

THE

House of Assembly Debates

(OFFICIAL REPORT)

FIRST SESSION 1994 - 99

HOUSE OF ASSEMBLY

Tuesday, July 11, 1995

Pursuant to the adjournment, the House of Assembly met at 11.30 a.m. o'clock on Tuesday, July 11, 1995.

PRESENT

His Honour I. A. ROETT, B.A., Dip. Ed., (Speaker)

His Honour R. D. MARSHALL, (Deputy Speaker)

Mr. H. deB. FORDE, Q.C., M.A., LL.B.

Mr. B. M. TAITT, B.A. (Hons.), M.P.A., LL.B. (Hons.)

Hon. O. S. ARTHUR, M.Sc. (Econ.), (Prime Minister, Minister of Finance and Economic Affairs and Minister for the Civil Service)

Hon. D. A. C. SIMMONS, Q.C., LL.M. (Attorney General and Minister of Home Affairs)

Hon. Sir Harold St. JOHN, Q.C., LL.B.

Hon. Miss B. A. MILLER, (Deputy Prime Minister, Minister of Foreign Affairs, Tourism and International Transport) (Leader of the House)

Mr. J. O. TUDOR, J.P.

Hon. G. W. PAYNE, (Minister of Public Works, Transport and Housing)

Dr. R. C. HAYNES, M.B., Ch.B., F.R.C.P. (Edin.)

Mr. D. CARTER

Hon. R. N. GREENIDGE, B.A., LL.B. (Minister of Labour, Community Development and Sports)

Mr. G. A. CLARKE, B.Sc., Dip. Ed., (Parliamentary Secretary, Ministry of Public Works, Transport and Housing)

Mr. J. M. EDGHILL

Mr. F. J. STUART, B.A., LL.M.

Mr. W. C. C. CALLENDER, J.P., B.A., Dip. Ed., B.Sc. (Chairman of Committees)

Mr. H. F. LASHLEY

Mr. R. St. C. TOPPIN, LL.B.

Mr. D. St. E. KELLMAN

Hon. Miss H. E. THOMPSON, LL.B. (Minister of Health and the Environment)

Hon. Miss M. A. MOTTLEY, LL.B. (Minister of Education, Youth Affairs and Culture).

Prayers were led by Father Ivan Harewood.

Mr. SPEAKER: The House is now in session. The Minutes of the Meeting of Tuesday, June 27, 1995.

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, I beg to move that the Minutes of the Honourable the House of Assembly of June 27, 1995 which Minutes have been circulated be taken as read.

Hon. O. S. ARTHUR: I beg to second that, Sir.

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

PAPERS

Hon. O. S. ARTHUR: Mr. Speaker, Sir, I am commanded to lay:

The Public Officers Loan and Travelling Allowances (Amendment) Regulations, 1995.

Hon. R. St. C. TOPPIN: Mr. Speaker, Sir, I am commanded to lay:

The Markets and Slaughter Houses (Amendment) Regulations, 1995.

GOVERNMENT NOTICES

Hon. Miss B. A. MILLER: Mr. Speaker, I beg to give notice of the International Trust Bill, 1995.

Hon. O. S. ARTHUR: I beg to second that, Sir.

PRIVATE MEMBERS' NOTICES

Mr. SPEAKER: The Honourable Member for St. Michael South Central.

Dr. R. C. HAYNES: Mr. Speaker, I beg to give notice of the following Resolution:

"WHEREAS there is a lack of integrity legislation to regulate the conduct of Parliamentarians and public officials to ensure public accountability and to eradicate corruption in public life;

AND WHEREAS there is public concern over the many continuing allegations of misconduct relating to Government expenditure and such allegations undermine confidence in the political process while damaging the image of our country;

AND WHEREAS there is need for institutions and provisions to deal effectively with such matters of public concern;

BE IT RESOLVED that this House urge the Government to give consideration to amending the Constitution:

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1. To create a Commission on integrity in public life.
2. To assign to the Public Service Commission total responsibility for all appointments including temporary appointments, transfers, promotions and discipline in the public service.

And: 3. To create an office of Contractor-General to be responsible for the award of all Government contracts for goods and services, subject to the general policy directives of the Cabinet."

FIRST READING OF BILLS

—Hon. J. B. A. MILLER: Mr. Speaker, Sir, I beg to move that "The International Trusts Bill, 1995 be now read a first time.

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

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

STATEMENTS BY MINISTERS

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, it gives me the greatest pleasure to announce to the Honourable the House of Assembly the appointment of Mr. Michael Ian King as Barbados' Ambassador designate to Belgium and the European Union.

Mr. King is a Barbadian who has served his country in several capacities in the past and who, I am sure, will bring the same commitment and high competence to this new office that he has to others.

Mr. King is multi-lingual speaking his native English of course, French, Spanish and some German. He attended Buxton Primary School, Combermere School only for 1 year, Sir, and then went on to Harrison College.

His higher education he attained at the Brooklyn College of the City University of New York where he received his Bachelor of Arts Degree in English and Latin American Studies. Then he went on to the Queen's College of the said City University of New York and did graduate courses in the area of Latin American Studies*

In 1981 he first joined the foreign service of Barbados, as a Second Secretary at Washington working with the Permanent Mission of the Organization of American States as well. Then in April of 1983, he became a First Secretary at Washington still. He then left the foreign service and really was seconded to the Government of Barbados to the Caribbean Conservation Association as its Executive Director and served there until 1989. We are speaking of a man of varied and diverse skills and interests.

He came back to the foreign service in 1990 and then he did a Diploma at the University of Oxford. His area of concentration there was International Trade, Finance and International Politics and his research topics, interestingly, were sugar, certain aspects of the history production and marketing with special emphasis on the Commonwealth Caribbean and, naturally, Barbados would star in that. In his most recent employment, Mr. King has been serving as Director of the Office of the Organization of American States in the Bahamas still on secondment.

We have now brought him back from there and he will go off to Brussels in the very near future to be our Ambassador there. The servicing of LOME, the European Union, several countries in continental Europe will fall under the jurisdiction of Mr. King.

We have every reason to place our highest confidence in the competence of this Ambassador and I would take this opportunity, on behalf of us all, to wish him well.

Thank you, Sir.
11.30a.m.

ORDERS OF THE DAY

SUSPENSION OF STANDING ORDERS

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, I beg to move that Standing Orders 6, 16, 18, 20, 42(5), 43 and 44 be suspended for the rest of this day's sitting.

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

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

GOVERNMENT BUSINESS

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

ORDER NO. 4 - A BILL TO AMEND THE FINANCIAL ADMINISTRATION AND AUDIT ACT, CAP. 5

Hon. O. S. ARTHUR: Mr. Speaker, Sir, there is at present in the Ministry of Finance and Economic Affairs a working group of officials charged with the responsibility of preparing a policy paper out of which will come legislation to revamp completely the Financial Administration and Audit Act and the Rules relevant to that legislation, Sir.

For some time we have all been concerned that the Financial Administration and Audit Act and the Rules attached thereto have outlived their usefulness and are serving purely to be a source of dysfunction rather than a practical way of being able to administer public finances.

Pending that complete overhaul, Mr. Speaker, there is a matter having to do with section 25 of the Act which is of such urgency, Sir, that there is need for an immediate amendment. Section 25 of the Financial Administration and Audit Act is that piece of legislation which prescribes the limit on the amount that the Central Bank of Barbados can provide Government by way of temporary advance or overdraft.

As you will recall, Mr. Speaker, prior to 1990 the amount that the Central Bank could extend to Government by way of overdraft facilities was set at 10% of Government's current revenue in the fiscal year in which the overdraft was being extended.

In 1990 I suppose, Sir, as a lack of financial indulgence rather than an act of financial discipline, the then administration increased the amount that the Central Bank could extend by way of overdraft to Government from 10% of Government's current revenue, Sir, to 17V₂%.

Now, implied in that, Mr. Speaker, was the specific policy that the administration of the day was interested in using high powered money creation by the Central Bank in increasing amounts as a means of financing Government's operations. The rest is history and part of our sadder and more sordid history.

Between 1990 and 1992 the excessive recourse to Central Bank financing of Government's deficits was a

major factor in the destabilisation of the Barbados economy, as is precisely evidenced in the tremendous strain that that particular financial experience had on our external reserves. If one may cite the fact, at the end of December 1991, net credit by the Central Bank to the public sector, that is, total lending by the Central Bank in the form of overdraft and securities less Government deposits to the Central Bank - net credit by the Central Bank to the public sector - stood at \$150 million at the end of December 1991. That amount, Sir, happily was reduced to zero by the middle of 1994 and the change in Government's credit position to the Central Bank between 1991 and 1994 was in part responsible* for the improvement of the reserve position of the country. I will in due course, Sir, speak to what is the latest position.

Now, Mr. Speaker, the amendment to the Financial Administration and Audit Act that the Government is asking the House to contemplate today is a very central aspect of Government's overall economic policies for the macro-management of this society. We believe, Sir, that monetary and financial sobriety and financial discipline are indispensable ingredients in the management of small open economies.

Our history is that in every instance when there has been a significant departure from the best precepts of monetary and fiscal stability the immediate repercussions, Sir, have been reflected immediately in a serious deterioration in the country's foreign exchange reserves, and consequential and subsequential to that, Sir, has been the inability of the country to sustain its growth and to maintain satisfactory levels of economic activity and employment. It therefore must be enshrined as a part of the general management of this country that we must pre-empt, and I use the word pre-empt, the possibilities of fiscal and monetary disorder creating balance of payment instability and general instability in this country.

This Government is committed by way of Manifesto, but equally so by way of statement in the presentation of the Financial Statement and Budgetary Proposals, to fiscal discipline and a reduction of the reliance on Central Bank financing as one of the means of meeting Government's needs for funds. This measure is, therefore, Sir, being brought to Parliament to underscore the seriousness that this administration attaches to financial and monetary discipline.

I must say, Sir, even though we are bringing this matter to Parliament in July, that ever since March 25, 1995 we have been administering public finances on the presumption that the overdraft limit should be 10% rather than 17V₂% of revenue.

