wait for the technology to come. We have to be there when it is happening, absorb it, and make sure that the advantage that we have now relative to Jamaica, the Dominican Republic and all the countries that have not invested in education to the extent that we have, Sir, that that advantage is not now given away. But yet what we are hearing from the Government, Mr. Speaker, Sir, is how we are to increase the consumption tax on cigarettes and the consumption tax on rum. I say therefore, Sir, for all these kinds of reasons, that this particular measure before the House is irrelevant. It bears no relationship to what Barbados wants right now.

It is also my view, Mr. Speaker, Sir, that there is tremendous scope in Barbados for the Government to create special regimes to promote economic activity in non-traditional areas, link to culture and link to sports, Sir, in the informal service sector.

I do not believe, Mr. Speaker, that this is an area in which sufficient attention has been given but the potential opportunities are great. We have again in this country in the last 10 years, Sir, invested a lot of money in new facilities that could widen the capacity of young people of Barbados to be proficient in a range of skills that were not known by your generation or my generation. We made that investment, Sir, over the course of the last 10 to 15 years. The time has come for us to be able to commercialise that in terms of creating industries out of it. Special regimes that can make these things happen are necessary and can be put in place; but it requires the Government to move away from believing that the only way forward is by dealing with the question of raising the consumption tax.

It is also my view, Mr. Speaker, Sir, that the Government of Barbados is not properly representing the interest of Barbados in negotiations with multi-lateral institutions on the question of an exchange rate policy.

I feel, Sir, that if the exchange rate of Barbados was to float tomorrow that the people of Barbados would want to trade at a 2 to 1 exchange rate, Sir. The reason I say so, Sir, is because we have an open foreign exchange rate system, Sir. Over the course of the last two years, as I said there has been no inclination on the part of the people of this country to form a black market in foreign exchange. There has been none. Indeed we are one of the few countries where you can get foreign exchange on the road more cheaply than you get it at the official rate. When you buy foreign exchange through the Bank you pay \$2.04 for it, but we all know that Barbadians who buy foreign exchange inform me, Sir, they get foreign exchange at Bds\$2.00 to US\$1.00. That is a fact.

The reality in Barbados, Mr. Speaker, is simply that. The absence of a black market for foreign exchange in this country is the strongest evidence that can be advanced to an international institution that all of the pressure they are bringing to bear on Government for appropriate macro economic policy leading to devaluation are a waste of time. I do not believe, Sir, that this point is being made by the Government and certainly, Sir, by officials in the Ministry of Finance. Because I heard the Member for St. John say that if the 8% was restored there was a possibility of devaluation.

I say to the House, Mr. Speaker, that a country ...

HON. D. J. H. THOMPSON: The Honourable Member says he heard me say something. Now, if I did say anything at all I said it in Washington and he certainly was not with me when I said it. Furthermore he could not have heard me say anything and secondly what he said that I said is untrue. If he were to read the source from which he got it he would discover that what he is saying is untrue.

Mr. O. S. ARTHUR: Mr. Speaker, a statement was attributed to the Member for St. John to the effect that if the 8% wage cut was restored there was going to be a real possibility of devaluation. And he has not contradicted that he made that statement.

Mr. SPEAKER: I just want to raise one point. The Honourable Member has refuted that as a point of order which I believe he is saying it on the basis that it is an untrue statement. I do not think the Honourable Member now should persist unless evidence is brought to bear on that.

Mr. O. S. ARTHUR: Mr. Speaker, Sir, if I heard the Member correctly, Sir, he said that I did not hear it because he said it in Washington. He did not dispute the substance of the point being made here that the Member for St. John in representing the whole relationship concerning our exchange rate has sought to convey the impression that there is some linkage between wage cuts and restoration of wage cuts and the exchange rate. And

that is what I am seeking to dispel. What I am seeking to say Mr. Speaker, Sir, is whether or not a country has to change its exchange rates depends upon whether the Government of the day is satisfied that it can meet the requirements of foreign exchange at the going rate on demand and once you can do that nobody should be forcing you to change an exchange rate.

The black market will tell you, Mr. Speaker, if you can continue to do it because any time the black market gets higher than the official rate, Mr. Speaker, you will know that the time has come to change the exchange rate. Indeed in all the Caribbean Countries where the exchange rate has had to be changed it started on the black market.

In Guyana when they had the rate at three to one, Sir, and changed it at twenty something to one, the black market was telling the Government to change the rate. In Jamaica when you had one official rate and a different black market rate, Mr. Speaker, the black market was telling the country, change the rate. I am saying, Mr. Speaker, in this country those Government officials, who are taken in as captives by the multi-lateral institutions, Sir, are not representing Barbados' best interest in the negotiations. They should be telling the people in the international institutions that the people of this country have protected the exchange rate by their actions of not forming a black market and that there is no difference between the black market rate and the official rate to warrant a change in the existing policy. I must make this point because this Government is under pressure from the multilateral institutions to put in place what those institutions are calling appropriate "macro-economic frameworks". There are some members in this administration who, I believe, based upon what they have said and would wish to deny today, would subscribe to those macro-economic frameworks that bear no relationship to the needs of developing countries. The pressure will be on this Government to float the rate. But you will notice, Mr. Speaker, every Caribbean country that has floated the rate that the Government had wanted to get back to a stable rate as soon as possible. 1.10p.m.

There can be no stronger argument for a stable rate than the fact that those who float their rate want to get it back stable in the shortest amount of time. I do not think everybody understands it, Mr. Speaker, because this Government is being pressured to change the rate and the pressure is becoming stronger and stronger. There will be members in the Cabinet who have become captive of the multilateral institution that want to sell that rate as well. I want, therefore, to use this opportunity to tell the Government of Barbados that we feel from this side that a stable fixed exchange rate is fundamentally part and parcel of Barbados' future. Mr. Speaker, the new urge to treat wages as a trade off do not make sense in Barbados' context.

I want also to say, Sir, there is obviously in this country above all else the need for a more flexible approach to the formation of economic policy in this country. I cannot underscore too highly the fact that one of our most important economic problems in this country has been the tremendous deterioration in the level of investment in Barbados. The arrangements surrounding policy formation in this country have become very cumbersome. The decision making process in Barbados as compared to St. Lucia and Jamaica in relation to the time period required for investment decision to be taken has been unfavourably commented upon by documents to which the Government has access. They have been unfavourably commented upon by studies commissioned by the Government to which the Government has access. Other Caribbean countries are flourishing in part, not only because of the nature of our tax system, but because an investor can go into that country and know that he is going to be dealing with a decision making system that is not cumbersome, that people are going to respond, that people high up in the Administration are going to be keen to get the investment to come to the country, and that people are flexible about the use of resources and they are not "high brow" by worn out notions of what is feasible and what is not feasible. But the same cannot be said about the present Administration in this country.

The present system of policy administration in Barbados, Mr. Speaker, is a deterrent to investment. People complain about how long things take to get through the Ministry of Finance if it can get through at all. People complain about the cumbersome decision making process in the Ministry of Finance. People complain about the lack of flexibility in these particular matters and it is not to be under-emphasized. As you know, Sir, time in business is money. If a man who wants to come to Barbados to make an investment and has to pay for feasibility studies, go through the expense of documenting things and then to have things tied up in the Ministry of Finance for 2 years with no response, he will go to St. Lucia or Guyana where there is a more open system and flexible system where you have a less cumbersome system for decision making in relation to investment.

Mr. Speaker, I fundamentally believe that the style of management by the Minister of Finance has contributed to the substantial drop in the level of investment in this country because it has shaken investors' confidence that they can get anything done in Barbados and it has to be said. It has to be recognised, Mr. Speaker, Sir, that in comparative terms we have to go back to being as flexible, open, and sometimes as liberal in relationship to potential investors as the people that we are competing with in the Caribbean. Let us understand very clearly that there are countries that are less developed than Barbados that have begun to cue in to more advance and a more efficient system of decision making particularly as it pertains to investment. We are losing out, Mr. Speaker, largely

because of the...and I want to find the correct word, Sir...heavy anchor that has been dropped in the Ministry of Finance which stops any investment motion from taking place in this country. Mr. Speaker, the time has come to charge it. I believe so.

Sir, I thought that I would speak in this frame on this measure because I truly do not believe that any useful purpose can any longer be served in our coming to the House week by week and voting on measures that bear no relationship whatsoever to the present circumstances of Barbados. The Government wants us to agree to an increase in the Consumption Tax. I say and this is the point that I am making to this House; that in the context of our times with the economy continuing to decline, with none of the sectors doing well and with unemployment rising by 25 per cent, we will be telling the people of this country that Parliament has lost faith in the future of Barbados if the only economic measure which we are talking about now is by raising the Consumption Tax. Recent history is against it. The people of Barbados have seen the rise in consumption taxes that were increased by this Minister of Finance in every year since 1987 with greater and greater detriment to the Barbados economy. Now we are all asked to agree on an increase in the Consumption Tax.

For that reason, therefore, I have spoken in the way in which I have spoken. The time has come for us to start dealing with the creation of an export culture, the focus of which is not the foolishness of our Trade Ambassadors and so on, but by having policies that allow our people to operate on equal terms abroad, to revolutionize the financial system so that our savings can be translated into investment in certain areas that are not yet being used, Sir. The time has come, Mr. Speaker, for the Government to use the proceeds from the sale of its assets to start to rebuild the economy and to join hands with the private sector to approach international markets for financing in circumstances where the market can take on the Government. The time has come also for us to bring non-traditional entities into the main stream of Barbadian economic life. That is an opportunity, Mr. Speaker, Sir, that this "crisis has presented Barbados with. You will search throughout this entire crisis and you will not find one instance in which this Government has said to itself - "How best can I now identify persons who are now acting on the fringe of economic activity as economic agencies and use the opportunity to bring them into the main stream?"

We used to hear the Honourable Member for St. John speaking about land reform and how if given the opportunity he would be involved in land reform. But land reform for him means creating a system by which Booker Tate can come to Barbados and take over the lands of Barbados. But the opportunities created by prices have created this.

Mr. Speaker, I am also saying that the relationship of our money cost of all sorts including fees, wages, profits and productivity has to be dealt with but not in a draconian or authoritative way as the Prime Minister would want us to deal with it. When we can start to deal in this Parliament with matters such as these rather than what we are going to deal with to increase the Consumption Tax, I believe that our proceedings in here, Sir, will begin again to have a direct bearing and a direct connection with the main stream concerns of this country. Sir, I am obliged to you. 1.20p.m.

Hon. W. O. FRANKLIN: Mr. Speaker, first of all, let me start by saying that the measure before us is to legalise an action taken by the Minister of Finance in the changing of the consumption tax and it is before Parliament today for its acceptance, which naturally I am supporting, but I will take the opportunity to comment on a few issues raised by the Honourable Member for St. Peter.

I want to start with the creation of an export culture. We need an export culture, but let me go on record by saying that an export culture takes time to create. I also want to go on record by saying how we have started and what we are doing to create an export culture.

Mr. Speaker, let us have a little background on the traditional export procedure of Barbados. Right up to the middle 60s Barbados' export was mainly sugar and there was no problem, because there was a secured market and a secured marketing arrangement for the sugar. At that time you had a situation where the expectation of the people of Barbados was such that the income from sugar cane kept them relatively happy. As you moved further down into the 60s, when you brought on tourism needing an export situation, most of our tourism products were owned by expatriates who brought with them the culture of their management, as well as the earlier part of the manufacturing industry, that you had what we call the industries that were almost always owned by offshore people, who also brought their markets with them and their culture.

What has been happening since then; Mr. Speaker, is that most of the manufacturing in Barbados started as an extension* in most cases, of good trades and craftsmen and in 90% of the time, up until the mid 70s, the domestic market was enough to satisfy their aims and objects in what they were doing. We have now moved to a stage where we all acknowledge that the problem in Barbados is an insufficiency of foreign exchange to support the requirement of our social services in Barbados, to support the quality of life that Barbadians have grown accustomed to and also to support the infrastructure they have got accustomed to.

It is now against that backdrop, plus the fact that on the world market we have had a reduction of proceeds

from our sugar, that the industrial sector of Barbados is being owned by nationals, but we now have to look aggressively for the export culture. Therefore, as the Honourable Member said, we have to develop an export culture, and I agree with him. In order to develop an export culture, you first of all have to instil in the people of Barbados that there are a few things you need. You need a quality of goods, you need the cost of goods within the export market, you need to have a knowledge of the market out there, market intelligence and a database.

What have we done in order to assist these things? Let us start with the quality of goods. The Barbados National Standards Institution has been established for some little while now to work very closely with our local producers in developing the quality at international standards. We have now reached the stage where we have mandatory and voluntary standards on quite a few things, including foodstuff, wooden furniture, et cetera, and as a result the manufacturers of those items have now moved the quality of their production up to that where they are now able to do that.

The most important point, Mr. Speaker, for export manufacture is the price break at which you can get into the market. The point raised by the Honourable Member for St. Peter is a good one, that is, that you can only compete in the international market if you can compete on price. Price is the most important thing when you are trying to get into the market. You must also look at your productivity. We have to admit that the era of protectionism for most of our manufacturers, even against fellow CARICOM country members, has created a kind of philosophy or culture that says you need to keep my market for me, I need to go into my market at whatever price I want to go into it at, at whatever quality I need to put into my market and you need to continue to protect it.

Mr. Speaker, there has been a lot of discussion about whether or not we should continue to protect the domestic market for our people - by extension the CARICOM market - and within recent times, with the liberalisation of trade and the pressures for the opening of the economy, we have had heated debates throughout the Caribbean countries as to whether or not we should continue that protection of our markets. I have said before that if we examine it carefully, the protection of our domestic market and the CARICOM market is precisely why there has not been an export culture developed, because in most of the cases - and I could name a few - most of our manufacturers were satisfied with the domestic market, and within more recent times with the CARICOM market. As long as you have that satisfaction and you are not hungry, you are not going to look outside, because exporting calls for additional expertise and a lot of other things.

You have to be able to source your material a lot more efficiently, your production lines would have to be

better in place, your productivity would have to be up, which means that management must be top, because productivity is an offshoot of management, so management has to be excellent. You have to have market intelligence, and when you go into the market place you have to make sure that you have everything in place.