Mr. Speaker, Sir, this debate lends itself generally, I suppose, and must be widened to a discussion on the

role of the Central Bank in the development and management of small societies. But for now, Sir, I really believe I have to speak to one aspect of the role of the Central Bank that is not very well appreciated. The Central Bank Act of Barbados vests certain powers and responsibilities in the Central Bank and also enshrines in the legislation certain protection to the Central Bank from the arbitrary exercise of power by the Minister of Finance in relation particularly to the extension of credit.

I regret, Sir, that these provisions in the Act have not been practised as fully as they should be. I really feel, for the benefit of the House, that I should refer the House to the relevant sections of the Central Bank Act because many people do not understand the way in which the relationship between the Central Bank and the Minister of Finance is governed by the Act and the way in which the Act itself makes the Minister of Finance answerable to Parliament.

Section 47 of the Central Bank Act says that the Bank shall be consulted by the Minister on the total amount of credit to be extended by the Bank to the Government during the course of a Government financial year.

Section 48 goes on to say that whenever the total amount of credit being extended by the Government and its institutions and whatever else threatens either to exceed the amount agreed on between the Government and the Central Bank or threatens to endanger monetary stability the Bank shall submit a report to the Minister, drawing attention to the situation, analysing the causes which have led thereto and recommending measures which it deems necessary to forestall or otherwise remedy the situation. 11.40a.m.

Section 49, Sir, more importantly says that if, after consultation with the Bank, and let us say the Bank draws to the Minister's attention that the Central Bank's credit is likely to endanger the stability of the country, if after consultation with the Bank the Minister wants to pursue his policies rather than the Central Bank's policies, then the Minister must make an Order determining the policy and that the Order acknowledging the Government's assumption of the responsibility for monetary policy must be forthwith published in the *Official Gazette*.

Now, Mr. Speaker, Sir, that is as clear a structuring of a relationship as one can possibly imagine and I want to repeat it, Sir, in the way in which it will operate in practice. The Act contemplates that the Central Bank shall be advised and shall render advice on the amount of credit that shall be extended to Government. If the amount of credit that Government seeks from the Central Bank in the judgment of the Central Bank exceeds the amount agreed upon or is in the judgment of the Central Bank an amount that would give rise to monetary instability and economic

instability, it becomes the responsibility of the Minister to prepare an Order saying that he is causing the Central Bank to depart from good sense or to depart from the policy prescribed by the Central Bank and that Order, Sir, has to be published in the *Official Gazette*.

Now, Mr. Speaker, I really must make this point and stress the point because, as I said, as far as I am concerned, in every instance where this country has faced the threat of balance of payments instability, that balance of payments instability has been caused by excessive fiscal deficits financed by Central Bank money creation. But I do not ever remember an instance, Mr. Speaker, of this process ever having been complied with. Those persons who called for the Central Bank to be rendered independent of the Minister would do well to read Sections 47, 48 and 49 in regards to the safeguards that are already built into the legislation of Barbados that makes the Minister responsible for any departure from policy and puts the onus on him, Sir, to have published in the *Official Gazette* any Order the subject of which is his instruction to the Central Bank that the Central Bank should depart from credit policies that are in the best interests of this country.

I believe therefore, Mr. Speaker, Sir, that with the putting into effect of these new overdraft measures I do not envision that a situation will arise where it will be necessary for Section 48 or 49 of the Central Bank Act to be invoked. The Government recognizes, Sir, that the reduction in the overdraft limit imposes upon Government itself the need to make sure that its fiscal accounts are in good order, by this reduction in the Central Bank's overdraft limit, Mr. Speaker, which also imposes upon Government the need to ensure that Government's fiscal policy, particularly Government's cash flow policy, is closely reconciled not only with Central Bank's monetary policy in general, but is also closely reconciled with Central Bank's open market operations, which for the benefit of the House means the practices of the Central Bank in relation to the purchases of securities. The Ministry of Finance and the Central Bank of Barbados, Sir, as I said has, since March 25, 1995 been closely relating the management of Government's cash flow public finance policy with the Central Bank's monetary policy to ensure that there is not a substantial accretion of new money that can put pressure on the reserves.

Now I made mention of the fact, Mr. Speaker, that one of the pressures on the balance of payments in 1991 was the net credit by the Central Bank to Government which stood at \$150 million on that occasion. I also mentioned, Sir, that between 1991 and 1994 the net credit of the Central Bank to Government has been reduced. I must also inform the House, Sir, in keeping with our own commitment to ensure that there is a strong discipline

fiscal stand, Sir, that up to June 1994 the Government of Barbados was a net creditor to the Central Bank. Let me explain to the House, Sir, that the advances and securities borrowed by the Government of Barbados from the Central Bank totalled \$59 million, but this was offset by \$150 million deposits by the Government in the Central Bank itself. So rather than borrowing from the Central Bank in net terms, as of March 1995...

Aside.

Hon. O. S. ARTHUR: Let me repeat, Mr. Speaker, that the Government has been operating since March 25, 1995 as if the 10 per cent has been in place. Persons who read the Economic and Financial Statistics of the Central Bank will see that the temporary advances by the Central Bank to the Government have been kept under check. The point that I am making, Sir, is that we have managed to transform the Government from being a net borrower from the Central Bank to a net lender to the Central Bank although of course, Mr. Speaker, Sir, this situation will not necessarily endure forever. I give the House the assurance.

The point that I was making, Mr. Speaker, Sir, is that up to mid-June Government's overdraft and securities from the Central Bank were less than Government's deposits with the Central Bank. That means that Government was a net lender. We anticipate, Mr. Speaker, that the seasonal patterns in relation to Government's revenues and expenditure will set in between July and October and there will be need for some recourse to Treasury Bill financing to an order that was prevalent at the start of the year.

But I just must underscore, Mr. Speaker, Sir, that this particular measure is intended to be one measure of the Central Bank's and Government's macro-economic management of the economy. We want to see fiscal stability and monetary sobriety maintained as key aspects of the management of this small society. We do not want to have in this country a situation which has been so prevalent in so many countries where indiscriminate increases in domestic purchasing power, financed principally by the high powered printing of money by the Central Banks, works to undermine the reserves and puts the economy in a position where it becomes like a ship without a rudder.

Now, Sir, I believe that I ought also to set this particular measure in the context of the performance of the economy so far for the fiscal year. Just to observe, Sir, that for the fiscal year to date and I am not going to give figures, Sir, there has been some growth in Government's revenue over 5 per cent in excess of projection. On the other hand, both Government current and capital expenditures are way below projections. In dealing with the matter on debt, I will better focus this issue, Sir. But in

relation to Government's current expenditure, there has been a tight rein maintained on the purchase of goods and services and on capital transfers and, in relation to capital expenditure, Sir, we are way below expectations precisely because we are absorptive to capacity, Sir, and the capacity to execute projects quickly particularly when funded by multilateral institutions is a pain that continues to plague the management of the system. 11.50a.m.

Now, Mr. Speaker, the particular measure also being discussed has to be looked at in the context of recent practice. As I said, Sir, in 1990 the then DLP administration increased the Central Bank limit from 10% to 17½% of current revenues. I have sadly to report that, despite the fact that the overdraft limit was increased to 17½% of current revenues, the then DLP administration reached the overdraft limit on at least three occasions in the last financial year. On 25th May the overdraft limit should not have exceeded \$178 million. On 25th April, 1994 it went to \$179.6 million, on 9th May, 1994 it went to \$192.8 million and on 10th May, 1994 the overdraft went to \$192.4 million.

I feel that if we set an overdraft limit we have to respect it, particularly when there are other means by which the Government can raise funds, not from money creation, but from savings. We feel that a higher proportion of Government's resources for financing should be raised from savings rather than money creation, and I want to use this opportunity to deplore those instances where the increased limit was breached by an administration which was bent on putting this country in an unstable position. You may better begin to understand why the foreign reserves of this country fell by \$50 million during the 1st three months of the Democratic Labour Party's administration.

Mr. Speaker, I must also say that this particular measure by Government is being undertaken at a time when the Government has had to cope with increased repayment of foreign debt. Last year, foreign debt amortisation between January and June amounted to \$57 million. This year, between January and June, Government's amortisation amounted to \$88 million, and in addition the Central Bank has had to start repaying the loans borrowed from the International Monetary Fund. If I can get the exact amount for you, Mr. Speaker, between January and June 1994 total repayment of principal and interest by the Government and the Central Bank stood at \$91.5 million and January to June 1995 total repayment of foreign principal and interest by the Government and the Central Bank stood at \$144.9 million. The point I am making is that our management of the economy and our management of the foreign exchange resources of this country have to be set in the context of the fact that, in

the first six months of this year, this country has had to pay back \$54 million more in foreign debt than in the same period last year. Notwithstanding, Mr. Speaker, I am pleased to report to Parliament that Barbados' reserves at the central monetary authority at the latest count were over \$400 million.

They still do not provide us with enough elbow room to be aggressive with our expansion plans for the economy. There are still substantial debts to be met in the latter half of the year and I must say to the House that the capacity and the elbow room for economic expansion continue to be constrained, in my judgement, by the relative softness in the performance of the main export sectors. It is no secret that the sugar industry's output this year was some 26% less than its output last year, and apart from April of this year long stay tourist arrivals have been off as compared on a month by month basis to the corresponding period last year.

I feel I must make the point, Sir, that the fundamentals of the economy are sound, that we have a relatively sound fiscal position as reflected in a very modest fiscal deficit and we also have a sound external position as reflected in the fact that the central monetary authorities alone have over \$400 million in foreign reserves, but we still have to proceed with due caution in view, as I said, of the position in relation to the trading sectors and given the position in relation to debt payments.