Mr. Speaker, I can go on record by saying that the present situation in which the Caribbean countries have found themselves, it is the first time maybe in many years that many Caribbean manufacturers are seriously looking at their cost of production, their quality of production and are seriously exploring other areas outside the CARICOM market. I want to repeat that within the last couple of years the world situation has caused us, or is causing us, to open our Caribbean markets. It has determined that our people must now realise that the Caribbean market is a market for everybody and that the whole world must now be their market. There are signs that people are doing that.

Let me look at the area of technology. I have said on another occasion that the size of a country now is not a determinant of that country's well-being, because you are now in the area of global manufacturing and of information. In other words, as was said, knowledge is the most important thing now. If you have knowledge and technology you can do that. We in this administration and previous administrations have realised that. The Barbados economy is shifting into services, the financial services, informatics, knowledge, industries, because we realise that Barbados with its educational background is well placed to be able to make those shifts, and we have been making those shifts quite successfully. The collapse of the garment industry at the bottom end is part of the shift, because you cannot any longer compete with China and those people in the garment industry at the bottom end where the input is cheap labour. You cannot compete in the screwdriver assembly industry where the input must be cheap, so as a Government we have shifted our development strategy towards the services - tourism, financial services, the informatics, the knowledge industry and knowledge assembly.

Only very recently there has been formed an Advisory Council in the informatics and information field. The ideas behind that is to bring together a pool of the best brains we have in Barbados in the whole area of information, informatics and the sciences, to build up the kind of database and we are right at the cutting edge of the technology. I can say that this is a determined policy by this administration to have the kind of information available that would allow you to be there. The education system naturally has to take place, but the education system over the years has not made the transition as rapidly. Right now the same CDS is establishing in Barbados an informatics school, in conjunction with the Barbados Investment and Development Corporation, setting up a continuous training school in all of the areas of informatics

and the sciences. Another thing we have to look at is the competence of the people. Let me say that, unlike many of the people in Barbados. 1.30 p.m.

A next thing that has been said is that the manufacturing sector, after having gone through a very rough period, is coming to grips with the realisation that it has to improve its technology which the Government is encouraging at all levels and which I am certain that our Ministry of Finance has facilitated, on all occasions, with whatever rebates we can give on the cost of new equipment. They have looked at their productivity. The staff in Barbados and the workers in Barbados have realised that no longer a job is a right but that right carries with it a right to produce and give back in return for what they are earning. I can say that the people have now stepped up their production and wherever you go, Mr. Speaker, the spirit is beginning to return to the Barbados manufacturer.

Mr. Speaker, I have been meeting with the manufacturers in Barbados. It is the 3rd meeting I have had with the manufacturers and exporters. I am beginning to see that they have accepted the fact that they cannot any longer hide from international competition and they have stepped up their marketing. A lot of them have now formed export marketing divisions that they never had before.

Let us talk about the difficulties in doing business in Barbados. Yes, it is too difficult to do business in Barbados and it has been so for many years. This is not the first time that people have complained about doing business in Barbados. Let us be honest, it is not the first time. What are we doing in order to speed up doing business in Barbados? The Barbados Investment Development Corporation, despite whatever is being said, has approached this and is doing everything possible to create as close as possible a one-stop situation in Barbados. We have had meetings continuously with all the institutions that have to deal with investment.

We are having meetings with the Central Bank, the Ministry of Finance, the Customs Department and the Immigration Department. All of this, Mr. Speaker, is an effort to be able to create the kind of atmosphere that every single department that deals with investors realises that it is its responsibility to move that documentation at a faster rate through the whole department. The way we are doing it is that each Minister has been asked to name a point of contact. In the absence of bringing the complete thing under one head, we are doing the next best thing.

If an investor comes and he needs to know about immigration and what rights he has, instead of the Immigration Department sending it through a lot of red tape, there is a particular person in the Immigration Department that the BIDC works point to point with. That

person immediately advises the BIDC of what has to be done and it is done. The same thing with the Central Bank, the Customs Department and the Corporate Affairs person.

In order for Barbados to retain its reputation as an investment climate that has propriety we still have to do some checks on investors. We still need to go through the statutory requirements for investment. I agree with you and we are doing our best and it is my intention to make sure that a specific time is given. When an investor comes to Barbados, I am now in a position to give that investor with a certain amount of surety that his application will be completed within a fixed period.

We have worked out a time table that each department it goes to must respond within that time until we bring all of them into the organisation that we have. We have to do that

Mr. SPEAKER: There is a bit too much noise.

Hon. W. O. FRANKLIN: Mr. Speaker, let us be practical. The administrative arrangement in a government has to do with the public sector. I am saying that the public sector has been and is being continuously sensitised to the role that they must play in order to be more appreciative of the fact that an investor with a few million dollars does not have to wait on Barbados to invest. The world is his place to invest. He cannot have money sitting down and not working and therefore they have to understand that an investor is not just a name on a file that can be passed around from person to person. An investor's investment can transfer itself into jobs; it can translate itself into the earning of foreign exchange and can translate itself into the well-being of Barbados. Therefore, that kind of approach has to be made.

If we objectively examine all the Government Departments you would see that there is a sense of urgency. Let's take the Customs. No one can say that the Customs does not now exert that sense of urgency that is needed. The same thing with all the Ministries - Finance, the Attorney General's Chambers, Corporate Affairs, the whole area

Let us be practical, Mr. Speaker, as is said, an export culture has to be developed and everything has been put in place. I can say I am very glad that there are positive signs that that culture is being developed at a rapid rate against the realisation that they have to compete in the world. That realisation has brought more aggressive marketing, better sourcing of material, higher productivity and it has returned that sense of being proud Barbadians and we are seeing it in our exports. We are seeing it, Mr. Speaker. Our exports for the first 3 months are up. 1.40 p.m.

Aside.

Hon. W. O. FRANKLIN: Mr. Speaker, I can only tell this House that because of the lateness in the information at the Ministry of Trade, Industry and Commerce, I had to produce a system to keep some track of what is happening. What we have done is we have written to the 32 biggest firms in Barbados that have been exporting and they are cooperating excellently with us. Within 7 days of the following month we get the information from the firms and I must congratulate the companies that have been working with us.

We are tracking in the Ministry the following firms with their exports: Barbados' Children Wear, Bayer (Caribbean) Ltd., Donnelly (Caribbean) Ltd, Berger Paints, Ensopack, Oran Ltd., Mount Gay Distilleries, Roberts Manufacturers, Tansitor, West Indian Rum Refinery, the Armstrong Group, Caribbean Containers Ltd, Structural Systems, Dowell Offshore Sales, Atlantic Manufacturing, Coles Printery, BRC West Indies Ltd., Cot Printery, Precision Packaging, Caribbean Data Services, Barbados Cosmetics Products that has been doing extremely well and they exported \$12 million in 1992, Industrial Packaging Ltd and Beltronics.

Mr. Speaker, the latest trade statistics I have are October 1992. The Statistical Department is now working around the clock to bring them up to date. They are working overtime and I am assured that those trade statistics will be up. I am pleased to say, Mr. Speaker, that up to April, I know the May figures are in, that the exports of those 32 companies are up by 13.5% on their exports for the corresponding period in 1992. I can also say that the exports as seen by the BIDC, those that have to be properly authenticated by the officer there, are up by 25.5%. For the first 4 months in 1992 there were \$44 million and now for the first 4 months to the receipt of this they are \$60 million (CARICOM). What I am saying is, Mr. Speaker, that we are working to move exports back...

Asides.

Mr. SPEAKER: Order, please.

Hon. W. O. FRANKLIN: Mr. Speaker, I am saying that we realise that we have to move back. Those are the exports to the CARICOM countries. I am projecting at least an increase of 14.5% to 16% exports over the 1992 figures and I am expecting an even higher one because we are trying to move back these figures to something like \$550 million to which we should be.

Mr. Speaker, let me go on record and finish this way. The people of Barbados have exhibited in themselves the confidence to accept a situation and to realise that the only way forward is by hard work, aggressive marketing and good merchandise at competitive prices. I am certain that

the spirit I am seeing prevailing now would definitely redound to the well-being of Barbados for the balance of the year and as we continue our climb out of the problems we are in now to make sure that we retain that level of production in Barbados that can support the lifestyles that we have.

Aside.

Hon. W. O. FRANKLIN: Mr. Speaker, just let me say very quickly that one of the areas we have had some discussion in this House in is the overall freeing up of the CARICOM market. One of the areas we have had some problem with is Article 56. We have just had a review of Article 56 under the CARICOM Arrangement. The Council meeting just concluded. The Council, after we pushed a very strong case, has removed toilet tissues from Article 56 protections as well as paper bags from Article 56.

Mr. Speaker, I might have a pleasant announcement because I am not certain that the toilet company has gone already. I understand that very soon the Board is to reconsider the decision by Wirl to move from Barbados because, running hand in hand, we have just had an agreement on a mandatory standard for toilet tissue which will level the playing field in that area because there were 2 complaints by Wirl.

The complaints by Wirl were (1) the Article 56 protection on toilet paper meant that they could have gotten into the Barbados market and we could not get into the OECS market. But an even more serious complaint was the quality of the product that was coming into Barbados because there was no mandatory standard for toilet tissue. We have now decided on a mandatory standard which would mean that they can no longer come in with 180 sheets when the Barbados manufacturer had to have 280 sheets, that they can no longer come in with 1 ply when the Barbados manufacturer has to have 2 ply and therefore create a situation where because of price, and the consumer being not acutely aware of this, but looking at price, was buying a product that superficially was cheaper but in the long run was more expensive because when they bought the cheaper toilet tissue from the OECS they were getting a reduced roll and quality and as a result when you pan it out they were using twice as much of a product that they were not paying half the price for. We insisted that this type of consumer aberration for the consumer must not exist, that the market must be such that the quality would come with that. Therefore, that has been done.

As far as the paper bags are concerned, this is good news for the St. Lucy manufacturer in that the St. Lucy manufacturer has been having a problem in the OECS.

The one we have not been able to do anything about as yet is the solar water heaters. We have been putting a case for the solar water heaters but there is still some

developmental work that needs to be done. What we are doing at the Ministry as an alternative to that is we are bringing the Barbados solar water heater manufacturers together with Professor Headley from the University of the West Indies. We are agreeing on one export quality solar water heater which we would do under one name. What we hope to do with that is having standardised at least one set of solar water heaters all the manufacturers can make the same one. We would be able to aggressively go into the markets to market our solar water heaters. 1.50 p.m.

Venezuela, Mr. Speaker, is a market that...

Mr. SPEAKER: The Honourable Member has one minute more.

Hon. W. O. FRANKLIN: ...we are looking at. But we could not have broken into Venezuela because of the individual capacity of the manufacturers there, they could not meet the market. Therefore if we have a common product that all the manufacturers can now do the same thing, we would be able to do some group manufacturing and do some aggressive marketing in Venezuela. We are doing those things.

As I said I am not as pessimistic as some of the members on the Opposition are. I have seen a spirit of survival, a spirit of fight and I have seen the figures to support that. I am certain that all of us in Barbados having accepted the challenge, and I am sure Barbados would be better in the years to come for the period we have passed through.

Thank you very much.

SUSPENSION OF SITTING

Hon. P. M. GREAVES: At this point, Sir, I would move that the sitting be suspended until 3.00 p.m. today.

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

The question was put and resolved in the affirmative without division and Mr. SPEAKER suspended the sitting accordingly at 152 p.m.

RESUMPTION Mr.

SPEAKER: This sitting is resumed.

Hon. H. B. St. JOHN: Mr. Speaker, Sir, I rise to underscore the very valid points made by the Honourable Member for St. Peter and particularly I want to associate myself with his appeal to the Government to have a serious look at a complete revamping of the strategies which they have been adopting over the course of the last 2½ years which has resulted in a situation in a Barbados in which we

have unprecedented high levels of unemployment, high levels of crime, large scale deprivation and a tremendous reduction in our social services.

It is our thesis that, to a very large extent, the taxation policies of the Government have been the major cause of some of these problems. The Consumption Tax in Barbados is a classic example of the wrong-headed approach of the Government in this area. I have looked here at the Estimates of 1986-87, the Revised Estimates, and I see there that the consumption tax on an economy which is larger than the economy today, because that fact cannot be contradicted and it is something I think we should reemphasize that many people do not appreciate that the economy of Barbados has shrunk to the extent that in 1992 it is a smaller economy in real terms than it was in 1986-87. At that time the consumption...

Aside.

Hon. H. B. St. JOHN: That is uncontradicted. That is your distinction in real terms. Your distinction and your contribution to Barbados is that the Honourable Member and his party shrunk the economy between 1987 and today. I know the Honourable Member is going to say he was not responsible for what happened in 1987.

Aside.

Hon. H. B. St. JOHN: I beg your pardon? It is even smaller than 1984. Those are facts. So that shows you the depth of degradation to which you have put the economy in. This is a fact. You cannot put me off on this. I know that this is a fact. It is one of the marvels of Barbados that that has not sunk home yet in the public's mind because if that had sunk home in the public's mind we would have a revolution. You are only operating on luck and the good tolerance of Barbadians. The Government is only operating on luck and the tolerance of Barbadians because when the truth emerges - and it is gradually emerging - and it sinks home in the public's mind that we are operating in an economy which far from going forward is going back and we have a Prime Minister and a Minister of Finance who is congratulating himself that the economy instead of going down by 5V₂ is going down by 1½. Just think of that.

The point that I want to illustrate is this - the figures do not tell any lie - in 1987, according to the Estimates, the consumption tax was \$110 million. When you check the tax bite do you know, Sir, that we are now here being asked to support a Bill for consumption tax on a smaller economy of \$282 million? I use that to illustrate the magnitude of the increase in consumption tax as a proportion of our revenue. That is a very serious thing.

When we say that the effect of this has been to devastate the productive sector, it must be appreciated that the rise in consumption tax in an economy in which you

have deliberately depressed consumption, it means that you are hitting the productive sector such terrible body blows that it cannot survive under the weight of the taxes. The effect of the Government's taxation policy has been to depress the consumption of the productive sector. It has increased the cost. It has caused a phenomenal rise in the cost of such inputs as are subject to consumption tax in the productive sector. This is a very serious thing. That is why we say that Barbados is uncompetitive because, to a large extent, of the taxation policies of the Government. Even the Government recognizes that. Even the Government now has been forced to recognize that it is the author of many of the problems that we have in relation to our uncompetitive position, whether it be in tourism - and do not tell me that you have the scheme of rebates on taxes for inputs on tourism, because the inputs on tourism are so diversified that no rebate scheme that you have can be as pervasive enough as to effect all this. Local transport alone has been the subject of a tremendous amount of taxation. When I look here at the taxes on diesel fuel, this is an area that the Right Honourable Prime Minister loves to touch. How much ever you pay for a litre of gas in Barbados, it is not generally known or appreciated that the consumption tax is 91.66 cents a litre on gasoline. We have our economic advisers too. And we know you have got someone from the Central Bank putting the Statistics for you. Ninety-one point six six cents per litre; so that when you talk about concessions, every bit of locally produced vegetables in Barbados that the tourist industry buys reflects the additional cost of the consumption tax on the inputs of peasant agriculture in Barbados. Anybody who understands this would know. 3.10 p.m.

Next door to my constituency, in the constituency of the Honourable Member for Christ Church East, which probably has one of the largest vegetable growing areas, thanks to the wisdom of the Honourable Member for St. Joseph who formerly represented that area and who ensured that adequate infrastructure in Gibbons was put in.

Asides.

Hon. H. B. St. JOHN: You check that. And in St. Philip South too. If you remember St. Philip South by Kirtons, those are properly devised schemes. St. Thomas too, just above Arch Hall. All over the Island. The point was, Sir, that if you tax those farmers' inputs you cannot ask a farmer from there to apply for any duty free privileges. He is not telling you anything about duty free privileges, he is too pre-occupied with trying to fight the weeds and things of that type and you have increased his costs because of the consumption taxes on his inputs, therefore you have contributed to the rise in the cost of raw materials as far as tourism is concerned.

It is true that you have given consumption tax free on a number of items like pillows and bed spreads and things

of that kind but we must understand the devastating impact of these things in Barbados. Take the fishing industry. In the fishing industry in Barbados it is possible to import flying fish from Tobago cheaper than they are produced in Barbados. Even at 20 cents each ex boat and 20 cents to bone - thank God we get a reasonable price for boning - it is still possible to import them because those people have the same resource, but the inputs and the cost of Trinidad are less on these things and that is what you have to consider.

There was a survey done recently and the price of fuel in Barbados is higher than anywhere else in the Caribbean. You do not have to go too far to look for it, ninety-one cents a litre. Diesel 76 cents a litre, diesel other than as fuel for road vehicles 44 cents a litre. So that when we talk about a need on this side and when we try to persuade ...

We are good Barbadians, we like Barbados but we cannot sit idly by and support a Government whose sole aim appears to be to devastate us further.

Now, Sir, I would have thought too that having regard to the fact that it is now admitted that the Government and the International Monetary Fund and other multi-lateral institutions have reached the parting of their ways that the Government would have told us today that although we are coming to look at this Bill today, it is quite obvious there must be a radical change in the present arrangements that we have because of the fact that they were predicated upon a budget which itself was dependant upon a flow of funds as a result of those institutions giving us the stamp of approval. We know that. Where are we? Why should we be debating in a vacuum the implementation of budget measures when we all know that those budget measures, very shortly, will have to be seriously revised because of the fact that the assumptions under which they were prepared no longer hold.

I want to see a capital works programme started in Barbados. It shocks me and it hurts me everyday when I pass and I see all these Government projects that have been abandoned, the steel pillars catching rust and things of that kind.

Aside.

Hon. H. B. St. JOHN: I am very glad that the Honourable Member mentioned the Central Bank. You should never mention the Central Bank because if you do not understand that the financing of a Central Bank is completely different from the financing of any other project for the simple reason that a Central Bank can print money. You don't understand that a Central Bank can print money?

Mr. SPEAKER: I am not... Honourable Member, just hold a minute.

Hon. H. B. St. JOHN: I just want to enlighten the Honourable Member.

Mr. SPEAKER: You cannot enlighten the Honourable Member if there is ...

Hon. H. B. St. JOHN: I want to enlighten the Honourable Member on this point. I will enlighten you because the Central Bank may cost \$90 million but the point is that it is such a unique institution that in one year as a result of the irresponsible action of the Government, they borrowed so much printed money, it made \$30 million. All you have to do is to continue borrowing for 3 years and you will pay back for the whole building. You don't understand that is the unique way a Central Bank operates.

Mr. SPEAKER: I am not permitting these interruptions. I am asking Honourable Members not to interrupt as they are doing.

Hon. H. B. St. JOHN: The Honourable Member does not even know how the Central Bank was financed. You must go and ask your party stalwart, Sir Douglas Lynch, he was the Chairman of the Financing Committee. Go and ask him, he would enlighten you and you would know that the Central Bank had an accommodation from other Central Banks. You know there is a Central Banking Trade Union in the world? They never had a foreign exchange implication. You will see that it needed no money at all from the Government. Ask him about that.

Secondly it uses domestic sources, so you will understand. The more you borrow from the Central Bank, the more profits it will make.

Asides.

Hon. H. B. St. JOHN: I don't know about happy hour for you but I know one sure thing it is intelligent hour for me.

Mr. SPEAKER: We are not debating any kind of happy hour or unhappy hour. We are debating a measure before the House.

Hon. H. B. St. JOHN: Sir, the 1992 Annual Report. I have to enlighten them, Sir. The Annual Report of the Central Bank for 1992 shows net profit before appropriation \$30 250 000. The problem is, Sir, that although we try to teach them, although we try to explain to them, however we try to do it, they will not listen. It is no wonder that the Honourable Prime Minister is in trouble because when he has the Honourable Deputy next to him advising him on these matters you can understand that.

Now, Sir, I want to deal with other matters. I have dealt with the gasoline and I want to deal specially with

some of the points raised by the Honourable Member for St. Philip North. Now the Honourable Member for St. Philip North tells us that he is hopeful that he sees a new spirit in the industrial arena in Barbados that exports have risen. When you are dealing with exports and manufacturing in Barbados, the Honourable Member should keep quiet because everybody now recognises, even the Deputy Governor of the Central Bank has finally recognised it too, that one of the most foolish things that has ever been done by a Government in Barbados was the implementation of the policy of the Prime Minister which took away the concessions from the manufacturers. The Deputy Governor of the Central Bank has said that the policy in relation to manufacturing inputs and taxation was a mistake. Now the Government has only partially remedied that because you are still giving them the 50 per cent rebate. So do not come in here and tell us that you see a new spirit. There is no new spirit. 3.20 p.m.

The position is that the shift to a full service economy that the Honourable Member is talking about was a shift that was envisaged many years ago and the institutional machinery was put in place in order to give an impetus to that shift. When you talk about Caribbean Data Services and you talk about Donnelley and those other institutions, they operate under the International Business Companies Act which in itself had a mechanism to ensure that everything that was necessary by way of machinery came in completely duty free and stamp duties included. What they were hiring was labour in Barbados and I welcome the contribution of that. I understand that. But there is no question about it that in respect to other manufacturing, you have dealt them critical blows and the Government refuse until this day, when everybody has pointed out to them that given our currency, given our cost of wages, given our structure in relation to fuel that we cannot be competitive with Trinidad and the other areas on the basis of rebates on manufacturing.

Sir, the Opposition has a policy on that because it seems to me very clear that we are going to have to decide in our minds because of the importance of this area and the need for control, that we are going to have to "go back and create free trade zones in which you have no problem at all within the free trade zone area of granting these concessions. I know that in the Ministry of Finance there is a lot of suspicion about the grant of rebates on the basis of application from time to time and with justification too.

Aside.

Hon. H. B. St. JOHN: You signed for a stallion to come in here and the next thing he did was run instead of doing his stallion duties. There is always a lot of suspicion. The Honourable Member freely confesses to the fact that he was hoodwinked into granting duty free concessions to a stallion that did not do his stallion duties. The

Honourable Member for St. John has that unique distinction.

Hon. D. J. H. THOMPSON: Mr. Speaker, the Honourable Member knows why he is making me get up to respond to this. I have not granted any duty free concessions in respect to any race horses because none of those concessions have yet been applied for since I have been in the Ministry of Finance. But we have a perfectly legitimate policy in that regard and he knows what that policy is.

Hon. H. B. St. JOHN: Sir, the basic position is that it is very difficult having regard to the experience of many people to isolate individual manufacturers and give them duty free concessions when they are operating partially upon the basis of supplying local goods and partially on the basis of exports, because you have the difficulty of the mixing and the difficulties of control. In the context of Barbados if we are really to level the playing field and if we are really to give the concentrated effort to export, we must re-look our policy in relation to export promotion zones or free trade zones because they are easier to administer. You can put a fence around the airport and the harbour and you can restrict your full duty free concessions to manufacturers in that area. You can say that, if you want to manufacture for export, you must go and set up in that area. So that is not beyond the competence of the human mind to devise a scheme to ensure that any leakage that has taken place in the past can now be rectified.

One of the excuses that has been given for the Government having to be careful in this area is the question of control. But what we want to emphasize here is that this Labour Party recognises and advocates that the Government should change its policy in relation to these manufacturers. We do not share the view that the only manufacturing activity that we should attract is the semi-manufacturing and processing of data that at the present moment operates under the International Business Companies Act. There are still other areas that we can operate in. Therefore, Sir, we again appeal to the Government to review its policy in that area.

Now I have talked a lot in here about agro-industry. The Minister of Industry has not answered the point that the Opposition has consistently been raising in here. That is that the Barbados Government should be constantly in the forefront of the viewpoint that you cannot have absolute trade liberalisation in relation to agro-industrial activity until the same international institutions that advocated that for us at the same time are unable to persuade the European Economic Community, the United States of America and other trading blocs to stop the domestic subsidies that they give their own manufacturers and producers in that area. We have pointed out the devastating impact full trade liberalisation would have on industries like the Pine Hill Dairy and others.

Sir, this is a serious matter. You must have a policy on this. You cannot hide this and escape from this with the creation of a BIDC or the creation of a so-called one stop agency, which is nonsense anyhow. There is no such thing as a one stop agency. Prime Minister Seaga used to talk about that. You can only have that in Singapore and in other countries where you have a dictatorship. But the way how our Government is organised, Immigration is under a different Ministry. Duty free concessions to a large extent are under another Ministry and a number of other areas are under different Ministries. The best that you can have is to follow the example that we had established long ago. For example, we had a committee coordinating the industrial development which was manned by civil servants from all of the relevant Departments and they agreed to have a fast track approach.

When the Honourable Member tells me about they have created "earmark" officer, that is a lot of old hat that was created. The problem is that you have demolished it because the Labour Party had it in existence. You came in and found it and your object was to destroy it because the Labour Party had it. So you have to go back to what we had before. That is no revolutionary anything. Go and look in the Minutes in the files and you will see a Committee for Coordinating Industrial Development in Barbados. When the Honourable Member tells me also that Barbadian manufacturers must recognise that there must be no domestic protection,' let me say this. The domestic protection that you had in Barbados with the differential in consumption taxes and the stamp duties was all introduced by this Democratic Labour Party in 1987. The first act of salvage was the consumption tax imposition in Barbados in April 1987 where \$40 million was raised in consumption tax. Had it not been for the vigilance of this side, they were even going to put it on food and on vegetables. They had to come in here and say that it was a typographical mistake. The Honourable Member for St. Philip South cannot escape this. He was one of the authors of that. I see the Honourable Member for St. Michael South is laughing as he is reminded of that. I have been around long enough to know these instant make-ups do not last when there are fundamental disagreements. 3.30 p.m.

- When you introduced those policies, at that time I remembered the Honourable Member for St. Lucy pontificating that he had made a break-through with Trinidad, but we know within the context of this area it is a continuous fight to ensure there is a uniform approach in the Caribbean. Everybody is looking for an individual advantage, but we have gone over-board because there is no other country in the Caribbean that has levied duties in the form of Consumption Tax at the level we have. It is compounded, as we have been trying to point out, by the fact that our duties are being imposed in the context of an environment in which our other costs are higher for reasons which we all know.

When we say that the Government has to look at a fundamental change in its approach we do that after a profound study of the impact of the Government's policies. It is time now for the Ministry of Finance to confess. It is good for the soul. The Deputy Governor of the Central Bank has confessed it was a mistake for the Government to have taken away the concessions from the manufacturers. The Prime Minister can confess too that it was a mistake to have imposed draconian duties by way of consumption tax. He does not even have to go to St. Paul's. The Barbadian public is a very tolerant public but it cannot go on being stretched to the limit to which it has been stretched. Everything is over. There is dissatisfaction out there manifesting itself in all kinds of behaviour of an antisocial type.

Asides-

Hon. H. B. ST. JOHN: The telephone rates have them vexed. That must be the only commodity that went up in Barbados 10% since 1986. Everything else you were in control of went up. What percentage is 110 to 282?

Asides.

Hon. H. B. St. John. The Honourable Member would know. He still practises law. He would know. He is still practising law after 2 o'clock. He knows these things.

Asides.

Hon. H. B. ST. JOHN: The telephone rates went up by 10% or something. What you should be worrying about is the fact that the Government did not put up an objection. You are the only Government which never put up an objection since the establishment of a Public Utility Board in Barbados. You must answer that to yourself and to your conscience. But I will tell you, I believe your salary will be assured as a result of the telephone case.

Mr. Speaker, as we go ahead and examine this we ask the Government to pay heed to the good advice that this side is putting forward. It is not put forward for political motivation but after a serious and in-depth study with a view to relief.

Dr. R. L. CHELTENHAM: Mr. Speaker, Sir, I want to join my colleagues on this side who have spoken in making the point that we cannot tax our way out of our difficulties in Barbados. It is utterly misguided of the Government to believe that increased taxation will get us out of economic difficulties. The consumption tax, the level at which it is has reached in Barbados has been the cause of much devastation in the economy. That has been illustrated in relation to the fishing sub-sector, agriculture, manufacturing in particular and it can be easily illustrated once again in relation to tourism.