Mr. Speaker, there are about three or four other economic matters that I will be speaking on during the course of this debate. In the course of my Budget presentation I stressed that this particular measure, Government's management of the Central Bank overdraft, the forging of a clear relationship between Government's fiscal management and the Central Bank's monetary policy were likely to be important features in our maintaining stability in this country and putting this country on a sustainable growth and development path. There is much more to developing a country than foreign exchange stability or increased stability and fiscal stability. But the experience of the developing world substantiates, beyond any shadow of doubt, that wherever countries yield to the temptation of financial indiscipline, and particularly so where they yield to the temptation of causing that financial indiscipline to be reflected in high powered money creation of the kind that has unfortunately been pan of our past intermittently, that country finds itself quickly plunged into economic instability; it loses its path from a developmental point of view. The result is a weakening in its capacity to deal with the basic needs of its people to support employment creation and income creation and, unless radical wrenching measures are taken of the sort that we regrettably had to experience in this country, at least in two intervals in our recent history, that country can be plunged into dire economic crisis.

This measure signals the intention of this administration early to be guided by the best two sets of sound financial management. I commend the measure to Parliament and I also give Parliament the assurance that the necessary management measures to ensure that there will be no occurrences of breaches of this overdraft limit will be pre-empted.

I am obliged to you, Sir.

Mr. B. M. TAITT: Mr. Speaker, the Prime Minister and Minister of Finance was slightly strained in his presentation, and properly so, because he indicated that this particular amendment is one of a series to come. I would wish when he gets up to wind up that he would give us some kind of time frame within which we might expect finally that amendment to the Financial Administration and Audit Act, an overhaul of that Act, in a sensible and sane way can be undertaken. I think some time frame is desirable, because for as long as I have been in public life in Barbados this has been a cry. And some of the amendment, some of the reform which has to be done does not require any particular genius. As a matter of fact, many of the changes which have occurred with the Financial Administration and Audit Act over the years have been changes made by the Cabinet as the Cabinet was able to do through regulations. There is no difficulty. 12.00 noon

Mr. Speaker, the other aspect of this amendment that is of interest is this: while the suggestion that we return from 17% to 10% as an upper limit for the overdraft of Government is of importance to the Government, because the fact that the Honourable Member discussed it in the context of the Financial Administration and Audit Act may give an impression that some assault was made on the Act itself, the truth is that the Financial Administration and Audit Act was promulgated in 1964. Barbados never had a Central Bank until 1972 so that the issue of the particular section that we are amending is not anything other than a policy decision made by a particular Government at a particular time.

The 17% limit would have been imposed as a political decision and the 10% limit that is being made now is nothing more than a political decision. If one is following what is going on in the rest of the world and one pays attention to the debate that is raging in the United States - in that country there has been and there still is a move to have a constitutional amendment that would insist that the budget be balanced. There are a number of very high sounding important senators and other leaders in political activity in the United States who base their entire career on the need for this constitutional amendment to balance the budget.

At the end of the day, a careful examination of that particular proposal would show that it comes down to nothing more than an arrangement where the figures show a particular set of numbers, because when one examines the methodological approaches which the United States has used in its national accounting systems over, let us say, the last 50 years, one would see that whenever it became necessary to assist the United States in financing some of its most important developments that it has changed the ball park; it has changed the playing field; it has moved the goal post. So this requirement through which many right-wing American politicians are trying to convince the public that they are doing something magnificent and wonderful by passing a constitutional amendment that the budget should be balanced, is nothing more than fast action by the hands in front of the eye.

It comes down, Mr. Speaker, to how in public policy a particular government observes the finances of the particular country and how it deals with those finances. Out of what the Minister said, there is one thing on which everyone can agree, and it does not take a government or an opposition to come to the sense of the particular point. Any ordinary citizen who has an account at a bank in Bridgetown knows that if there is an overdraft limit that it is foolish, it is unacceptable, for the business if you can avoid it to exceed that overdraft limit. Mr. Speaker, that is what it comes down to because the Central Bank so far as the Government's finances are concerned is nothing more than the Government's banker, for purposes of this amendment.

In the same way that in one's personal or corporate activity one needs prudently to pay attention to how much debt one can usefully and successfully engage in normal times and while the banker, if one has a good banker, will assist the business in maintaining what is an appropriate level of overdraft, in the same way that that overdraft limit will move back and forth in the corporate sector, so it ought to be in the public sector.

So the Central Bank should be able on all occasions to advise a Minister of Finance along with his or her coterie of very expensive, high-level, trained persons in the Ministry of Finance what is an appropriate level of overdraft for the country just as in the corporate sector people advise what is the appropriate level.

Aside.

Mr. B. M. TAITT: I understand it very well and we have to explain it so that ordinary citizens can understand it because there is no mystery to it.

The difference between the Central Bank in relation to the Government and other banks in relation to the

corporate sector is that the Central Bank can be called upon and has been called upon to print money. The numbers as occurred in Tom Clarke's novel... Tom Clarke wrote a novel in which there was a man who used to go to the bank every day he came back with a big bank account, and until when you come to the end of the novel in fact the man used to go into the bank, write another zero in his own book and come back out; he never really had any money.

The Government of the day in conjunction with the Central Bank authorities of the day, depending on what is happening to the economy at a given time, has a responsibility and a duty to ensure that the most prudent use is made of the resources that are available.

Mr. Speaker, when the Central Bank Act was introduced in the Senate in 1972 I had the honour of introducing it and, with your permission, I would like just to quote from the Senate Debate of 1972. After some contribution by the Honourable Member for Christ Church South who was then in the Other Place and who had raised a question, I went on to make a point about the Central Bank that I think it is necessary to repeat. I am quoting from page 65:

"Any of us who are knowledgeable about central banks will know that every such bank does not function as it was designed to function. Once the Central Bank of Barbados has been established, the Minister of Finance has assured that he will pay the same meticulous attention to the staffing and management of the bank as has been paid to the preparation of this draft legislation."

It is now history that some of the finest minds in Barbados have been put in the Central Bank over time. It is now history, Sir. The Central Bank was able to carve out for itself a very strong and, I might say, independent position in the fiscal and monetary affairs in this country. But it is also true that the Minister of Finance at no point has lost his - we have only had male Ministers of Finance, Sir - political power in relation to the decisions to be made in the Central Bank. When the Prime Minister and Minister of Finance comes now, Sir, and impliedly suggests that by passing this particular amendment that this will bring fiscal prudence to the affairs of the country, what brings fiscal prudence to the affairs of a country is not this piece of legislation. It is the will and act of the particular Minister of Finance at a given time. If the Honourable Member wishes and feels the need to encapsulate himself in a 10% limit, then I have no difficulty with that. I believe that he should identify it and recognise it as I believe he wishes to, as a policy position carved out by that particular Government to operate its particular style in the running of the country. 12.10 p.m.

Now, Sir, to speak of 1990 - and I am not going to defend any positions that were taken in 1990 from the perspective of hindsight and have a long debate about what was or was not right - it has to be taken in context. It was not the first time that the Government of the day had required the Central Bank to assist it in financing its activities. It was not the first time since the Central Bank had been established that a Minister of Finance, presumably on the advice of his technocrats and other...

Aside.

Mr. B. M. TAITT: Mr. Speaker, I was never a Minister of Finance. I do not read the files.

Aside.

Mr. B. M. TAITT: ... powers that be who assist him in finance and monetary affairs in the country, made certain decisions based on the circumstances as perceived by the Minister at that time. It was not the first time, contrary to what has been written elsewhere, that the limit set out in the Financial Administration and Audit Act had been exceeded. The Governor of the Central Bank has no responsibility to give the Minister of Finance any excess beyond what is written in the law without reporting it in writing. The Governor has no such authority.

The Minister of the day, as I recall it, determined that because of the economic situation in the country the limit was being touched and over-shot so often on a daily basis that it would have been much more prudent to raise the limit - that was said on the Floor of the House - to allow for a much more efficacious relationship between the Central Bank and the Ministry of Finance during a difficult period in the finances of this country.

Mr. Speaker, there is going to be no quarrel on this side of the House with a budgetary measure which the Minister of Finance, in his full capacity as Minister, has decided he wishes to do. I have no quarrel with it. I watch it and, of course, this Minister will not, unlike other Ministers before him, be able at any time to go above this limit of 10% with impunity. Whereas other Ministers, perhaps more fallible, might have taken the chance to risk going above the limit in consultation with their Governor of the Central Bank...

Aside.

Mr. B. M. TAITT: The Honourable Member is saying *sotto voce* that you do not have to. That is precisely the point I am making that those Ministers who do not wish to go above this 10% will be able to do all of the things that are necessary in those circumstances when the economic situation requires it without breaking the law, as it were, because it has been described as breaking the law and technically that is what it is. It is not the Government that

breaks the law because the Government does not give itself the overdraft. But it would be unfair if the Minister of Finance allows the Ways and Means to operate in a certain way to then lay the blame at the feet of the Governor of the Central Bank. Since Ministers take the political responsibility it has to be given to the politician.

The fact is, Mr. Speaker, that if there is imprudent management of the finances of this country, what will occur with the balance of payments will occur with or without this limit. The only difference I can see is that there will not be the temptation of those who give advice broadly and boldly to recognise that the limit above 10% will not be extended especially in light of the debate which has waged in the past.

Mr. Speaker, in the years between 1972 and 1992, since the Central Bank has been publishing its statistics, a perusal of the 20 years will indicate that on more than one occasion in all regimes the limit has been exceeded. Therefore,...

Aside.

Mr. B. M. TAITT: ...with the possible exception of the short-term sojourn which the Honourable Member had as Minister of Finance.

Aside.

Mr. B. M. TAITT: We are not saying that in a pejorative way. It is a fact that the Honourable Member did not have a long enough time as Minister of Finance to deal with the matters and I am sure he will speak for himself. He does not need me to speak for him.

Mr. Speaker, I want to just turn, however, to this question of the role of the Central Bank in relation to the law because again, Sir, the law as it is written makes certain implied assumptions. At the point when sections 47, 48 and 49 are being invoked, the country is in great difficulty. Any time the Minister of Finance of Barbados has to implement sections 47, 48 and 49, we would have had a crisis in this country of gargantuan proportions.