The problems with which we have been confronted in recent years are two-fold. In an attempt to solve one we have exacerbated the other. Increased taxation helps us to correct the first problem which was the disharmony between expenditure and income. At the same time, it hurt the productive sectors and exacerbated the problem of the decline in (he foreign exchange. I do not* think we have struck the right balance in relation to our taxation policies and our attempts to increase production in the country and so earn money.

I think the physical imbalance has been corrected to the point that the major strategy must be addressed to the productive sectors and the earning of foreign exchange. The present policies are not helpful in that respect. We have reached a serious cross roads in the management of the economy. It is time for the Government to think new thoughts and devise new tactics and strategies with respect to the management of the economy.

For 3 years or more, the Rt. Hon. Prime Minister and Minister of Finance recognised that the productive sectors in Barbados had reached the point where there is a need for a new injection of capital in order to modernise the sectors of agriculture, particularly sugar, tourism and manufacturing. He led the country to believe that that funding was identified and the source would be the international lending agencies, particularly the World Bank and the IADB. It is now common knowledge that Barbados will not in the short run, if at all, be able to get that money for the organisation of the productive sectors from the international lending agencies because of the impasse in the relationship between the Government of Barbados and the IMF and as a result with the World Bank and the IADB.

I think the time has come when 2 things need to be done as a matter of urgency. The Prime Minister, and I said this in the course of my contribution during the Budget, must take the people of Barbados into his confidence and must tell the people what are the areas of divide between the Government of Barbados, the IMF, the World Bank and the IADB. His position is not one that he should necessarily be ashamed of. Some of the things they are asking us to do no self-respecting Barbadians would wish to do and to that extent he needs to tell the public, whether it be by way of a fireside chat or otherwise, frankly the areas of divide, what we have proposed, what they want us to do, and the reason why we feel that we cannot do it. I have said that and I think it makes good sense. We are talking as Barbadians now. For a moment we have put aside the divide. That needs to be done as a first step. 3.40 p.m.

The second step would be to determine how we are going to set about raising some or all of the money needed to inject into the productive sectors so that we can modernize the sectors and become more fully competitive.

The Honourable Member for St. Peter has suggested that the time has come for a joint private/public sector approach to the private lending agencies in the world with a view to raising the money. I do not believe that, notwithstanding the blows that have been dealt in recent years to the name of Barbados, we are at a point where we still cannot raise money/ even though it will be more expensive money than if we got it from the international lending agencies, in the private banks or in the financial centres in the world and because the rate of interest is as low as it is, the lowest for a long, long while, this is the time to make the approach.

If we cannot get the money from the World Bank, the IMF and other lending agencies because they want to impose conditions on us that will lame our pride and change the way of life as we have, known it in this country for the last 25 - 30 years, we need to say so. They are some things they are asking us to do that no self-respecting Barbadian would want to do and the Prime Minister needs to tell the people that. Therefore, we ought to find sources elsewhere and we need to set about finding those sources to make sure that we can get agriculture, manufacturing and tourism moving again.

Now, I do not think that in all of these there is any scope for false Dons and for Honourable Members, particularly at the level of Ministers, indicating that we are doing well, or that there is any serious recovery on the way. I have no doubt that the statistics given by the Honourable Minister of Trade, Industry and Commerce are accurate but to say that there has been a 13% increase on our performance in the last year is not to say much. It is like talking about the child at school who has been in the first 3 who suddenly drops to 27 out of 30 and one says he has made a 10% improvement. It is nothing to boast about. The decline has been so dramatic that there is nothing to boast about. We moved, after all, from \$500 million and more in exports in the mid 1980s to just about \$240 million. So that when you have done a 13% increase having fallen to that dramatic low, you really have nothing to boast about.

I was concerned too, Mr. Speaker, with the fact that he mentioned that there is a new spirit abroad and that we are relying on institutions expressing the new export culture and so on. The Barbados National Standards Institution has been in place for 15 years or more. This coordinated machinery that he is talking about as though it was something new, was something that was established in my time when I was Chairman of the Industrial Development Corporation, almost 15 years ago. It is that we have a way of dismantling important institutions in the country and then we have to revive them and we think when we have revived them that we have done something new and dramatic.

The truth is, Mr. Speaker, that the whole attitude in Barbados tends to be anti-investment as far as the outside investor is concerned or anti-export. One of the quarrels of investors from abroad is that it takes too much time to do business in Barbados. That is a fact which we cannot deny but which we need to address. Part of the problem results from the fact that increasingly we do not have a professional Public Service. The merit principle in the Public Service has been destroyed. Too many people are coming to the top of the Public Service who have to have membership cards of the Democratic Labour Party in order to prosper. As long as we do not put an end to that we are going to destroy the professional ethos in the Public Service. That point has to be made repeatedly and dramatically in this country. It is a very important point and particularly when you have a weak political class, you need a strong bureaucracy if the country is not to decline. Too many people are rising to the top of the bureaucracy who, on pure merit, should not be anywhere near the top. It is a very, very serious problem.

When I enquire from time to time about the meteoric rise of some people, I am told quite frankly they are close to the Democratic Labour Party and that has been the basis of their promotion. It is a very serious precedent. I am not saying that in the most ideal system that one or two people of that sort would not slip through. I am realistic enough to know the nature of the world in which we live. It should be a perfect world at the best of times but it cannot be in the long term or even the short term interest of the country that the merit principle should be so seriously abandoned as the basis of promotion and advancement in the Public Service in this country.

Rt. Hon. L. E. SANDIFORD: Mr. Speaker, there seems to be implicit in what the Honourable Member for St. Joseph is saying that appointments and promotions are being done on a political basis and this appears to me to be a downright criticism of the Services Commissions. If that is so, and this is an attack on the Services Commissions who constitute those Commissions, it would appear to me, Sir, that the Standing Orders of this House may be contravened because I am not aware of any notice being given of that. I am not sure if that is what the Honourable Member intended. I do not believe so but appointments and promotions, meteoric or otherwise are through the Services Commissions, including the Public Service Commission. I would hope that the member would clarify what he is saying and that there is no breach of the Standing Orders. I just draw that to his attention.

Dr. R. L. CHELTENHAM: Mr. Speaker, the Right Honourable Prime Minister is well aware that there are a large number of appointments at the top that cannot be made except with the approval of the Prime Minister. That is the reality.

Rt. Hon. L. E. SANDIFORD: Mr. Speaker, I may be consulted and the Leader of the Opposition is consulted also so I do not know if you are attacking also the Leader of the Opposition. You are widening the net?

Mr. H. deB. FORDE: Sir, on a point of order. The Right Honourable Member for St. Michael South has never consulted me at all on the appointment of any Permanent Secretary or on any Ambassador. He knows that. Otherwise he knows that some of the political people he has sent I would not have approved of. Neither was I consulted on the special Ambassadors for Trade. I did not get any consultation on that. I want to put that on the record.

Dr. R. L. CHELTENHAM: Sir, I do not wish to prolong my remarks' on this particular point except to say that the merit principle is not always respected as the basis of promotion in the Public Service. It is a serious point. 3.50 p.m.

I wish to say further with respect to the Public Service Commission that we long needed a full time Public Service Commission.

Asides.

Mr. SPEAKER: The point of order that was raised was just to assure the House that it was no reflection on the Public Service Commission. That was the point.

Dr. R. L. CHELTENHAM: There is none, Sir. I think that the Chair well recognized that and, to that extent, did not intervene.

Asides.

Dr. R. L. CHELTENHAM: We would not get into those details.

Mr. SPEAKER: Order, please.

Dr. R. L. CHELTENHAM: The Honourable Member for St. Peter several months ago made the suggestion which was not - I got the impression - well received on the other side but the time might well have come when the Government must consider rescheduling our national debt and refinancing it.

As part of the new crossroads that we have now reached I think that the Right Honourable Prime Minister and Minister of Finance may well consider the wisdom of that suggestion, that to the extent that our relations with the IMF and the World Bank and other international lending institutions that relationship has reached a log jam to use an American expression that it might be in our interest because we have to get on with our life in Barbados to do several things including rescheduling and refinancing our national debt. In fairness to the Prime Minister...

Rt. Hon. L. E. SANDIFORD: I rise on a point of order again, Sir, because the Honourable Member may very well be misleading the House. Other Honourable Members have been repeating this allegation about some log jam and all this kind of difficulty and so on. We continue to discuss with the International Monetary Fund, with the Inter-American Development Bank and with the World Bank on a programme of loans for Barbados. I do not know what is the log jam.

Dr. R. L. CHELTENHAM: The time has come, Mr. Speaker, when the Prime Minister himself must speak with candour. I thought that he had laid the foundation in the course of his contribution to the Estimates Debate, in fact in introducing the Estimates, when he gave more than a heavy hint to this House that there were certain difficulties in the relationship and that we might reach a point with the World Bank, in particular, where no agreement might be possible.

Rt. Hon. L. E. SANDIFORD: If the Honourable Member would give away, Sir. I did indicate - I am on a point of order, Sir. The Member has given way - I have made the point, I have hinted, I have said that the World Bank is indicating that we should look at exchange rate adjustment. No one in this Chamber - because the Honourable Member for St. Peter even today indicated that we should not be looking at any exchange rate adjustment. That is fundamental. We have said that is not part of our policy and we are not going on with that. I do not wish the House or the country to be misled on these very sensitive issues.

I do not know what is a log jam. You are continuing to carry on the discussion.

Mr. SPEAKER: End of point of order.

Dr. R. L. CHELTENHAM: My appeal for candour related to the fact that if you are having discussions intended to reach an agreement, and those discussions have been going on for 3 years and more forcing you to be telling the public of Barbados, through this House, in Estimates Debates year after year for the last 3 years, that the money for the modernization and recapitalization of the productive sectors will be coming from international lending agencies and the discussions cannot lead to further agreement, I think, Mr. Speaker, that the Government must really be candid enough to tell the public that the discussions are leading nowhere and that, in truth and in fact, the money is not immediately forthcoming, and that we need to put an alternative strategy in place. And that as part of the alternative strategy the fact that our productive sectors are lagging now in this injection of capital that we may very well have to look at the rescheduling of our debt and the refinancing of our debt. All as part of a new turn.

Mr. Speaker, we have been overlooking the human side of all of this. We, as politicians, in touch with the people cannot continue to open up the human side of what is happening, the cost in human terms of the so-called stabilization has been great indeed, whether it is 30 000 people unemployed or 38 000 or 40 000, it does not quite matter which figure is now accurate. The rate of unemployment in Barbados is incomparably high. It is higher than any other time that we have known since we have been keeping records and statistics and it is causing a lot of pain, suffering, anxiety and grief out there.

I think that the Prime Minister and the Democratic Labour Party Government owes it to the country, amiss all of this, to say something about how we are going to relieve that unemployment out there, that human grief and that human suffering. I believe that the Right Honourable Prime Minister...

Rt. Hon. L. E. S ANDIFORD: No, Mr. Speaker. With due reference I am just about to leave the Chamber temporarily but if you want it, I will address the nation tomorrow night.

Dr. R. L. CHELTENHAM: Yes, Mr. Speaker, I was making the point that all of this stabilization that we have been talking about over the last 3 years has a human dimension to it. It has led to a lot of unemployment, a lot of distress, a lot of anxiety, a lot of human suffering in the country. I think that the Government is now emerging as uncaring to the extent that they have not put anything in place to relieve the unemployment. Rather than that, the word is, from the Government itself that the situation is likely to worsen before it gets better. Indeed the experience is that, on a daily basis, it is worsening. On the whole one gets the impression that this Government has run out of steam, that it does not know what next to do and that the country is on the whole on some form of automatic pilot which is leading to ruination of the economy and more distress among the people of this country.

I think that we in the Opposition have a duty to speak up and to be critical of a Government that is doing to the country what this Democratic Labour Party Government is doing and that, at the same time, we have a duty to be constructive which we have been suggesting ways in which the situation could be better.

One area of the economy has been showing some growth and improvement. It is the international business sector, if I may classify it generally. That is the sector for which we on this side laid the foundations. In a sense, Mr. Speaker, I was present at the beginning. I do not feel that the Government has done enough to promote that sector.

Aside.

Dr. R. L. CHELTENHAM: Do not say it is not fair. I am hearing words to the effect that it is not fair. Part of the problem in relation to that sector was that the responsibility was never in any particular agency or Ministry and for a long period it did not get the ministerial or governmental support which was necessary in order for Barbados to take full advantage of the facilities which we had put in place. All that I am asking the Government to do is to pay some additional attention to an area which continues to offer some opportunities for growth and advancement even in a general atmosphere of decline. When the other sectors are in decline that is the one sector in which we can secure some immediate additional growth but it does need some closer attention on the part of the Government, not only in terms of upgrading its legislation in several areas but also in terms of lending more support to the promotion. 4.00 p.m.

Barbados came to the International Business centre late. The heyday for that was the 1960s. When in the 1980s we were introducing it for the first time we were late but we can still do a lot of catching up but we need to attend more assiduously to that area of our economic activities.

I feel too, Mr. Speaker, and I am throwing out a general comment with respect to an area of growth available to Barbados that we have not sufficiently pursued the path on which we have been set of making Barbados a centre for a wide and varied range of offshore activities. Looking back, Mr. Speaker, I think it was a mistake in the mid 1980s for us not to have supported an offshore medical school here. Barbados must become an offshore location for all sorts of activities. People want to come and teach engineering here, teach medicine here, rehabilitate themselves here physically, be a retirement centre here, whatever people want to do that is legitimate and healthy and can be helpful to this economy in Barbados as an offshore location we need to support. We have been partially set on that path but I do not think we have sufficiently exploited the opportunities for Barbados in that direction. I think that is an area in which we could make giant strides, notwithstanding the difficulties that we are experiencing in the other areas.

' So, Mr. Speaker, before I conclude I just want to make the point that additional taxation, particularly consumption tax cannot help us at this time. We have reached the point where our taxation policies are counter productive and even if additional taxation at one stage helped us to restore the balance between income and expenditure that same taxation policy lamed our prospects of increasing output and earning additional foreign exchange and to the extent that the foreign exchange problem, the scarcity of hard currency is our number one problem which is directly related to the level of production or the decline in production that is the area where our strategies and our tactics must be directed towards.

Among other things it is going to call for new relations with international private lending institutions since it seems clear to me, though it seems not to the Prime Minister that even after 3 years of talk, negotiation and discussion, we have not been able to reach an agreement with the World Bank so that we can get the finance to recapitalise our productive sectors.

I think the Prime Minister has a duty to the country to tell the country in clear terms and in a spirit of candour, precisely where we stand in relation to the International lending agencies and he has the additional responsibility to lead the country in new directions since it is clear that our relations with the World Bank, notwithstanding the denials with the International Monetary Fund too, and other institutions, the relations are such, Mr. Speaker, that we are not likely to have large source of funding forthcoming in the short-term or at all.

Mr. H. deB. FORDE: Mr. Speaker, Sir, I believe that the 3 Honourable Members who have spoken on this side have made it quite clear that the Opposition will find it impossible to support this Bill. When notice of the policy behind this Bill was given in the Budgetary Statement made by the Right Honourable Member on March 15, 1993, he estimated that the increase in taxation under this Head alone would have been \$80 million. It is ahead of taxation that comes directly from the pockets of every man and woman who spend money in this country and it comes from the pockets of the unemployed as it does come from the pockets of the employed.

The great tragedy about Barbados today, Sir, is that it has been unfortunate to have fallen into the hands of the Right Honourable Member. Between 1986 and today consumption tax has risen in Barbados by 2 percentage point to 21 percentage points under the Democratic Labour Party Government and if you look at the overall figures of sources of revenue for the last 10 years in the Estimates you will see that taxes on goods and services have risen from \$127.8 million in 1982 to \$328.2 million by 1991/92 and it is considerably more in this financial year. Now whilst all of that is not referable to consumption tax the other items included under taxes on goods and services are very insignificant as compared with the draconian increase of indirect taxation of this nature on the public of Barbados.

Now, Mr. Speaker, its effects are clear for all of us to see. The Government has raked in more and more revenue and it has done this, certainly last year, on a shrinking import base and although there have been less imports the Government has taken more in taxation. What has happened, Sir, is that this has had an effect on our foreign exchange as well as our internal position for jobs and although we have had drastic reduction in imports we have had correspondingly higher increases in taxation. The Government is collecting now, twice as much in revenue

by way of this measure as it was collecting in 1986. I say that this level of taxation is too high for the country. We cannot afford to have an economy that is going to be put into reverse gear as this economy has because the Government's love for money is so ravenous and that the Government in its love for money has been spending the people's money badly. 4.10 p.m.

Mr. Speaker, I am sure that you feel ashamed as I feel ashamed every time I pass major Government projects. My son who is 5 years old finds it difficult to understand why next to Illaro Court we have a place of madness in which the steel is rusting, as the Honourable Member said earlier today, on some Government projects in which nothing has happened for the last 3 years. That is only one of the major projects. In the constituency of St. John where I live, there is an unfinished polyclinic where no job hand has been present or not even a watchman for the last 3 years. If you go to St. Thomas, the same thing is repeated at the St. Thomas Secondary School. If you look at the tenantry roads in the parishes of St. George and St. John which had been cut for election purposes in 1991 and some white marl placed there, the rain has washed away even the marl. So that Barbados when it comes to capital works under this Government has become in what T. S. Elliott would have described as the "wasteland". This Prime Minister is the archangel of creating wasteland in this country. It is not only in agriculture. The Minister of Agriculture rest assured has come to it late. But the Honourable Member for St. Michael South is the archangel of the wasteland and of economic ruin.

Now the tragedy about all of this is that it was predicted very carefully for the public of Barbados. There were three of us in Opposition at the time who predicted quite carefully for this Government and the Opposition before that when we were the Government predicted that the type of policies that the Democratic Labour Party was bringing to the country would land Barbados into ruin. But people do not like you, Sir, when you tell them the truth if it means that they will have to suffer pain. We told them the truth. I make no apologies to this country when I say that the country was too hard ears and that they have had to pay a sorry price, social price and economic price, for listening to the blandishments of the Democratic Labour Party and not facing the realities of the policies which we were espousing.

Now there is no sector of the economy that has escaped. I am going to talk a bit about tourism because in the last few days the Right Honourable Member has been giving the impression that we are so much on an upward growth path in tourism that everything is going to be rosy. I have heard that from him before. The Inter-American Development Bank has heard that from him before. The IMF has heard it from him before. It has said it in 1990

and 1991 that everything was going to be all right and what we have seen is decline after decline.

Sir, I have been checking with the people who are in the main duty free sectors and I am told that their duty free figures are well below their projections for this year. That is what I am told. I am informed that at present several of the aircraft are coming in one-third full. Despite the optimism of the Government, it is doubtful whether we can achieve any real increase in tourism this year. Sir, I am not happy to say these things and I am not talking about gross figures. I am talking about a real net increase. If what I am hearing from the people in the sector is correct, then my fears for Barbados increase because the only two sectors that will offer the quickest growth path will be the sectors of tourism and services generally including the offshore sector and agriculture. I say that at the moment the prospects are not as rosy as the Government in its upbeat manner will have us believe. Now the Right Honourable Member has been late in providing extra money for the tourism sector. He said that he provided some last year but it needed early attention for more money for marketing, particularly when the draconian measures were being put in place. It needed, Sir, relief from heavy indirect taxation. This Party has not ceased asking the Government to make at least a special effort ahead of the implementation of the Value Added Tax to single out those inputs that go into the tourist sector and give them special treatment.

The Honourable Member for St. John has said that the Value Added Tax will take us two years to implement. But in the meantime we are putting heavy consumption taxes on things that are vital for the very sector that we rely on in order to make our recovery in a speedy and timely manner. I say that that is a misguided policy. If tourism is the plank on which you are going to hang your hat for growth, then you have to attend to it speedily. There is no proper explanation as to why we have not implemented some measure of reducing the taxes on the special basket of goods, that are necessary in the tourist sector. I am not only singling out the tourist sector because some of the items that will be in that basket of goods would also ease the tax burden on the unemployed families and on the poor people in our country.

Sir, the effect of the tax measures have also been debilitating in manufacturing. The Honourable Member for St. Philip North read out a list of 32 firms and gave the impression in his pre-lunch speech that he can foresee a 14 per cent to 16 per cent increase in growth in exports into the CARICOM area. He said that for the first 4 months he had something like \$60 million in exports. Even if we analyse that, Sir, we are talking about \$240 million when in 1985 Barbados was exporting \$550 million so that by 1993 the Government is projecting less than half of what our exports figures were in 1985. Those facts speak for themselves. That is not progress. That is retrogression.

Hon. W. O. FRANKLIN: On a point of order. I said that \$60 million in Caribbean exports need to be compensated by the IDC people. That is not the overall exports.

Mr. H. deB. FORDE: Well, Sir, the Honourable Member has interjected to say that is for CARICOM, but when he gave us figures it seemed to me that the figures was for merchandise in general and that it included services as well. If you let out those I am saying that this year the Government's figures are showing that this country is exporting less than half of what it expected in 1985. It is significant that we have had no published figures for several years. The Minister just said he is now in receipt of the figures for 1992.

I am going further, Sir. I am not as optimistic as the Minister. We have asked the Government to admit - it will not admit - but everybody will see, that it had a misguided policy in relation to withdrawing the concessions to the manufacturing industry. That is obvious. It was an absolutely misguided policy that the Government had in this regard.

I am going to challenge the Minister on some of the very figures he is talking about, Sir. I am told, and our research has shown us, that with the Trinidad devaluation even those firms that have been making an effort are now set back. Barbados Cosmetics has been affected and the Minister must know that the Armstrong Group of Companies to which the Minister referred has had to discontinue producing some of the very cosmetics it was selling within the CARICOM market. And he says it is doing so well.

The Armstrong Group of Companies have had to discontinue and close down the protected sector for most of its cosmetics and it is now merely servicing some of it by importing directly from elsewhere. The reason given publicly by the firm is that because Barbados has been disadvantaged with the high duties on its inputs which it has to import and secondly because Barbados is at a disadvantage in relation to the floating currencies from Guyana, Jamaica and Trinidad & Tobago.

I am going further, Sir. If the Minister is giving us a true picture he must talk of the fact that Barbadian companies are now relocating out of Barbados. I would hope the Minister would tell us what he is doing to deal with that problem. Rainbow Products Limited is relocating. The Minister can say no. I do not know what he has offered them. Ask him if there are no other companies which have relocated and formed and have their major areas of exports now in St. Lucia and in Dominica and there are others planning as well to go to Guyana. It is not because of competitive wage structures but because of the other taxation measures that are giving them a good deal

of problems, what the Honourable Member for St. Peter calls manufacturing and economic hernia.

Now, Sir, we are having, therefore, not only local closures in the manufacturing sector but we have had companies that once before were progressive relocating and we have had companies closing down part of their sectors because of Government's taxation measures. What other effect has this consumption tax and the heavy taxation had on people? It has had it on prices and the result is to affect the wage earners.

I am saying that between 1986 and today prices in Barbados have risen twice as fast as wages have. (The Honourable Member wants to know my source). I will bring it in for him if the Honourable Member wants to see it. The Government does not lay papers in here so even a member like the Honourable Member for Christ Church East Central who is usually up on it does not even have access to some of the documents. If he wants I will bring in the document and lay the IADB Study for him. I will bring it so that the Honourable Members will see that when we make statements like that they are backed by independent studies not by partisan statement.

The truth is that Barbados is uncompetitive not really in relation to wages but in relation to prices. This has been a direct result of Government's taxation measures. Therefore, if we have lost jobs and if we are losing market share the Government must examine where its policies and its taxation measures in particular have been costing this country jobs and have been costing this country its position in relation to exports.

Sir, the result has been that the wage earners' position has been eroded because of the fact that our prices have risen faster and our taxation measures have been more draconian on their pockets. I am not surprised when the figures show that unemployment is now in excess of 25% in Barbados. That means that in every household in which there is a working person 1 in 4 are out of work. That is a very serious position for us to be in.

I am going to challenge the Government, Sir, what is most embarrassing before I look at the social impact is that in the meantime the Government has increased various levies. I am going to ask the Government, is it a fact that although people are being thrown out of jobs, and the figures are really shameful for us to look at, the Government's Unemployment Fund has more money in it? I will give the figure in a minute and I hope it is noted publicly. The Honourable Member is not on the National Insurance Board but the Union has a representative. He must watch this carefully and it is a matter that the public ought to tune into and take note of also.

Last year in 1992 there were 20 396 unemployment claims, in 1991 - 18 209, in 1990 - 13 549; in 1989 -

11 431, in 1988-9 685, in 1987 - 8 979. So that 2V₂ times there has been an increase in unemployment claims between 1988 when the Rt. Honourable Member had responsibility for the economy of this country and today. If you look at when we left it in 1985 it has been more than that. It is a disaster. He has been an economic disaster. As I have said, he has created a wasteland of this country's resources including its human resources. I will come back to it I will repeat it because I see that in the Press they have paid no notice to this matter and the Government has made no statement on it. 4.30 p.m.

Sir, the Unemployment Fund had about \$50 million in it by March. I do not have the figures since March. It is a fact The Government well knows that it has been advised that it could be an embarrassment if these matters are well known, that they are keeping the Levy at the state it is and they have unemployment at this stake. What is the point of building up a fund of this proportion, allowing it to accumulate if it is going to have people out of work. The Government must know this and this is despite the claims. I do not want to hear any excuse from the Government that they have claims pending.

As the Minister if he has not been advised by the very National Insurance Board, and the Prime Minister has responsibility for this, that it is an embarrassment to have the Fund increasing at this rate whilst unemployment is also increasing. That is the mistaken policies of this Right Honourable Member, putting the people out of work, taking the money out of their pockets, storing it up in a fund and the Government misspending it. That is the position of this Government. That is why some of us sometimes are entitled to feel angry and even bitter in public life about these matters. The Government cannot deny this. It is a contradiction to have this position happening. The Government knows that under the Barbados Labour Party when such a position was developing that they reduced the position. I think the Government has been told this too.

Asides.

Mr. H. deB. FORDE: No. We gave back people a higher percentage. The Honourable Member for Christ Church East Central knows that we increased the percentage and the number of weeks one can get from 13 to 26. But this Government, and I am going to repeat it, Sir, as many times as I can, has put the people out of work and collected more unemployment money from them. The Fund is increasingly in the plus and the Government would not give back the people their money. It is wasting it. That is the position.

Asides.

Mr. H. deB. FORDE: Who has put them out of employment other than the Government, Sir? Even the

little savings the Government has taxed. The Honourable Member wants to know how you can tax them if they are unemployed. Those people who had a couple of dollars the Government even taxed them. If you get 12.5% on \$600 in interest in a year, this is how they have taxed them. Sir, we have got to the stage, if I may say so, where there is really a misguided set of policies which have been promulgated by the Minister for the country.

Sir, I said I would talk a bit about the social impact and I want to end my speech on that point. I see you are looking at the time, Sir. I am going to wind up. I am not going to talk in any fancy terms on this. The social impact is clear for all to see. I said before homelessness has increased in Barbados. Go and look at the figures. You would see it. Crime has increased in Barbados. Hunger has increased in Barbados and there has been in Barbados the greatest cynicism that I have witnessed in my 22 years in this House of Assembly. I have never seen a country more cynical than our country has become in the last 5 years in particular.

Aside.

Mr. H. deB. FORDE: I am not going to be diverted by the Honourable Member for St. John to put any blows on him today, Sir. I will reserve that for another time because I am getting to the end of my speech.

The position is, Sir, as I said, that this country has become cynical and there is a feeling of hopelessness stalking this fair land of ours. It makes it difficult for those of us who believe in the future of Barbados to give words of encouragement as long as this Right Honourable Member remains in charge of the fortunes of this country. Whether it is me they want, whether it is the Honourable Member for St. John, or whether it is Walter Blackman that they want, what I do know is that the country has now got, in the presence of the Honourable Member, what it should not have at all, a total disaster.

Hon. D. J. H. THOMPSON: Mr. Speaker, this has been a useful debate if for no other reason than the fact that, particularly in relation to the contribution of the Honourable Member for St. Peter, who is still the substantive Shadow Minister of Finance and Economic Affairs, to the best of my knowledge, he has once again demonstrated that if one were to get up in this Chamber and provide him with all of the possible information that could be given on this matter, he would accuse us of being pedantic, boring, consumed with statistics that have no meaning to the average citizen, and so on. When we do not proceed on that basis, he says that we do not need to discuss issues relating to Consumption Tax at all, that those are irrelevant to the average man. What we need to discuss is the export thrust and all of the other issues that he raised in the course of the debate.