Do not let us be taken to the point where somebody who does not know will get up and say that the law in Barbados has not been followed by the Central Bank, because what section 49 does is to make provision for situations where the Minister of Finance and the Governor of the Central Bank are at loggerheads. It makes provision for when the policy of the Central and the policy of the Minister of Finance are heading towards a confrontation. The law makes provision for the constitutional position of Barbados to be upheld in those circumstances but for it to be done in a way that everybody will know it is happening.

The law makes provision that if the Minister does not agree with the policy position of the Central Bank then the Minister can tell the Central Bank, I am assuming responsibility for the policy notwithstanding the fact that under normal circumstances it is your policy. That demonstrates a fundamental factor which is not always recognised properly when we are having debates in this country because it suits some people to obfuscate the particular issue which, put simply, is this, that no Minister can escape the responsibility for the policy of the Ministry which the Minister has responsibility for under the Constitution of this country. 12.20 p.m.

It is the Minister's policy. No one sets a policy and then gives it to a Minister to carry out. A Minister determines the policy on behalf of the people. Even when that policy is being determined in an inept way, it is nothing more or nothing less than the manifestation of ineptitude by a representative of the people. Hence, in this country, there has been a lot of debate about what the Central Bank did and what the Central Bank did not do and what the Minister can do and what the Minister cannot do. But, in fact, what this does is to confirm that it is the Minister's responsibility, if he and the Central Bank are at loggerheads, to tell the Central Bank, "this is the policy". But, Sir, in most of the countries that had Central Banks, in Britain, for example, you will find no Central Bank Act which gives the Minister this responsibility. You will find no such act, certainly not in 1972. It is not necessary because the banking system in Britain does not work in exactly the same way as ours does. But of course we were required, as a new country, coming into our own to put in writing practices that had been accepted in London and elsewhere certainly, in Germany, for all of the years.

Mr. Speaker, the point I am making here is that to quote Sections 47, 48 and 49 of the Central Bank of Barbados Act, Cap. 323C, if this is quoted with nothing more is not good enough. I think that in the public place we have to be careful the Minister said that this is an aspect of the Central Bank Act that has not been fully recognized by persons and he recommended that the people go back and read it. The only point I am making here, Sir, is that:

"The Bank shall be consulted by -

the Minister on the total amount of credit to be extended by the Bank to the Government during the Government's financial year;"

The Minister of Finance has to consult the Central Bank on the total amount that is to be required for a year. It is in the context of the Central Bank having told the Minister, "what you are proposing to do is acceptable or not acceptable."

Mr. SPEAKER: Please, please, let us hear the Honourable Member.

Mr. B. M. TAITT: "What you are proposing to do is not feasible in the context of our economic situation. What you are hoping to do cannot be done." This is the Central Bank in a policy situation talking to the Minister of Finance. Mr. Speaker, this is how central banks and the central governments function in all of the major countries that have central banks. In the United States, for example if you watch - you do not have to be a genius - the television, you can see that every now and again there are policy differences between the President of the United States and the Chairman of the Federal Reserve Board. The Chairman feels, for example, that interest rates should not be cut, at this time, a President might feel the interest rates ought to be cut and they would even have public statements coming from the Treasury in the United States and statements coming from Mr. Greenspan which differ.

It was to obviate that kind of situation that this piece of legislation, in fact, utilized the phrase "the Minister shall consult". The Minister of Finance, in Barbados, has to consult with the Governor of the Central Bank. It therefore has to be assumed that if a Minister of Finance makes a decision about the level of overdraft and if he can make the decision about the level of overdraft whether you put it in the legislation or not, Mr. Speaker, is a matter for a particular Minister of Finance. If it is 17% or 10% or 19% or 12%, it is a matter for the particular Minister of Finance and what he or she perceives he or she can do, in the circumstances. I see this, Sir, in the same way as the constitutional amendment in the United States to balance the Budget, which anyone who knows about budgeting knows that balancing the Budget sometimes is only a question of moving something from one side and putting it over to the other side, withholding something on one hand and not putting it in on the other, so long as the bottom line balances. In some parochial jurisdictions in the United States, they have been balancing the Budget but the way they have been balancing the Budget has been to reduce considerably the social services for the vulnerable groups in those jurisdictions.

There are persons who have what they call strict financial concepts, the kind of persons who say that you ought never to have deficit financing - I recall at one time in this country whether you had 4% deficit or 2% deficit was a massive discussion. I have lived to see that the same Minister of Finance, the Honourable Member for St. Peter, who thought that 4% was a reasonable level for a deficit, the same Minister of Finance I have noticed him now hovering around 2%. He is feeling that, from the position of Opposition, 4% looked wonderful but now that he has the reins, he is a tight fiscal man. He does not wish to go beyond 2% if he can help it. As a matter of fact, 1½% is more in keeping with what he will want to do.

But Mr. Speaker, Sir, very often, the difference between a 1% deficit and a 3% deficit is what is happening to the vulnerable groups. It is what is happening to the small business people. It is what is happening to those who, in fact, are the first to feel the weight whether they are in Milwaukee or here in Barbados. Always, Sir, it is the small individual who is to suffer. If the Honourable Member wishes to bring back the limit to 10%, it is his right to do so, as the Government. It is the Minister of Finance making a decision to stay within the policy framework outlined in the Manifesto, outlined in the Throne Speech and outlined in the Budget because it is a telling political point.

The Honourable Member is able to say that he said he would do it and he has done it. What it translates into will form the basis of debate among a relatively small number of people, over the next 2 years or so. But the proof of the pudding will be in the end result.

Let the Honourable Member show how this reduction to 10% is going to translate into some additional jobs for the people from Richmond Gap. Let the Honourable Member tell us how...

Aside.

Mr. B. M. TAITT: - or the Orleans for the matter, Sir - this reduction from 17% to 10%, note that the Honourable Member said that although we had not passed this legislation, he has been functioning since March 1995 as if the legislation were there.

The fact is that any Minister of Finance given a certain set of circumstances, for example, in this case where the present Minister of Finance to quote other Honourable Members, "is batting on an easy wicket" he can afford to operate within certain limits for himself. But those limits do not fool some of us, Sir. The Honourable Member knows why he has to operate within those limits. The Honourable Member knows that it will not be long before he has to tell us why he has to operate within those limits. I believe it may be in the next debate he will tell us why he has to operate within those limits. I think the Honourable Member should take the credit, such as it is coming, to say that he has been able since March, 1995 to operate within those limits. I will not begrudge him that, Sir. But I wish he would have gone on to say why. The Honourable Member, over the last few months, has left the population to believe, not the Honourable Member personally all the time, but his Government, left the population to believe that things are almost back to when we were booming in the nineteen eighties. He has left the population to feel that it is only a matter of time before we were all hauling some money off the tree, but Sir, the reality of the situation in Barbados is beginning slowly to

emerge. The reality of the situation with regard to the ability of the Honourable Member to raise money is beginning to emerge. I will say no more, Sir, because this is only a change in the limit and as the Honourable said, he would have some other things to say when we come to discuss another Resolution. One will wait to hear what the Honourable Member has to say on that occasion. I will not seek to broaden this particular debate beyond what is necessary but I think the Honourable Member understands. I am sure he understands very clearly where we are going and can go on this. 12.30 p.m.

Mr. Speaker, this is a budgetary measure. We have no quarrel with it. This is what he wishes to do. I hope the Honourable Member was not implying that it was acceptable by anyone even in an administration that was under pressure - I hope he is not implying that it was acceptable that the Government of the day would spend money wildly. I hope the Honourable Member was not implying that the Minister of Finance acted without any consideration because the Minister of Finance, even though he is not in his place...

Aside.

Mr. B. M. TAITT: On the occasion when the Minister of Finance of the day raised the limit to 17% he felt at that time that the circumstances warranted it, that it was good public policy, that it was desirable because there was an attempt to avoid breaking the barrier that had been set out in the Financial Administration and Audit Act.

One last point which I must repeat. The Financial Administration and Audit Act, the section which is being dealt with now is a section that was imported into Barbados fiscal affairs in 1972. The Central Bank itself came into operation in 1972 so that the question of sticking meticulously to the Financial Administration and Audit Act only arose in relation to the Central Bank after the Central Bank was established and since the Central Bank was established by the same Government that had set up the Financial Administration and Audit Act, the meticulousness with which we approached the finances of this country did not change. The circumstances within which we approached the finances of this country during the period which the Honourable Member referred changed as they had changed for all and sundry around the world. It has to be remembered, it has to be repeated over and over again that whatever policies were implemented, when one is reviewing them *ex post facto*, when one is reviewing them from hindsight they have to be reviewed in the context of what existed at the time. That is the only point that is worthy of rebuttal in the sense of the Honourable Member having read out days on which he... I think there were four particular days when he was able to quote that the limit had reached beyond the levels that had been laid down.

I hope, Sir, that in this next five years he will not have to come to this House. I hope the Honourable Member will follow the law and let us know each time the limit has been exceeded if ever he would be so lax as to allow the limit to be exceeded on any given day. I look forward to this Minister of Finance making sure every morning that the overdraft limit has not been exceeded by a single cent.

Mr. Speaker, I thank you.

Mr. SPEAKER: The Honourable Member for St. Michael South Central.

Dr. R. C. HAYNES: Mr. Speaker, someone writing a column of one of the local newspapers made the point that this measure might well be the single most important measure in the 1995 Budget. I sincerely hope that the Minister will abide by this new limit. I am absolutely sure, beyond a shadow of doubt, that so long as borrowing from the Central Bank of Barbados is kept within reasonable limits and preferably as low as possible at all times then Barbados is not going to have any problems with its foreign reserves.

I want to make the point, Sir, that I have spoken in this Honourable House for over 14 years on this particular subject. I spoke on it as principal spokesman for the Democratic Labour Party Opposition 1981. I spoke to it as Minister of Finance when I was Minister of Finance. I spoke to it as a Back Bencher when the Democratic Labour Party formed the Government. I spoke to it when I was leader of the Opposition. I spoke to it when I was outside of Parliament and I am speaking to it today as leader of the Minority Opposition in this Parliament.

One thing, Sir, one can be sure about, is that I have not shifted my position now for 14 years because, Sir, there can be no question whatsoever that there is an extremely close correlation between the levels of borrowing by Government from the Central Bank and the foreign reserves position of this country.

This is a matter I have studied for many years. I have seen what happened to Guyana. I saw what happened to Jamaica. I saw what happened to Trinidad and 90% of the economic problems that those countries face are unquestionably due to the printing of money at given periods in their economic history.

I have watched, Sir, what has happened in the Eastern Caribbean countries where there was no Central Bank for many years, where there was a currency board. I have watched what has happened since they have had a Central Bank where no individual country can abuse that central bank because of the constraints within that arrangement

where that Central Bank services several countries. If you will note, Sir, much of the kind of fiscal instability that you have had in the larger territories you have never seen in those countries. So that when you look at the political and economic history of the Caribbean there can be no question whatsoever on the impact of the introduction of large amounts of high powered money into an economy. There can be no doubt about it.

Now, in Barbados, Sir, I believe that today there is a general consensus on this issue. I believe that 14 to 15 years ago there was an argument as to the extent to which money creation in itself damaged the reserves of Barbados. Looking back, Sir, over the past 14 years you can do graphs and all the graphs indicate one thing, that if you do not print money you stand a very good chance of maintaining healthy reserves in Barbados. I am not at all surprised, Sir, that at the present moment, despite the relatively poor performance of tourism in this year, because of the low levels of borrowing from the Central Bank, the reserves have been maintaining themselves. I can assure you that the situation will be very different if there were* high levels of borrowing from the Central Bank. The first time that this matter occurred in the Barbados economy was in 1981. I spoke outside of Parliament and I spoke inside of Parliament on the issue, and I want Barbadians to understand this that when large sums of money have been printed by the Central Bank, your foreign reserves are destroyed, the Government has to resort to significant foreign indebtedness, the Government has to make all kinds of fiscal adjustments and that translates into more and more taxes, more and more hardships, more job losses and all kinds of hardship situations, layoffs and the whole lot. It happened in 1981 and 1982 and I must say, Sir, that it is to the credit of the Honourable Member for St. Peter that today, Sir, he has endorsed 100 per cent a position that I have taken for 14 years. Because I recognized, Sir, that in the past there was some equivocation as to the extent. Now he never said that it did not hurt the reserves. I think that probably his position was that perhaps people like Wendell McClean and Richie Haynes were putting too much emphasis on it. But I believe that it is a slight shift in position now. 12.40 p.m

But, Sir, the first time the Honourable Member came to my attention was one day in 1982 or 1983 when I was driving home from this Parliament and I heard a voice on a radio lambasting, and correctly so, the Government of the day for excessive money creation and the impact on the balance of payments and the reserves. I came back down here and I thought that I would speak to then Minister of Finance. I told him that I heard this thing. He said, "Do not mind him. He does not know what he is talking". Then, Sir, I made some inquiries about the individual and I was told that he was a "Bee" and I raised the question

again with the then Minister of Finance and he said, "Do not mind him. He is a bright fellow. He will learn." But the point that I am making is that I have no doubt whatsoever that all of us recognize the mal-administration of that time and we recognize the problems of 1990 and 1991. Now in November 1990 when a Resolution came before this House to raise that limit to 17.5 per cent, I believe that I spoke for about 4 hours that day in a long debate in November 1990 on this particular matter. Because in the long run, Sir, all of us have made some contribution to this society and we hope to make Barbados a better place for our children and our grandchildren. There has to be a common understanding as to what are the factors that can lead to serious instability in the economy of Barbados.

We have seen in Latin America several economies destroyed in the forties and fifties and legislation had to be introduced to fix the level of borrowing from the Central Bank and apply penalties. You may recall, Sir, way back in 1981 I had suggested that we need penalties to make sure that the Minister and the Central Bank conform to the law. Now we must remember, Sir, that all of these breaches took place despite the fact that the 10 per cent legislation was in place since the 1960's and, despite that, there were breaches.

Now I have tried over the years to get the best possible understanding of the law, including quoting those sections there, in the debate of 1990. It seems to me beyond a shadow of doubt that when you look at the Central Bank Act there is an element of doubt as to whether or not that Act has to be read in conjunction with the Financial Administration and Audit Act and whether or not the people at the Central Bank can continue to function as an independent empire and not bother about the Financial Administration and Audit Act. Now I have two different legal opinions on this matter in the past. One opinion says quite clearly that they are a part of Government and they are bound by the provisions of the Financial Administration and Audit Act like anybody else when they are lending to Government. There are others who say that those provisions in the Financial Administration and Audit Act are binding on the borrower not necessarily on the lender unless there is legislation in place that specifies that the Central Bank is bound by that position.

I am just saying that I have spoken to several lawyers. In fact, one lawyer is the head of a Caribbean establishment and has looked at this matter very closely. My view is, given our past history and the fact that we, unlike larger countries, are unlikely in the future to be able to recruit people as Central Bankers who in the context of their lives, professions and their hopes for the future will be able to exercise the same kind of independence in relation to a Minister of Finance as, say, the head of the

Federal Reserve or a Governor of the Bank of England would exercise. In other words, I want to say this that those people live in a society where if they have a problem with the Government, they will come out and make a statement and they will walk out of the job and they will find a job next day. So they have this back-up in the society in which they live for the exercise of their independence. Not so here. The kinds of persons that we have been able to attract as Governor of The Central Bank over the years are by and large people dependent on those jobs in relation to their future, their pensions and this kind of thing like that.

I believe that we need to clarify that situation and I will urge the Honourable Attorney General to look and see whether there is not a need for amplification of the position of the Central Bank, whether they are in fact bound by the provisions of the Financial Administration and Audit Act. There is no question in my mind that the Minister is bound by that Act. The question is whether the lender is also bound by it and I think that that is a matter that needs to be clarified.

Now, Sir, I do not believe that I need to go into any further details except to look at one or two other things. I think all Barbadians must understand something. Borrowing from the Central Bank is fundamentally different than borrowing from any other bank. This is a very fundamental thing. When the law was put into place, Barclays Bank was the banker to Government in the 1960's. In 1972, when a Central Bank was created in Barbados, a new dimension was created. It brought for the first time into this country a bank with the power to create money and all that that implies. Therefore, the need to observe the law once you are borrowing from a Central Bank becomes even greater, not lesser, because of the peculiar position of the Central Bank within the system.

The second point that I want to make is that I hope that we will never see again a situation where, bowing to pressure from this Parliament, a Minister of Finance side-steps the situation, tries to reduce the overdraft under the Heading of Advances but there is a corresponding massive increase in the Treasury Bills. 12.50 p.m.

Aside.

Dr. R. C. HAYNES: It is set by law. All I am saying is, I listened to the Honourable Minister of Finance very carefully and I have looked at the level of advances in April 1995 and I see \$47.6 million, Treasury Bills nil. I look at May provisional, I see Advances \$90 million, Treasury Bills nil. I will be watching both over the months ahead.

Let me say this. I am not saying that the Central Bank should not enter into the Treasury Bill market, because if they do not then you may have problems in controlling interest rates in the country. All I am saying is that I will know when there is a legitimate intervention by the Central Bank of Barbados and when there is any dipsy-doodling in switching between advances and Treasury Bills. It has happened in the past and we will be looking very, very carefully at the situation.

The next point I want to make is this, that no Government should ever find itself in a position where it has to break the law in relation to borrowing from the Central Bank. There are so many other avenues open to the Government of Barbados to raise money. Taxes, if you like, you can borrow on foreign markets, you can borrow on the domestic market, you can do all kinds of things. There is a whole lot of other instruments, but the overall significance to the economy is very different. If, for example, the Government crowded out the private sector by borrowing too heavily in the marketplace, all that happens is that the Government is going to spend that money and the private sector would not have that money to spend. When the Government goes to the Central Bank it is a different thing altogether.

The other point I want to make is that the Government has to be very, very careful not to induce the Central Bank into other areas of lending, because the impact on the balance of payments is about the same. I think one of the reasons why you see these reserves are holding up in the first quarter is because the Central Bank is no longer financing the sugar industry. There has always been a bit of doubt as to the impact of Central Bank advances through the National Bank for the reaping of the crop. There has always been some argument about that. My view is that now it is being otherwise financed, that is a contributory factor to the maintenance of the present level of reserves.

The other thing is - and here I have to caution the Deputy Prime Minister, the Honourable Member for the City, whom I do not think is overly concerned with these little niceties - but I believe I saw an invitation to the Central Bank of Barbados to get into housing somewhere in the City, in Church Village.

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, lest the House be misled....

Mr. SPEAKER: On what do you rise?

Hon. Miss B. A. MILLER: On a point of order, Sir. Lest the House be misled, I was pointing out that in an earlier Barbados Labour Party administration the people

living in what is now Church Village were proposed to have been resited and that the Central Bank would in advance of everything that we have now seen happen in more recent years in Barbados prepare for a financial centre in Barbados suitable accommodation.

Dr. R. C. HAYNES: So I take it then that the Honourable Member was misquoted in the media. My apologies. I just wanted to make the point that the Central Bank has to avoid lending in areas other than Government at a level that can have the same kind of effect on the economy as if it had loaned the money to Government. One area I identified, and I am pleased to see that advances by the Central Bank to the National Bank to finance the reaping of the crop has come to an end, as far as I am aware.

Aside.

Dr. R. C. HAYNES: Because it is high-powered money. By the time you have earned the foreign exchange you have done the damage already, and this is why I asked what is the point creating a loss of foreign exchange unnecessarily. This is the argument I have always heard, that even if you lose your foreign exchange, when the money comes in from the crop you replace the foreign exchange. The point is, why lose the foreign exchange? I am not saying that the crop should be financed by foreign borrowing, and you meet the interest cost on that foreign borrowing during that period, all I am saying is that I do not think Central Bank financing is the most appropriate way to set about it.

Sir, the point we have to understand is that this kind of issue is no longer a partisan issue in Barbados. We have the history of what has happened before us and I believe that this Government has an opportunity now to begin to move forward, to look back at the past and learn from the lessons of the past, what happened under the Barbados Labour Party and what happened in a more severe manner under the Democratic Labour Party.