I wish to start, Sir, by correcting one misapprehension that some people may have. This is not an increase in Consumption Tax which is taking effect from today. This legislation is to give effect to Budgetary Proposals which were introduced in the House on March 15, 1993, and Barbadians have already been paying Consumption Taxes in respect of many of these items already. One would hope that piece of information, in the face of all that was said by the Honourable Member for St. Peter and any impression given that this was a new increase right now, as he said, in Consumption Tax, should be dispelled. This is, in fact, just giving effect to the decisions which were taken.

Now, when the substantive issue of the increase in Consumption Tax was debated, the purpose for which it was necessary was not, to the best of my knowledge, criticised by Honourable Members of the Opposition. The introduction of the Common External Tariff, I do not think, was a matter on which we had any substantial division and the removal of the surcharge on CARICOM goods was also not an area in which we had any substantial division except to say that the Honourable Member for Christ Church South raised concerns in relation to the exchange rates in the Caribbean and some concerns about a mechanism to deal with unfair or unjust advantages which other territories have. But other than that it was understood that Government had to plug a revenue hole in introducing the Common External Tariff and removing the surcharge. That is all that has happened. 4.40 p.m.

So that, essentially, the net effect on the average spender in Barbados is negligible because the reduction in the rate of the Common External Tariff should, theoretically, be passed on to the consumer and in very few cases would the consumption tax have the net effect of increasing prices. That is well known. All of the hue and cry, all of the criticism that has come from the Opposition on this particular matter is misplaced because all that the Government did was plug a hole that was created by a reduction in its revenue as a result of taking certain measures. This was no new, additional imposition which was not in accordance with Government's economic programme. It was a simple housekeeping or debit and credit arrangement. The Honourable Member for St. Peter knows that. He had no right giving people the impression that a four percentage point increase in consumption tax had some devastating effect on the Barbadian consumer or the average man in Barbados. If he wishes to talk about other consumption tax increases he could have done that, but he did not say that. You are now saying that. The fact that you are brighter than him is nothing to do with me. You should have spoken. But the net effect of the 4 per cent increase in consumption tax would not have been substantial and this was recognized during the Budget Debate and I am sorry that the Honourable Member for St. Peter did not pursue that...

Mr. O. S. ARTHUR: On a point of order, Sir, there was not a 4 per cent increase in consumption tax, there was a 4 percentage points and a 4 percentage points increase in tax is not the same as 4 per cent increase.

Certain remarks made by the Honourable Member for St. Peter were ordered, by Mr. SPEAKER, to be expunged from the record.

Hon. D. J. H. THOMPSON: The correction that he made in the use of language is correct. It is not a big thing. I do not really get excited if somebody makes a minor correction like that. But if that gives him pleasure or kicks of one form or another that is his business. The point is that the effect of the increase in the consumption tax is not devastating for the simple reason that one is only plugging a hole that was opened by the reduction of other revenue impositions which existed before.

Now let me move on to the second point that needs to be made, Mr. Speaker, and that relates to this commentary on the new export thrust that we need in Barbados. I think the Honourable Member for St. Philip North dealt adequately with that point. He answered all of the major contentions. There is no front, none whatsoever on which Honourable Members of the Opposition can criticize this Government for failing to introduce institutional reform in the way business is done in the export sector because if you take each of the fronts, one by one, let us take the bureaucracy, the whole purpose of having trade commissioners is to do the kind of work which other people over there said they used to do all day long. Hold the hands of investors and essentially take them through the existing bureaucracy and help them to understand the kinds of applications that exist, the concessions and the framework in which Government functions and to promote the earning of foreign exchange.

Aside.

Hon. D. J. H. THOMPSON: So why you used to do it? If it was for the officials at IDC why did you do it? Because you said that it is those same officials who you say contribute to the bureaucracy. I cannot get around that argument, Mr. Speaker, that is a maze in a maze. I cannot get out of it. Every attempt this Government makes by way of institutional reform to remove red tape to make adjustments in the bureaucracy, Honourable Members over there laugh at it and say it is not of any significance in the development of Barbados.

But any time a Minister of Government takes it upon himself to seek to assist in any initiative whatsoever that would bring foreign exchange to this country, employ people, contribute to the development of Barbados, Honourable Members over there start to shout "conflict of interest", "He has his hand in the pot", "He is corrupt", "That is undesirable", "The Minister has no right being

involved in those kinds of things." So you are caught between a rock and a hard place.

The Honourable Member for St. Peter was very critical...

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Mr. SPEAKER: We have to be very careful of some of the statements made. To accuse another Member of being corrupt is not within the Rules of the House. I do not remember allowing any Member to say that of any other Honourable Member.

Hon. D. J. H. THOMPSON: They carry out those allegations through their various mouthpieces, people who write articles in the newspaper...

Mr. H. deB. FORDE: The Honourable Member really could write that in his column next Sunday. He really cannot think that about Honourable Members have mouthpieces who are accusing other people of corruption, Sir. He really cannot do that.

Hon. D. J. H. THOMPSON: The Honourable Member for St. Peter may be as indignant as he wishes. He is the chief architect, from time to time, both in this Chamber and outside of seeking to make accusations about the way in which Ministers function in their Ministry. He is particularly stringent in his criticism of the way in which the Ministry of Finance is run. People have said in this Chamber today that people are hand-picked for promotions, all of that was said today. All of a sudden the Honourable Member for Christ Church West is pretending that they have not made those kinds of allegations against Ministers.

Mr. O. S. ARTHUR: Mr. Speaker, Sir, on a point of order, the Honourable Member has made the point that I have made allegations in this House in relation to the Ministry of Finance and then he went on to say that allegations were made about people were hand-picked for certain posts. I never made any such statement in this House today, Sir.

Hon. D. J. H. THOMPSON: The Honourable Member for St. Peter knows what he said. I listened very carefully because they seem to believe that these accusations which they make in this Chamber and which their minions pick up and write about in the newspaper about people being involved in acts of impropriety of one form or another are something that we are to dismiss and accept as being reasonable.

A matter may be in the Ministry of Finance for 2 years for a number of reasons. It does not mean it is on the Minister's desk for 2 years. It may be on the Minister's desk for an hour but it may be that the technical expertise which requires an analysis of the issue is not there. Let us not have this kind of accusation of incompetence and delay and some attitude...The point is, Mr. Speaker, and it must

be made very clear that the Ministry of Finance, for example,...

Aside.

Hon. D. J. H. THOMPSON: No, no. That is an important point because any allegation that the Ministry of Finance has been involved in deliberate attempts or even omniscient attempts to delay investment or to postpone investment in Barbados for some nefarious reason is unfair. Well that maybe another point but that is not the kind of point the Honourable Member for St. Peter was making. He was attributing blame for those attitudes on the principal persons in decision making positions in the Ministry of Finance. 4.50 p.m.

Asides.

Hon. D. J. H. THOMPSON: That is a lie but you would believe that. You see it is that kind of thing. But when we in this Government took a position to be flexible, to be open and to be creative to give somebody the opportunity to develop a golf course in Barbados Members over there criticised the Government for having a land use policy that was too loose, that was anti agriculture, etcetera, and others took positions that attempts by anybody associated with the Government involved in a project of that sort was unethical. That is the point, Mr. Speaker, that whenever you try to be flexible and open. in those arrangements to facilitate ...

Mr. SPEAKER: I cannot hear the Honourable Member who was given permission to speak. The second point is, the Honourable Minister need not worry about what is said *sotto voce*. It does not go anywhere unless you want to put it in the record. As far as I am concerned you are the person who should be speaking and the one I should hear. I ask other Members to keep silent

Hon. D. J. H. THOMPSON: I agree with you, Mr. Speaker. The point that I want to make is that the, Honourable Member for St. Peter made a lot of noise about the issue of having an open flexible approach to economic policy formulation, that the system is cumbersome, that St. Lucia has a more flexible and open system, that Dominica and all of these other countries have this system. Well Barbados was probably once like that.

Let me tell you this, Barbados has a health system that is not comparable to any health system they have, an educational system that is not comparable and a regulatory framework both in the Financial sector and throughout the social sectors that is in keeping with the aspirations of the Barbadian public, the level of development that we have. We are not out there prostituting ourselves ...

Asides.

Hon. D. J. <H. THOMPSON: I can say it about anybody because I am making the point about Barbados. I do not draw those silly comparisons. It is true that it is cumbersome. Nobody is denying that but there is a reason why the Barbadian political system is as cumbersome as it is. And in fact one of the major points of the need for adjustment in this country is the fact that we have come to the stage where we realise that others are definitely more flexible and open in the way in which they- facilitate investments but they are so because of the system of Government, sometimes, and the way in which they pursue the attraction of these investments is very much different to us. We do not sell citizenship in Barbados, but there are countries in the Caribbean that sell their citizenship. I am just giving you those as examples. We are not at that level of development so let us face it that anybody who wishes to draw those kinds of comparisons is free to draw them. I like St. Lucia and I like Dominica. I think they are wonderful Caribbean countries, produce outstanding Caribbean people but the fact is that they are at a different level of development to Barbados.

Now the Honourable Member for St. Peter is telling us therefore to aspire to be like those countries* The last person who said we should aspire to be like a LDC was under fire, but the Honourable Member for St. Peter said we should aspire to be like the LDCs, so-called of the region, but nobody is going to say anything to him.

Mr. O. S. ARTHUR: I have heard the Honourable Member for St. John at length, Sir, and I was careful in my speech to say that a report commissioned on behalf of the Government of Barbados has drawn reference to the cumbersomeness. And Mr. Speaker, I have to quote the report, Sir, and the page because he is saying this is based on my perception of things. The competitiveness and structural adjustment in Barbados a report prepared for the Government of Barbados by the Inter-American Development Bank page 19 speaks about the administration of different programmes often administered inflexibly and in such a manner as to impose on business inordinate delays. That is what I said, Mr. Speaker. I am not inventing accusations to embarrass the Government. This is what the Government has access to and the raving and ranting by the Minister, Sir ...

Mr. SPEAKER: Your point has been made. That is the end of the point of order.

Hon. D. J. H. THOMPSON: Now, Mr. Speaker, I want to make this point that while it is true that I read and internalise what I read, everything I read I do not see as being the gospel according to St. John or God-given. That is only the opinion of a person. It does not necessarily mean that it is right and one expects the Honourable Member for St. Peter to be more discerning but I am glad to see that he has endorsed that report because that report h^as something in it that in due course, Mr. Speaker, I

will then bring to the attention of this House. If he is saying that that is cast in stone and is something to be pursued then there are some aspects of that report that I am almost certain that the Honourable Member for St. Peter does not agree with. So let us face it, I am really not going to get myself excited about that. I want to make this point, Mr. Speaker, because there are constant allegations ...

Asides.

Hon. D. J. H. THOMPSON: That is right, cannot accept. I am for an open and flexible system. I am for a more liberal system but that has to be weighed against the safeguards that are built in our political system to ensure that Ministers of Government do not act capriciously, do not act in bad faith, do not act illegally. There are times that happens but the point is that the system of Government we have has to weigh those two interests, the legality and the fairness, against having an open and liberal system. If we were as open and liberal as the Honourable Member for St. Peter wishes to suggest, nearly every week he would be in here accusing a Minister of taking some action capriciously. He used the word liberal. I am using his language.

Every attempt that is made, Mr. Speaker, by this Government to do any reform is met with criticisms and this opprobrium by Members of the Opposition who themselves obviously do not understand the fundamental nature of the reform that is necessary in Barbados.

Mr. SPEAKER: I was always prone to allow a little interaction in debate but if it is going to get to the point where it is going to be disruptive to the debate then I will have to apply the rules. Minimal interaction yes, disruptive no.

Hon. D. J. H. THOMPSON: Now, Mr. Speaker, I want to deal with the issue of taxation as a whole because it is very glib and easy for people to lay at the feet of Government this criticism that you cannot tax your way out of difficulties in Barbados. The Honourable Member for St. Joseph said that, you cannot tax your way out of difficulties in Barbados. Then the Honourable Member for Christ Church West based a whole speech on the high level of taxation in every sector. There are simple analogies to be drawn. The United States of America is facing almost the same kinds of problems that Barbados is facing in relation to tax reform. That is well known. 5.00 p.m.

Aside.

Hon. D. J. H. THOMPSON: Mr. Speaker, anybody would think that the Government of Barbados has major leverage in relation to tax reform. We have said up front that we are going to introduce the Value Added Tax and

that should be introduced somewhere in the third quarter of 1994. The work on the Value Added Tax is being done right now. The introduction of the Value Added Tax should have some impact in relation to the indirect tax regime in Barbados and it is something on which I understand that we are all agreed. But a Value Added Tax cannot be introduced tomorrow and the Honourable Member for St. Peter is well aware that it cannot be introduced tomorrow. Regarding all of this talk about tax relief, it would be very good if we could give every sector in Barbados tax relief. But who is going to pay for the social services we provide, who is going to pay for the people that Government employs and who is going to pay for the capital programme? That is the point I want to make that it is all well and good to talk about reducing the level of taxation. But any adjustment in the level of taxation in Barbados would have a significant impact in relation to Government's expenditure and we are well seized of that. We have given the tourism sector concessions in the last Budget. We have also given the manufacturing sector concessions in the Budget of July, 1992 and wherever possible, Mr. Speaker, the intent is to offer tax relief to those sectors particularly which are producing in Barbados.

We accept that particularly in the tourism sector the taxation of inputs into tourism, although it is true that it is very diverse, is something that we have to look at. The Value Added Tax, as long as it is broadly based and as long as the system of collection is reasonably tight, will be able to have some impact in Barbados and particularly will be an initiative in tax reform, which coupled with the direct tax reform which we have carried out should reduce the burden on individual taxpayers. That is the objective of the Government in relation to tax reform.

The Honourable Member for Christ Church South knows very well that the rate for the Common External Tariff on primary agricultural produce from outside of CARICOM has been set at 45 per cent. He knows that but he is trying to give the impression that the Government is once again lying prostrate to the institutions and that we have removed all protection on agricultural produce. The Honourable Member for Christ Church South is trying to give that impression. I am saying that is the impression he is trying to give.