Aside.

Dr. R. C. HAYNES: I will not even bother with the Honourable Member for Christ Church South....

Mr. SPEAKER: Just continue, please.

Dr. R. C. HAYNES: who never understood anything, because if he even understood this he would see how the foreign reserves rose during those periods, he would also see that just as this Minister of Finance can claim today that he is a net lender to the Central Bank, this Minister of Finance was also in a very happy position

where he had \$178 million in deposits with the Central Bank of Barbados at the end of June 1987 and the overdraft of Government at that particular time was \$67 million.

Aside.

Dr. R. C. HAYNES: Whatever you do. Subtract \$67 million from \$178 million, you leave \$111 million and you could do whatever you want to do with that. You could pay tax refunds, you could pay a year's salary, the money was there and the Government was a net lender to the Central Bank of Barbados.

Sir, I believe we have certainly reached the point in Barbados, after listening to the Honourable Minister of Finance today, where there is certainly a consensus in this country now as to the dangers associated with excessive borrowing from the Central Bank of Barbados. I sincerely hope that today marks a significant departure from the past. I sincerely hope that when the next elections come up we will not see the kind of pre-election expenditure that has resulted in the kind of borrowing from the Central Bank in the past. Let us call a spade a spade.

The interesting thing is this. It seems to me to come every ten years, and if there is one thing to be said about the Honourable Member for Christ Church South in his favour, it is that pre-election expenditure did not happen when he was Minister of Finance, except in those Departments that he know nothing about, like the National Assistance Board, where the money was spent in a very short period of time. The point I am making is that at the macro-level there was not that kind of pre-election fiscal disturbance. Anyhow, Sir, I sincerely hope now that this cannot just be a matter of words. 1.00 p.m.

The question also arises whether we should look at attaching penalties for breaching this particular bit of legislation. If we think it is serious enough, if we look back and see the damage that has been done in the past, if we are convinced that it is something that must be observed at all times, then let us look at the question as to whether any fines or whatever should be imposed on those people responsible for breaching the Act.

The reality is that the law was there before and it was broken. How are we going to stop this? The other point I want to raise, and I want to get back to this point again, is to look and see whether we don't need to amend the Central Bank Act to put it beyond a shadow of doubt that a Governor of a Central Bank, when he meets with a Minister of Finance, can say to him that the law says this. "I cannot break the law because these are the penalties that I have to face."

As the law stands now, I can assure you that the body of legal opinion in Barbados is divided as to whether a Governor of the Central Bank is really in that position where he can say it is against the law for me to accommodate you at that level. He can say that it is indiscreet and not in the public interest for me to accommodate you; but I want him to be able to say beyond a shadow of doubt that if you ask of him to lend x amount over the 10% to the Government that he is in breach of the law.

Mr. SPEAKER: The Honourable Member has 2 minutes to conclude.

Dr. R. C. HAYNES: So, Sir, I don't think what I am asking is unreasonable. I think that looking back at the history of the situation the fact that we have had a law in place that has been breached, since all of us recognise the amount of suffering that has been heaped on the people of Barbados as a result of this, then if it is so important, we should be taking even greater steps to make sure that it is not breached in the future.

The question is, would it be sufficient just to lower the limit back to 10% or do we need to have additional legislation. My judgement, looking at the past, is that we need additional legislation and some amendment to the Central Bank Act to put it beyond any doubt whatsoever that they cannot lend beyond that level as stipulated in the Financial Administration and Audit Act. At least, this is what I would strongly suggest to the Government that we look at

Thank you very much, Mr. Speaker.

SUSPENSION

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, I beg to move that this House be suspended until 2.30 p.m.

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

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

RESUMPTION Mr.

SPEAKER: This sitting is resumed.

Hon. Sir HAROLD St JOHN: Mr. Speaker, I wish to make a very short contribution to this debate. I believe it is very important that it is recognised that by taking this step the Government is sending a message to all and sundry that it regards fiscal responsibility in the administration of the expenditure programme of Government as being a matter of vital importance.

As has been said, the mere passage of this law cannot ensure that those upon whom the responsibility for the day-to-day management of expenditure under our system of Government will realise or conduct themselves in such a way as to ensure that the norms which are implicit in this Bill are respected.

Many people do not appreciate that the expenditure of public funds does not lie with the Ministers who are in charge of the departments. It is the responsibility of the various accounting officers, the chief of whom in each Ministry is the Permanent Secretary, and unless we can get a culture established among them that it is their responsibility to bring some measure of supervision to the functionaries under them this law will only result in the future in an embarrassment to the Government which introduced it with the best of intentions. We must put that very clearly in the public domain. It is an act of faith of the Government in the civil servants and others who administer by bringing this legislation.

Many countries in the Commonwealth have tried various methodologies to ensure that this culture of fiscal responsibility is inculcated in the public service in its widest sense, not only the civil service as such, but under our system of government that would include the statutory corporations. There is a wonderful commentary on this in the Parliament Journal and in particular countries like New Zealand have introduced a special bit of legislation called the Fiscal Responsibility Act. It sets out very clearly the various levels of responsibility.

Now it is also important, in my view, that we in Barbados seriously investigate the utilisation of modern computer technology and information technology in the various spending departments. It ought to be possible to completely computerise the old traditional vote book so that on a daily basis those who are responsible for monitoring would be able to press a button and see how much has been approved. It should be linked in with the Treasury, how much has been paid and what is left in the vote. 2.35 p.m.

Aside.

Hon. Sir HAROLD St. JOHN: Well, of course. The commitment is very important. There has been a habit that has grown up in this country that towards the end of the financial year there is a rush to expend money that has been voted and also there is a rush to incur expenditure which would result in a total expenditure above the amount voted. That is rolled over into the new financial year. What happens in truth and in fact is that when in April we pass new money a great proportion of that money is spent in paying off expenditure which was incurred in the last financial year. That has happened. We have seen it. People

complain. As members of Parliament I am sure Honourable Members have this experience. People ring you up and tell you that this department has money for them and that they are waiting until after April so they can get last year's money. All of this goes on.

I know that this matter is so serious that it is engaging the attention of the Auditor General and it is engaging the attention of the Public Accounts Committee. What we must appreciate is, and I am very glad to see that the commitment has been made by the Government, that a whole complete review of our Financial Administration and Audit Act will take place at an early date.

I just thought that it was very important that all and sundry, including the public servants, including the people in the statutory corporations and I want the public to understand that Ministers of Government only are responsible to the extent that they have persuaded the Minister of Finance to grant a total sum for their Ministry in the year. The day-to-day administration of financial affairs is not the responsibility of Ministers. Now, if the Ministers, of course, have the bad habit of giving instructions to people how to spend money, the Honourable Member for St. Michael West would appreciate that is something that if you do it you are liable to find yourself in difficulty. You should not do that.

A wise Permanent Secretary, by the way, always puts in writing the instructions they have received.

Aside.

Hon. Sir HAROLD St. JOHN: I am just teaching him how to get around those things.

Now, Sir, there has been some debate also with respect to the relationship between the Central Bank and the Minister of Finance. I am not going to use this occasion to have a full-scale debate on that because, obviously, many countries are groping throughout the world for the machinery to be put in place to ensure that the relationship between the Central Bank and the Minister of Finance in particular countries is smooth.

Some countries have legislated the so-called independence of the Central Bank. Other countries have said that it is better not to put these things in legislation but that there be a convention in light of the experience developing where there is regular consultation. In the United Kingdom now the Minutes of meetings between the Chancellor and the Governor of the Central Bank are actually made public. We ourselves, of course, would have to develop our own traditions in this area. I think it is quite clear that the Government has made its position very clear that what it wants to see is a very professional relationship established between the Government and the Central Bank.

I do not think that it could truly be said that this Government wishes to have its relationship established where one person can feel that he is the creature of the other. But at the same time, I think that with all the independence of the Central Bank, and the people working there, it must clearly be understood that from time to time their conduct would be the subject of scrutiny. After all, unless there is machinery in existence for public comment to be made on the activities of the Central Bank, I believe that there will be a lack of accountability.

After all, Central Banks in these territories are not only involved in a monetary policy. Very often Central Banks have assigned to them other responsibilities, and in our case in particular, the Central Bank has important functions in relation to the offshore regime and the administration and supervision of financial institutions in Barbados. Those are very important functions which have to be the subject of scrutiny. I am not going to go into a debate on that because I think that is a much wider matter which should be the subject of a specific debate after a proper evaluation of how things, in fact, work in Barbados.

I just wanted to draw it to the attention of everyone that by bringing this Bill the Government is sending a signal that it is placing its neck on the line and that in so doing it expects that those who are responsible for the day-to-day administration of the financial affairs in Barbados respect their duty to ensure that public expenditure is carried on within the context of authorisation.

Hon. O. S. ARTHUR: Mr. Speaker, I rise to wind up this quite congenial debate which has been reflected by a very strong, and I think a very sober consensus on all sides to the effect that the national interest of Barbados demands that there be fiscal and monetary stability.

Mr. Speaker, I once lived in a country where there was the feeling that the fiscal deficit did not matter and I saw that deficit rise from a very small percentage of the GDP to 20 something per cent of the GDP. This was not a factor that bulked more heavily in the destruction of the economic position of that country than the failure to manage the deficit.

Aside.

Hon. O. S. ARTHUR: Yes, Jamaica. It is an object lesson that has been etched in my psyche that if you want to ruin a country proceed on the presumption that socio-economic considerations can surmount strong, sensible, fiscal management. 2.45 p.m.

The reality is that, if we attempting to run large deficits, you will be able to bring some increase in welfare,

for a short time. Our experience in 1981 and again in 1991 showed precisely that. You have a large fiscal deficit and you can have an increase in national welfare, but for a short time. The point is that the corrective measures that then have to be taken to bring the economy back into balance have proven to be so painful, as has been shown in recent times with the sending home of 3 000 people and the massive cuts in social services, that it is not worthwhile to move from stability to instability on the fiscal side and then try to correct it after the situation has gotten out of hand.