Hon. H. B. St. JOHN: Mr. Speaker, Sir, I would like to correct the record. What I have said, Sir, is that I advise the Government to be very careful with the demands of the multilateral institutions in their trade liberalisation policies because of the impact they have on agro-industries and that you should not accept it until those very institutions persuade the European Economic Community, United States of America and Japan to withdraw the protection from their agricultural produce. I have always said that.

Hon. D. J. H. THOMPSON: Well, Mr. Speaker, that is no different essentially to what I am saying he is doing. But he is saying that in such a gratuitous manner, Mr. Speaker, as if to suggest that the Government of Barbados does not already know that. He knows for a fact that the highest rates in relation to the GET are applicable to primary agricultural produce. I say that he knows that and he knows also that this Government has not adopted any stance in relation to matters on trade liberalisation which would impact negatively on the producers of primary agricultural produce.

In relation to trade liberalisation as a whole, the Government announced that it would be introducing the trade liberalisation policies, removal of licences and replacing them by surcharges and so on, but that agricultural produce will remain in a special category for which protection would be offered for a longer period than other tariff items. So that the Government has acknowledged that it has a duty wherever possible to offer protection to the agricultural sector. This is something that has informed our policy since we have been discussing the issue of trade liberalisation.

Mr. Speaker, I want to deal now with the issue of the international business sector because the criticisms which the Honourable Member for St. Joseph laid at the feet of the Government in relation to that sector are totally unjustified. It was this Government that noted the very point which the Honourable Member for St. Joseph made that some of the decision making and promotional efforts in that sector were being carried out in a too defused manner. Therefore, last December an International and Financial Services Unit was established in the Ministry of Finance, the purpose of which was to speed up the process of the international business companies' applications and to facilitate faster and more active administrative action in relation to the processing of the applications. The Honourable Member for St. Joseph should also know that the Government has received a report from very reputable attorneys, White & Case, one of the largest firms of attorneys dealing in the offshore sector. They have just done a study on Barbados in the area of mutual funds, special purpose trusts and a whole range of new areas that Barbados can go into in relation to other domiciles and also to attract new areas of business and to develop it, particularly leasing operations of satellite equipment and airplanes.

Aside.

Hon. D. J. H. THOMPSON: We collaborate. You like to show confusion where it does not exist. Maybe that is your job but that is not ours. The Honourable Member for St. Philip North is the Minister of Trade. The Ministry of Trade, because of its work with the foreign sales corporations and through the BIDC's promotion of the offshore sector, works in tandem not at logger heads with or against. Those days are done. Those days were done

when the egotists left office and were replaced by persons who can seek to work in harmony wherever possible. The point is that the Ministry functions in tandem.

Aside.

Hon. D.J. H. THOMPSON: I never signed a treaty that I was not to sign yet. In fact, I have never signed one. The point is, Mr. Speaker, that there is collaboration between the Ministries. The work that White & Case did is going to be very important for carrying Barbados a stage further in the offshore sector. The copy of the report is not confidential and hopefully we can have legislation drafted in this sector to give more impetus. But the Government continues. This Government has had representation at the highest level at the RIMS Conferences - the Prime Minister himself attends those conferences and works on promotion for Barbados - Foreign Sales Corporation Conferences are attended by Barbados and we actively pursue investment in the offshore sector. That is well known. If you say it is recent, well the word "recent" can be qualified. The point is that work in this area is proceeding and one expects investment and development in this area. 5:10 p.m.

Mr. Speaker, the other issues I do not think are major except to say that it should be reiterated that the increase in the consumption tax fell clearly within the parameters of the reduction of the Common External Tariff and the removal of the surcharge on those CARICOM items to which they apply. Therefore it should not be viewed as any independent act by Government simply to increase consumption taxes for the sake of raising more revenue over and above that which had been contemplated.

In the context of that, Mr. Speaker, we are really giving effect by this legislation to the policy which has been announced in the Budget of March 1993 and both policies are part of the total package of economic reform that this Government has been pursuing and, in my view, are worthy of the support and the impetus which should be given both by the Barbadian public as a whole, particularly the business sector, and moreso by right thinking members of the Opposition, wherever they may be found.

With those few words, I wish to give my support and beg that this Bill be read a second time.

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

Mr. H. deB. FORDE: I beg the House, Sir, on the policy of this measure so I will ask that the Noes be recorded just to save time and a division.

Mr. SPEAKER: It is permissible. You can have it recorded.

On the motion of Hon. D. J. H. THOMPSON seconded by Hon. W. O. FRANKUN, Mr. SPEAKER left the Chair and the House went into Committee on the Bill, Mr. L. L. BRATHWAITE in the Chair.

COMMITTEE

Mr. CHAIRMAN: The House is in Committee.

Clauses 1-3 were called and passed. The

Schedule was called.

Hon. D. J. H. THOMPSON; I beg to move that the Schedule be the Schedule to the Bill.

Senator W. O. FRANKLIN: I beg to second that.

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

On the motion of Hon. D. J. H. THOMPSON and seconded by Hon. W. O. FRANKLIN, Mr. CHAIRMAN reported the passing of one Bill in Committee and Mr. SPEAKER resumed the Chair and reported accordingly.

On separate motions of Hon. D. J. H. THOMPSON seconded by Hon. W. O. FRANKLIN the Bill was read a third time and passed.

ORDER NO. 2 - BILL TO AMEND THE INCOME TAX ACT CAP. 73

Hon. D. J. H. THOMPSON: Mr. Speaker, this is a Bill to amend the Income Tax Act pursuant to the Budgetary Proposals made on March 15, 1993. Also in respect of some adjustments it was felt needed to be made to clarify amendments which were made pursuant to the Budgetary Proposals of July 7, 1992.

As the House will recall, the Income Tax (Amendment) Act 1992-28 brought into effect the direct tax reform" proposals which had been announced by the Prime Minister and Minister of Finance in his Supplemental Statement and Budgetary Proposals of July 7, 1992. It was felt, however, that some amendments then made to the principal Act by the Income Tax (Amendment) Act required further changes in order to avoid any doubt as to the intent of the legislation.

Apart from that, during the Budget of March 15, 1993, the Minister of Finance had announced increase in the rate of tax on insurance premiums, for example, property insurance, 5% of gross direct premiums and other classes of insurance, 3% of gross direct premiums, life insurance - 5% of gross direct premiums on new business after July 1, 1993 and previous rates in respect of renewal of business. These 2 sets of adjustments are contained in

the Amendment Act which is now before the House. A decision was taken to include these in the Amendment to the Income Tax Act.

The Income Tax (Amendment) Bill, 1993 is therefore intended to achieve the objective of avoiding any doubt which might occur in the Income Tax (Amendment) Act, 1992-28 and also to implement the Budgetary Proposals of March 15, 1993 with respect to insurance and other matters by making various other adjustments. 5.20 p.m.

I do not think these adjustments need any detailed explanation. One would hope that if any issues arise during the course of the debate I would seek to clarify for members what concerns they have.

For the time being, Sir, I will simply move that this Bill be read a second time.

Hon. M. A. KING: I beg to second that, Mr. Speaker, and reserve my right to speak.

Mr. O. S. ARTHUR: Mr. Speaker, I am not going to give a broad general speech on general matters except to say that the very short notice under which we have had access to this legislation has posed particular difficulties to the Opposition. The matter of the drafting of Income Tax legislation is a very serious business. Bad Income Tax legislation can be very costly. This legislation was in the hands of the social partners as early as June 8 and we think it is really unreasonable that the Opposition should have had this collection of amendments to the Income Tax Act only yesterday with a view to coming to the House to discuss this matter in a sensible way.

More to the point, Mr. Speaker, the amendments contained in this legislation are not only amendments arising out of this year's Budget and the Budget of July 7, 1992. A careful preliminary reading of this legislation would seem to suggest that some of the amendments, in point of fact, go beyond what was, in fact, contained in the Budget of this year and the Budget of July 1992. So we have a special difficulty with it because we are being called upon to approve Income Tax legislation without the courtesy of being able to carefully peruse what the legislation provides for. Government's argument is not an accurate one because, as I said, this legislation goes way beyond the proposals as set out in the two Budgets of reference.

Now, Sir, the one general point I want to make is this that it was only last year that the Government of Barbados undertook what it thought was a process of comprehensive tax reform. Even while those tax measures were being brought to the House the Government was changing the measures. Now that they have been brought to the House, passed and incorporated in the Income Tax (Amendment)

Act of 1992-93, the Government has had to amend the reformed Income Tax. It ought to be enough to tell the Government, the fact that it has to be cutting, chopping and changing Income Tax measures which were the subject of a reform exercise, that there are still fairly substantial difficulties remaining with the nature of the measures contained in our Income Tax legislation.

I want to give the House the assurance, Mr. Speaker, that the last word has not been heard yet on Income Tax reform. We in the Barbados Labour Party believe that the decision by Government to remove the capacity for persons to claim deductions, particularly mortgage interest deductions, was wrong. We believe that the decision by Government to completely remove the provision for persons to claim allowances for house repairs was wrongheaded. We are therefore of the view that a future reform of this Income Tax system must restore the provision for persons to claim reasonable amounts of mortgage interest deductions and reasonable amounts of home repairs deductions.

We now have an Income Tax system, Sir, that has been reformed which puts at the apex of the system the person who makes a contribution simultaneously to a political institution and trade union and have a dependent relative. That person in our Income Tax system is the person who can claim the highest amount of deductions. There is no logic either in economic nor financial terms that should explain why a country should inherit an Income Tax system that says that a politician, contributing to a cooperative society who has a dependent relative should be the person who can claim the most allowance. Intuitively, that is what the system provides for now because you can now claim your contribution to a political institution but you cannot claim your mortgage interest at all.

I am saying, Sir, there is no logic in saying that persons should be able to claim their contribution to a political institution but rule out other kinds of things. The fact that this Government has had to come again this year and meddle with this system indicates how imperfect it is. I am strongly of the view that at the earliest opportunity the Government should let reason prevail and put those allowances for home construction and repairs.

Mr. Speaker, to the extent that one has been able to read this legislation, it makes provision for a number of important developments. As I understand the amendment of section 9 now interest paid on the deposits at the Barbados National Bank will no longer be free of the withholding tax. I am not sure that Government has previously announced that policy. Certainly, if the Government has previously announced that policy I have not heard it. This Income Tax amendment is incorporating the provision that whereas in the past if you saved at the BNB your interest would have been free of withholding tax, this new legislation is now saying that no such allowance is to be

allowed in the future. I certainly have not heard the policy announced, Mr. Speaker, although it is now being incorporated in the law. Effectively now what the legislation will mean is that the BNB will now lose its favoured status *vis-a-vis* other institutions in relation to savings. If the Government is of the view that the BNB has reached the level of maturity where it no longer needs to be protected by that provision which was put in to get it off the ground, then it would be good for the Government to announce it as a matter of policy. But this provision, here obviously deals with that.

As I said, Sir, I have not read the legislation in great detail but there seems to be a provision which pertains to pensioners which, again, is reflection of a policy. The provision seems to be saying that the pensioners will be allowed only for income year 1992 to claim a certain prescribed list of expenses as deductions for the purposes of calculating their taxable income. Let me clarify that, Sir.

' Section 7 of the new proposed amendments concerns the calculation of the taxable income for pensioners and I am seeking clarification of this. It is in essence saying that in respect of income year 1992, and 1992 only, pensioners in calculating their taxable income for that year, will be allowed access to the benefit of deductions including medical expenses and so on. I am asking the Government to clarify whether it is Government's policy that those deductions will be allowed to pensioners only for that year and that year alone. And also in that respect enquire of the Government whether it would not, however, have been fair to pensioners if the Government would have another look at the question of the withholding tax on interest paid by that group of persons. 5.30 p.m.

Mr. Speaker, Sir, I believe that the charge of withholding tax on interest can bear more adversely on pensioners in this country than most other persons particularly when pensioners income are less than \$20 000. As the new legislation stands, Mr. Speaker, whether or not the pensioners income is over \$20 000 they will still have to pay a withholding tax on interest. I believe that it would be fair to pensioners in Barbados if the Government were to say that the withholding tax on interest should not apply particularly in circumstances where people's incomes are not more than \$20 000. If it is the intention of the Government of Barbados to allow pensioners over the age of 60 to have access to an income of \$20 000 and below, tax free, I think that \$20 000 must also include any interest that goes towards the pensioner's income. Therefore to retain in the legislation, in my view, a withholding tax on interest that also falls on the interest earned by pensioners "particularly some of those pensioners who are earning less than \$20 000 is, I believe, a bit punitive. I would urge the Government, at the earliest opportunity, to change that.

The other aspects of the legislation apparently pertains to covenant, it reduces covenant from the period of 7 years to 3 years. But there is one interesting new change, as I understand it, Mr. Speaker, Sir, that is proposed which now makes provisions for any shares which are purchased in a public or private company and are sold within 5 years to lead to a situation in which any deductions for those shares that were made now to be added back to the person's assessment income in the year in which the sale is made. Again I am not sure as to exactly when that policy was announced. The effect of this now could be* to make it a little bit more difficult for persons to settle the sale of their shares.

Aside.

Mr. O. S. ARTHUR: Mr. Speaker, I have not heard this policy announced by Government. That is why I am saying that I was so very cautious in discussing income tax amendments at the very last moment. The Honourable Member for St. John is saying that this is the old provision that had been restored but I have not heard this stated as Government policy. If we are this evening to buy the notion that these income tax amendments reflect Government policies as stated in the Budget of July 7th and in the Budget of early this year and in none of these two Budgets can we see where this is stated as a policy, one not only has to question these specific changes but we have also to be very careful about the rest of these changes to the extent that they may not be affecting other Government policies.

But certainly I have not heard Government announce that it was intended to create this new provision in relation to the penalty for the sale of shares in private and public companies within 5 years. We on this side, since we are dealing with income tax legislation, would have loved to have had more time to peruse this. We had to peruse this legislation with what is contained in previous legislation and what is contained in the Budgets. I have to say on this occasion that we have not done a comprehensive review of it. I would limit my contribution this evening therefore simply to say that it is reflective of a desire on the part of Government to continue tinkering with the income tax system and that we look forward to the day when a comprehensive process of income tax reform can be brought in Barbados.