The House, therefore, is not divided on this matter and I should want, in the spirit of the occasion, just to say that I continue to be pleased with the performance of the Central Bank, particularly, in relation to the advice rendered on the management of the foreign debt. Later today, I will be giving effect to another one of Government's policies, as announced in the Budget, in relation to debt management. But I must put on record the fact that the Central Bank, in response to a situation where the Japanese Yen has been appreciating very substantially, put in place a hedging programme. It purchased on the futures market with a view to putting us in a position where, when we came to repaying the Japanese Yen issue that fell due for redemption in May of this year, we would not have had to suffer the consequences of an appreciating Yen. The hedging policies pursued by the Central Bank of Barbados resulted in our saving over \$300 000 as compared to what we would have had to pay had that hedging policy not been put in place.

I believe also, Sir, that I have a responsibility to say to the House that the tenure of the Central Bank Board came to an end on June 30, 1995. It was our policy that we should allow persons appointed to serve on the Board of the Central Bank to serve a term. This Government allowed those persons who we found as members of the Central Bank Board to serve out their term, as compared to what happened in 1986. I must advise the House that the new Members of the Central Bank Board are Mr. Steve Emtage who was a former Member of the Board, Mr. David Cuke, Mr. Anthony Wood, a Lecturer in Economics at the University of the West Indies, a gentleman who is doing a Phd. at Cambridge University in Monetary Economics, Miss Lynette Eastmond, Attorney-at-Law, and Mr. J. B. Simpson a prominent businessman. Those, Sir, are the new Members of the Board of the Central Bank. If I could repeat it, for the benefit of the House, Sir, Mr. Steve Emtage, Mr. David Cuke, an Accountant of many years standing and experience, Mr. Anthony Wood, a Monetary Economist, Miss Lynette Eastmond, Attorney-at-Law and Mr. J. B. Simpson, in addition to the Director of Finance and Economic Affairs. This Board is a Board that reflects a broad range of skills. It reflects the composition of business, academia, law as required for the purposes of the Act, Sir, and I am pleased to commend it to the House.

The Members on the other side are not familiar with Mr. Wood. But, as I said, he is finishing a Phd. at Cambridge University in Monetary Economics and is a Lecturer at the University of the West Indies in Monetary Economics. The Member for St Philip South is very familiar with him. He has First Class Honours in Economics from the UWI and is a gentleman of tremendous ability who will contribute mightily to the institution.

Mr. Speaker, Sir, with those remarks, I beg to move that this Bill be now read a second time.

Hon. G. W. PAYNE: I beg to second that, Sir.

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

On the motion of Hon. O. S. ARTHUR, seconded by Hon. G. W. PAYNE, Mr. SPEAKER left the Chair and the House went into Committee on the Bill, Mr. W. C. C. CALLENDER in the Chair.

COMMITTEE

Mr. CHAIRMAN: The House is in Committee.

Clauses 1 to 3 inclusive were called and passed.

On the separate motions of Hon. O. S. ARTHUR, seconded by Hon. D. A. C. SIMMONS the Bill was read a third time and passed.

On the motion of Hon. O. S. ARTHUR, seconded by Hon. D. A. C. SIMMONS, Mr. CHAIRMAN reported the passing of one Bill in Committee to Mr. SPEAKER and Mr. SPEAKER resumed the Chair and reported accordingly.

On the separate motions of Hon. O. S. ARTHUR, seconded by Hon. D. A. C. SIMMONS, the Bill was read a third time and passed.

Mr. SPEAKER: Order No. 9.

A RESOLUTION TO APPROVE THE BORROWING BY
GOVERNMENT OF SUMS OF UP TO US\$40 000 000
FROM THE REGIONAL MARKET AND TO APPROVE
THE ESTABLISHMENT OF A SINKING FUND
TO REDEEM ISSUES OF SECURITIES
UNDER THE EXTERNAL LOAN ACT,
CAP. 94D, AND MONIES
NECESSARY TO MAINTAIN
AND SERVICE THE
SINKING FUND

Order No. 9 was called - To move the passing of a Resolution to approve the borrowing by Government of sums of up to US\$40 000 000 from the regional market and

to approve the establishment of a sinking fund to redeem issues of securities under the External Loans Act, Cap. 94D, and monies necessary to maintain and service the sinking fund.

Hon. O. S. ARTHUR: Mr. Speaker, Sir, during the course of this year's Estimates and presentation of the Financial Statement and Budgetary Proposals, I went to the extent of outlining what I term a Government's debt management strategy. That was to indicate that it was Government's intention to borrow an amount this fiscal year to assist in the implementation of Government's capital projects equivalent to the amount necessary to repay the principal of foreign loans.

Members will remember, Mr. Speaker, that, when the Estimates of Expenditure were introduced to Parliament, an amount of \$80.9 million was shown as foreign amortization and we showed, in keeping with our debt management strategy, that we intend this year to borrow \$80 million on the foreign commercial market. Consistent with our foreign debt management strategy, if pursued, that would stabilize the level of foreign debt. What we are therefore seeking to do is, effectively, to roll over the foreign debt repayment, that we would borrow an amount equivalent to what we would be paying. I believe, in the context of that overall policy, that we have outlined a policy in the Estimates and the Budget. This particular measure being brought to the House is fixed foursquare within the particular strategy, as outlined by Government, to borrow an equivalent amount. It is therefore going to stabilize the level of our foreign debt.

There are a number of matters pertaining to this loan that I want to speak on, very briefly. First of all, Sir, the loan, as the House is aware, is to be placed, on the market, by Citicorp Merchant Bank Limited of Trinidad and Tobago, and the foreign exchange is to be raised within this region. I have gone on record as saying that I very much want to see the formation of foreign exchange markets in the Caribbean. There is in my view, Sir, nothing that is more desirable. Last year I went to Boston and Hartford and other places to carry out the second part of a loan programme that had been entered into by the Democratic Labour Party and effectively what we were doing, Sir, is placing bonds in the market that people were getting 11% interest on when their option was to put their money in US Treasury Bonds and get 7% or 8%. 2.55 p.m.

It occurred to me, Sir, that we have to find some way of enabling persons in the Caribbean who have foreign exchange accounts to be able to be persons with whom Government bonds are placed. In the past a lot of our bonds have gone to institutions abroad who have benefitted from the fact that our bonds when placed in the

market have to carry an interest rate reflecting a premium over the relevant rates being charged on the paper issued by the Governments in those metropolitan countries.

In the Caribbean now, Sir, because of the prevalence of foreign exchange accounts there is a lot of foreign exchange and it behoves us in the region to look to the regional market to raise foreign exchange to help finance Government's operations.

Now, Sir, it means that a day may come when we in Barbados have to look as to how we will participate in this market. If you were to analyse this document - everybody in the House should be cognizant of this document - you will see, Sir, that the Government of Barbados has about \$352 million in securities. Effectively what we were doing, Sir, we were investing our money in United States Government Treasury Bills and helping to finance the United States Government, and in the same way as we are helping to finance the United States Government we have to help in due course to finance some of the activities of the states in the Caribbean. I am unrepentant in my commitment to help to push on the evolution of a foreign exchange market in the region. I am pleased to say to this House that this bond that is going to be placed through Singapore Merchant Banks Limited will be placed as a result of Citibank being the most competitive of two other major institutions who would have wished to place the bond in the market on Government's behalf.

The Central Bank, Sir, evaluated offers from Bankers Trust and Lazard Frères Limited as well as Rothschild and when we analysed the cost of borrowing, including non-interest charges, Sir, the maturity structure of the debt, this particular issue to be placed on our behalf by Citicorp, Sir, stood out as being the most competitive. I say that to establish that we are now in a position where the Government of Barbados is not just going to the market, we are inviting people who want to put bonds on our behalf in the market today and we are evaluating which of these is the most competitive. This bond to be placed by Citicorp is the most competitive. It is a bond, Sir, that is going to improve the maturity structure of our debt.

As you may recall, Sir, the last two bonds raised were 7-year bonds. We were interested in pushing out the maturity structure of the debt of Barbados to avoid the bunching of the repayment. This will be a ten-year bond. The premium above treasury is to be between 300 and 225 basic points as compared to the 400 basic points as was the case in the last debt placed through Bankers Trust. I think there is a 6-year grace period and all told, Mr. Speaker, this is a reasonably good yield on behalf of the Government of this country.

Sir, this House has to get accustomed to the fact that increasingly we will have to raise our funds for

development purposes on the international capital market, including the Caribbean as that international capital market. Barbados has now reached the stage where we have graduated from access to World Bank Loans. Those few in the pipe line will be last

Aside.

Hon. O. S. ARTHUR: Barbados has now graduated from access to World Bank loans, and not only on the Government side, for recently a World Bank Institution that lends to the private sector was very scathing in the fact that a loan was placed with the private sector of Barbados because it believes that our tourist industry is too mature even to borrow from that institution and that is part of what we are up against, Sir.

There was talk in some sections of the United States Treasury of Barbados also graduating from access to IDB loans and it is a matter that we have to deal with. The fact of the matter is that relative to other developing countries it is judged that we have reached such a level of economic maturity such that we should not have access to concessional financing.

Mr. Speaker, what that simply means therefore is that, with our access to loans from the multilateral institutions circumscribed, we would have to look more and more to borrowing on the international capital market and for that reason therefore, last year, Government as you know went to the market and got a rating on our bonds. Our bonds are now trading in the market like any other security and, as I said when last I spoke to the House, the bonds put in the market by the Government of Barbados were trading at a premium even at the height of the Mexican crises reflecting the fact that investors took a very favourable view of the credit rating of this country.