I am obliged to you, Sir.

Mr. H. deB. FORDE: Mr. Speaker, Sir, the Honourable Member for St. Peter has made most of the general points which I would have wanted to advert to. I just want to advert however to one other area of policy which is obviously a policy change brought in by the new section 11 which is amending and putting in section 48(b). It seems as though the Government is now saying that all interest received by companies would be taxed in full

rather than at the 12.5%. I am concerned about this section because the section will have some retroactive effect. The new 48(b), subsection 2 provides that:

"For the avoidance of doubt it is hereby declared that subsection (1) does not apply to ^an individual engaged in the business of money lending, and tax withheld under section 64C in relation to such individual or a company is a prepayment of the tax of such individual or company."

It seems to me that, to that extent, there is retroactivity in respect of companies who have already filed their tax returns on the basis that the legislation is that interest received by them is at 12.5%. This was not announced in the Budget, retroactive taxation is bad. I am informed that the Income Tax Commissioner is already sending out notices even before we have passed this legislation saying that they have to pay in full in anticipation of the legislation. That is against all constitutional principles if one understands and it is improper. It should not be done and in my view they should not anticipate Parliament in this manner. It seems to me that the Government in making this amendment -1 would expect the Honourable Minister to have opened on it because we are against the principal of retroactive taxation in this manner.

Aside.

Mr. H. deB. FORDE: The Honourable Member for St. Peter has also reminded me, the same would affect pensioners as well, except I expect what the Government has found is that there are several pensioners who do not get \$20 000 anyhow, who have not got an income of \$20 000. So to that extent they have made this change. I am very concerned about that type of provision which is coming in the manner that it is coming in this legislation.

The other point I have to make is to underscore a point made by the Honourable Member for St. Peter. Last year when the changes to the Income Tax Act were made I objected very strenuously and voiced my fundamental objection to taxing people who have a bit of money in the bank and are saving it. By saving they are already contributing to the national wealth. It is their savings that are in turn lent out in order to provide the manufacturing and other sectors with money to provide jobs, particularly the small persons and the pensioners. People who are getting \$300, \$60 you are telling them they have to pay 12.5%. I represent a constituency that has a lot of old ladies who are now relying on the money that they got whilst they were working, they have invested a little bit of it to top up their National Insurance pension, whatever that is. They are not people who are earning anyway who have income of \$20 000 or anything like that, Sir. Why tax the little saving that the poor old lady in Hart's Gap or in Kind's Village has. The Prime Minister will understand King's Village? The Government must understand that its

taxation measures must be humane. The revenue that you are going to get from this does not justify the pain that you are causing to people in that sort of income bracket. I strongly urge the Government to amend the legislation further in order not to put the burden on those persons.

I want to say that the Honourable Member has called for a comprehensive review of the Income Tax Act not only to improve and take off certain types of taxation but to bring back in, in my view, deductions that were reasonable and allowances given the society that we have here in Barbados. I think it is a mistaken policy to assume that the only people who benefitted from mortgage interest rates and Land Tax deductions and insurance deductions were people in high income tax brackets. A lot of Barbadians were able, by those measures, to get their homes and some of them to provide for their old age and provide for relatives who are incapacitated and what not. There was a proper social policy behind the allowances. I do not believe that the International Monetary Fund understands Barbados and when they made that recommendation in their report to the Government I considered the recommendation to be fundamentally against the culture of this country for many years, a culture that has been maintained and supported, I thought, by both political parties of home ownership. Being the Democratic Socialist that I am, Sir, I have to strongly say, Sir, that I am strongly against this type of measure. The Honourable Member will recognise that all of my policies in here regardless of what is said are democratic socialist. Don't mind what they talk, Sir, I have already said that I may have the look of an aristocrat but my heart and my brain is democratic socialism, Sir. I know Honourable Members accuse me of having that patrician look but let me get back to the point. 5.40 p.m.

The point is that it is a backward step. It is not only the people who are paying income tax at the rate of 40%. I have great difficulty with the other people who are being penalised by this and I want to say something. This country must understand it has to create all ways of expanding the middle class. I make these points because they are important points. The Government has to understand that the backbone of the country, the people, have to have a social mobility to move up by education and by savings from investments in order to keep the country stable. Many of us today who are in public life and are in the middle class came from homes like myself, Sir, that belong to basically peasant and people who never had the opportunities that people in this Honourable House have had. But they were small savers, they believed in home ownership, they started as is still happening in some constituencies to improve their houses from the back. If you come into the Honourable Member's constituency of St. John, where I live, you will find that there are still doing this. So I am asking the Government to change the policy. I do not know how much the Prime Minister

believes he is getting in taxation. Sir, when I see the wastage that has gone on, what is \$3 million. I really have to plead again for the small home owners and others in this country who need that type of assistance.

Let me say, Sir, there is an improvement in drafting in this legislation, the Attorney General like by age now, his maturity in office, seems to improve his language. For instance he has improved section 24(c) and what not. I would recommend to the Government that they take a comprehensive study of the whole Income Tax Act, from the point of view of the clarity. The same should be simple but it should be straightforward particularly when you are dealing with the subject as archaic as this one is. I would suggest that the Government gives an assignment to, whether a consultant or one of their officers, whoever it is, to simplify the language of the Income Tax Act to make it much more manageable and to make it easy to read and to be understood by the taxpayers and by the people who administer the legislation - the Income Tax Department itself. ,

Well, Sir, the Right Honourable Member is saying if they leave it like this the tax lawyers will do better out of it. He is leaving the assignment to me to do, Sir. I am suggesting really that we look at the language of the whole Bill and try to improve the legislation.

Sir, I still believe that the rates of taxation in the country is as I said earlier in the other debate on indirect tax that on direct taxation as well the rate is still too high and I would look forward to the position where in addition to the allowances the maximum rate of tax could be improved and where there could be eased as well for those Civil Servants, policemen, nurses and those who are caught in the tax bracket

I know the Honourable Member always contends for St. John that the tax proposals meant that people were taking much more pay. I think he has now got some of the figures and he will see that some of the assumptions made have not really worked out in the advantageous manner that the Government imagined. I certainly have had several complaints from people who have been affected by the Act that they are now worst off without the allowances and in the situation that has occurred in taxation as a whole. And the Honourable Member who has spoken as well about the section dealing with shares. I believe we have to encourage people to invest in equity in this country. If you want to enfranchise a wider cross section of Barbados, if you want to encourage economic democracy then believe that you have to encourage people not only to save but to invest and to invest in companies and in businesses so that their tax measures and particularly their income tax measures should have that as its main objective. I am not sure that the policy in relation to shares is now being re-implemented I am told, is going to have that effect. One of the things that people must have is the ability as well to convert their

savings and if the shares now are being limited in that you cannot sell them because there is a 5 year limitation of whether you can sell, then it is less attractive.

Aside.

Mr. H. deB. FORDE: I know it was there before but I still believe that we now have - not because it was there before makes it right - to put it back in in this way. We have to rethink it in the light of the need in Barbados to have economic mobility which is a necessary, part in my view of social mobility. That again, Sir, is a basic tenet of the democratic socialist philosophy to which this Party has always subscribed and therefore I can make the point, Sir. I regret to see that section 31 is back in the legislation in this form with limitations on the sale of shares. There are other ways to deal with the matter and I hope the Government will explore other ways to have the safeguards that it needs without putting a fetter on the transferability of shares, particularly in new companies because people will not be encouraged to go into new issue of shares. 5.50 p.m.

Hon. D. J. H. THOMPSON: Thank you, Mr. Speaker. The comments that have been made are well taken in the sense that perhaps they arise out of a lack of full understanding. Had the Honourable Members raised these points with me earlier, perhaps I could have clarified them. I understand that the documents got to them late. These amendments do not reflect any change in policy. Some of them have been the natural consequence of the way, for example, that assessable income is calculated. If bank interest no longer forms part of the assessable income, it is somewhat of an anomaly to have the first \$1,000 of a BNB interest not forming part of the assessable income. Where we have introduced a final withholding tax on bank interest, it would be inconsistent then to have this special category of exemption in relation to BNB interest which forms part of the assessable income. So that is an anomaly that really arises from the way in which one intended the tax reform that the assessable income would be calculated in a certain way and would have not included this particular category.

Now if you look at the tax reform only from the point of view of the individual categories of benefits that existed before and not from the tax reform as a whole, you will have that difficulty. Although there are compelling reasons to keep all of the previous deductions, those reasons could not stand up to the numerical or statistical validity that of the 26,185 taxpayers in 1991 only 3,206 could claim deductions in excess of \$15,000. If the Honourable Member for Christ Church West is telling me that those people are the people who live in St. John, then I have a problem. But as far as I know based on my idea of the average income of people who are living in St. John, the average income of working class Barbadians few of them could get deductions which would go beyond \$15,000. That

is the reality of it. It may look nice on paper to have these concessions in relation to mortgage interest and repairs, but most people already have those concessions because they form part of the \$15,000 upper limit anyway. There were very few for whom those deductions could push them beyond the \$15,000 limit. But I cannot go back to that argument because I have already put my reputation on it. If the Honourable Member for St. Peter says that he has statistics to prove otherwise, I would like to see them because it means that obviously the statistics that I had were wrong. But I am almost certain that the Honourable Member for St. Peter, although he does not wish to concede, can only produce statistics which would show that the tax reform together with the removal of some of the levies mean that the net monthly pay of the majority of Barbadian workers has increased and not declined.

There are people at a certain category in the tax system. I cannot remember what was the exact figure, but I think that it was people earning around \$1,200 a month was my recollection who may be affected and pay slightly more tax. But the majority would be paying less tax and have less deductions and their disposable income should increase on a monthly basis.

The second point that I want to make relates to new shares purchased in public or private companies. That existed before. The purpose of re-enacting this is really just to have a claw-back provision. That is all it is. In other words, it really would affect persons who had purchased those shares and who because of the absence of this section may have wished to offload them within the five year period. It is a perfectly legitimate provision that after a while will have no use. In fact, after five years from July 7, 1992, this provision will have no impact at all because the five year period would have elapsed. I do not think that is something we should worry about unduly and it certainly does not effect any change in the policy which had been announced.

The Honourable Member for Christ Church West made the point about the threshold for pensioners. You do not have to make a convincing argument on that to us. I would have liked that it would have been reflected in these amendments, but it is something that we have to look at urgently. It is a very reasonable position and it is in fact something that has been prevailed upon the Ministry and which we want to take action on. I regret that it has not been effected by this legislation but hopefully it will be. There are categories of pensioners who live off of dividends and interests and, therefore, they should not find themselves in a worse position than a pensioner who is receiving a direct pension from the Treasury or an insurance plan or whatever. So that is a valid point and we can address that. I do not think it would be a difficult matter to solve.

Sir, the last point related to retroactivity and the Honourable Member for Christ Church West sought to give the impression that there may have been an element of retroactivity. As I understand it, it was recognised very early that this confusion may arise and the Commissioner of Inland Revenue sought to let the persons who are liable to the tax know that the amendments which give effect to these arrangements were, in fact, being treated as the law when the tax forms were being prepared. So they were on notice. The issue of retroactivity is something that I suppose one would have to deal with at another level. If it is retroactive taxation, those persons who are affected have legal rights and they can pursue them. However, for the purposes of this amendment, this reflects what was intended by Government and does not reflect any new policy. Although it may not have been said that the \$1,000 BNB concession, if you wish to call it that, has been repealed or taken out, that was the intention because in the Budget all that was said by the Minister of Finance was those deductions which would remain. He did not list those that were being taken out or repealed. So by implication those that he did not say would remain were to have been repealed and that was the understanding as to the income tax at that time.

With those few words, Sir, let me say that I wish to thank the members of the Opposition for their cooperation in the face of the late access to the Bill. I wish to move that this Bill be read a second time.

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

On the motion of Hon. D. J. H. THOMPSON, seconded by Hon. W. O. FRANKLIN, Mr. SPEAKER left the Chair and the House went into Committee on the Bill, Mr. L. L. BRATHWATTE in the Chair. 6.00 p.m.

COMMITTEE

Mr. CHAIRMAN: The House is in Committee.

Clause 1 was called and passed. Clause 2 was called.

Mr. O. S. ARTHUR: Just one small point. The concept of retiring allowances has not been defined in Part IV which deals with interpretation of the Act. The concept of retiring plan benefits are defined in the legislation but retiring allowances are not. I am wondering if it is intended that these are one and the same thing or if this is an oversight. There is no definition of retiring allowances in Part IV of the Act, which covers the interpretation of the terms in the Act, nor anywhere else in the Bill.

Part IV of the Income Tax Act defines retiring plan benefits but does not define retiring allowances which are treated as a separate item. So I am wondering if there is a specific definition, Mr. Chairman, that could be brought to correct this mistake.

Hon. D. J. H. THOMPSON: This point has come up and I must say the Honourable Member for St. Peter is well briefed. The private sector social partners raised this point as well and it is being looked at and, if it is necessary to rectify it, it will be rectified.

Asides.

Hon. H. B. St. JOHN: If that is so, Sir, you have to cross reference it.

Hon. M. A. KING: We will give an undertaking to look at this matter and make clarification.

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

Clause 3 was called and passed.

Hon. D. J. H. THOMPSON: Mr. Chairman I wish to insert after the word "paragraph" in line 2 of clause 4 (8). so it will read:

"Section 19(12) of the principal Act is amended by deleting the words "paragraph (a) or (b)."

In other words in the second line you see the words "paragraph (b)". Those should be substituted by the words "paragraph (a) or (b)".

Clauses 4-15 were called and passed.

On the motion of Hon. D. J. H. THOMPSON seconded by Hon. W. O. FRANKLIN, Mr. CHAIRMAN reported the passing of one Bill in Committee and Mr. SPEAKER resumed the Chair and reported accordingly.

On separate motions of Hon. D. J. H. THOMPSON seconded by Hon. W. O. FRANKLIN the Bill was read a third time and passed.

ADJOURNMENT

Mr. SPEAKER: I want to draw to Honourable Members' attention that this special meeting does not affect the adjournment for Tuesday, July 13, 1993.

This sitting now stands adjourned.
6.10 p.m.

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