It simply means, Sir, that if we are going to have to depend upon the international capital market to borrow funds, two things would have to happen, Sir: we are going to have to be circumspect in maintaining sound financial fundamentals, because people will look at the foreign exchange position of the country, and at the country's capacity to pay both in relation to today and tomorrow. We have, therefore, to look at the maturity structure of the debt and manage that properly but equally, Mr. Speaker, and perhaps more to the point, if we are going to go to the capital markets to borrow these funds we have to be very circumspect in the uses to which they are put domestically. I think I have already said, Sir, the age of the highfalutin prestige projects are over. We cannot go and borrow expensive funds on the market and use them for trivial purposes. These funds, therefore, are best utilized in endeavours that address serious needs. The protection of our environment is one and the development of our

human resource capabilities to be able to cope with the requirements of a rapidly changing international service sector is another, Mr. Speaker. Activities that broaden the appeal of tourism also, help us to create a base for the evolution of a strong robust small business sector. Those things commend themselves but it means that we have to be very particular in the structuring of our capital programme.

I, Mr. Speaker, Sir, must also inform the House that as I said in the Budget presentation as well, Government is also exploring the possibility of refinancing part of our external debt and this is nothing unusual. When you borrow in circumstances where interest rates are high and you are facing a situation where interest rates are dropping it makes sense to replace a high interest debt with a low interest debt and the Government is pursuing that possibility with one of the entities that has expressed an interest in lending to Barbados.

Sir, this therefore, as I said, should not take the House by surprise. I was very specific in outlining a debt management strategy that will stabilise the foreign debt. If you borrow the same amount that you are repaying, Sir, you will be stabilising the debt. The Honourable Member for St. Michael South Central revels from his seat, Sir. He left a \$170 million in deposits, Sir, because he borrowed \$170 million in a short order and he borrowed \$170 million in 1986, Mr. Speaker. This Government is seeking now to borrow \$80 million. I heard him today in response to the Member for St. Michael West speaking about how he had left \$178 million. That is true but he had borrowed \$178 million as the House will recall, Sir. So it cannot now properly fall from his lips from a person who went to the market... 3.05 p.m

Dr. R. C. HAYNES: On a point of order, Mr. Speaker. I have not spoken yet, Sir.

Hon. O. S. ARTHUR: He wants to speak to commend the Government on the modesty.

Aside.

Hon. O. S. ARTHUR: That was part of last year's. This is this financial year and this is the first time that a Minister of Finance has ever come to this House in advance as part of a Budgetary presentation and says that my international foreign needs are going to be "X" this year, identifies the amount in the Estimates, set it out in the Estimates and come back to the House, Sir, and be exact as we are. This does not take the House by surprise, Mr. Speaker. It is totally, Mr. Speaker, Sir, in continence with our strategy, as I said, to stabilize the debt to minimize the cost of borrowing and to restructure the debt in such a way

as to improve the maturity structure and to avoid the bunching of repayments. In all the circumstances, Sir, I look forward to the enthusiastic support of the House for this particular measure. I am obliged to you, Sir.

Mr. SPEAKER: The Honourable Member for St. Michael South Central.

Dr. R. C. HAYNES: Mr. Speaker, it is most extraordinary how one even without speaking can force the Honourable Minister of Finance not only to be defensive but to be apologetic about coming to the House for \$80 million so early in this financial year on top of \$60 million which he just confessed he borrowed in Boston only five months ago. So I think he is doing quite well in terms of the amount of money that he is borrowing. However, Sir, I have no intention of being hypocritical of the Honourable Member on this occasion. But I understand why he was so apologetic because on my occasions when other Ministers of Finance have come to this House to borrow money for the same purposes, namely financing capital expenditure or re-financing debt and all this kind of thing, the Honourable Member has taken a very different position.

Hon. O. S. ARTHUR: Mr. Speaker, Sir, on a point of order. I made a statement early as shadow Minister of Finance that I will support the Government of Barbados in borrowing money for productive purposes. I have always stood on that point

Dr. R. C. HAYNES: Anyhow, Sir, having myself been a Minister of Finance in the past and having borrowed responsibly to finance Government's capital programmes and to help refinance Government debt and so on, one recognizes the critical importance of Government being able to access the market for foreign borrowing and you can rest assured that I am not fundamentally opposed to any Government indulging in foreign borrowing provided the amount is reasonable, provided the terms and conditions are reasonable and provided that it is indicated to this Honourable House that the money will be applied for an appropriate purpose.

Therefore, Sir, unlike the Honourable Member for St. Peter when he was in opposition on occasions he was most unreasonable about other people accessing foreign markets, I will not take that position today. One or two points I want to make, Sir, on the whole issue of Government borrowing by way of bond issues. I think that is a dimension which was introduced into Barbados' borrowing I believe in 1985.

Aside.

Dr. R. C. HAYNES: That is right. Barbados loves Trinidad. The first bullet loan that we had was in fact

the \$40 million bond issue in 1979 with a bullet loan repayable in September 1989. That was the first one, a \$40 million loan. We had to pay it at one time. But there is nothing wrong with a bullet loan. It is a bunch of foolishness when people walk around talking about bullet loans giving the public the impression out there that somebody is coming to collect the money with a gun in their hands. That is the kind of nonsense that goes on out there.

In other words, if you for example, Sir, were to take this loan...

Aside.

Dr. R. C. HAYNES:...And the last man who should be talking about a bullet loan is the Honourable Member for Christ Church South.

Aside.

Dr. R. C. HAYNES: I know that. He negotiated that loan for \$10 billion Yen who did not tell this House as this Honourable Minister of Finance has told the House in his Budget. You did not tell the House in your Budget. I was the person who informed the House in the Budget Reply of the \$10 billion Japanese loan in 1986. Anyhow, that is beside the point. But the point that I am making, Sir, is that we have this particular loan here. How is it structured? In 6 years you pay the interest only and in the last four years in semi-annual payments you pay back principal and interest. Why is it structured that way? I presume that the people who are responsible for the management of public debt would have looked at the debt profile of Government over the next 10 years and would have recognized that they do not wish to increase the repayments in the next 6 years, and would have recognized that they have lower repayments in those four years and would have slotted the repayment of principal and interest in those remaining four years. If that is done, then that is correct. Similarly, if a Resolution had come here today in 1995 and in the year 2005 Barbados had a low or virtually no debt repayments, I would have no problems if the interest rates were appropriate in the intervening period to repay the whole lot in 2005. And that is how the Central Bank would have arranged previous bullet loans, whether it would have been the past DLP Government entered into in 1979 or the ones they entered into in 1985 and 1986 which I subsequently signed in Japan. There is nothing wrong with it and the foolishness that goes out there to the public by people who do not understand these things, they would understand what a bullet loan is. Everybody has had bullet loans everyday.

Aside.

Dr. R. C. HAYNES: If I came to you and borrowed \$10 and told you that I am going to repay you \$10 at the

end of the month, that is a bullet loan. You pay all one time and that is all that means and nothing more. It is an ordinary thing. The point at which it is being repaid depends on the debt profile of the loan. Now what Members may not understand is that the Central Bank has the responsibility for the management of public debt, not the Minister. It is the Central Bank that goes into the market. It is the Central Bank that has a highly computerized system where they can sit down and project Government for the next 10 years. They can divide the debt up into institutional and non-institutional debt. They can divide it up into interest and capital repayments and they can tell you today that 9 years from now what will be the Government's debt profile in that year and if they are going to the market what kinds of loans they should be looking for. Today they can tell you what would be the Government's debt profile nine years from now, and if they are going to the market, what kinds of loans they should be looking for. I believe that as a result of this, this is the kind of debt repayment structure that we have here. I have no problem with that. I have no problem with supporting this loan on the basis of how it is being repaid, because I make the assumption that the Central Bank has looked at this matter and would have placed those payments in those years. 3.15 p.m.

The second point I wish to make, Sir. One of the things I was hoping to put in place during my short sojourn as Minister of Finance of this country was to look at the possibility of having a limited issue of U.S. denominated Treasury Bills in Barbados. Here we have to be very careful, Sir. Not only do you have Barbadians abroad, West Indians, who should be able to take part in those Treasury issues, but I would suggest that although we all understand that it is a very fundamental requirement of a successful offshore sector, that there should be isolation and non-contamination with the domestic financial environment because of the serious distortions and crises that might result from sudden movements of large sums of money, but I believe it is possible - and the Honourable Member for Christ Church West remembers these debates in here - that where you have a viable offshore sector there is a possibility that in a limited way you will be able to tap some of that money for short-term borrowing to a limited extent.

Very often money passes through Barbados, it goes back to the Euro dollar market, the United States or whatever, and then we are in the market next day, the Central Bank is in the market for short-term borrowings, the Government is in the market and you are probably borrowing money from the same pool of money that passed through Barbados. Therefore, it is something that needs to be thought about very carefully. I would suggest that it be done on a very limited basis, if at all, but it should be investigated, and most certainly the concept of a U.S.

dollar denominated Treasury Bill issue is something which we need to consider and it is something which I would have liked to have put in place myself nine years ago.

Aside.

Dr. R. C. HAYNES: They have done it since then.

One other point I would like to make is this. I suppose all Members are beginning to recognise the very rapid expansion of capital markets of Trinidad and Tobago. This is very significant. This is a signal to me that the dismantling of the foreign exchange controls in Trinidad and Tobago has given a tremendous fillip to the development of the capital markets of Trinidad and Tobago. I am not going to say anything more than that, and you are not going to force me to say anything other than that, nor are you going to put anything in my mouth. All I am advising the Honourable Minister of Finance to do is to take note of the rapid development and the expansion of the capital markets of Trinidad and Tobago subsequent to the dismantling of foreign exchange control. That is all I say.

Aside.

Dr. R. C. HAYNES: I hope when you get up to speak you will not again put words in my mouth that I did not say.

Asides.

Mr. SPEAKER: Let us continue orderly, please.

Dr. R. C. HAYNES: Now, Sir, one other point I want to make is the question of institutional loans. I am not overly disturbed, quite frankly, about the World Bank's position in relation to Barbados, and I will tell you why. One of the interesting things in Barbados is that if you look at the foreign debt profile of Barbados you will see that Barbados went through a period when probably 90% of Barbados' foreign debt was non-institutional, and this gradually crept up to about 50% and I think a little above 50% of our foreign debt is institutional foreign debt; institutional foreign debt has certain advantages, but it also has certain disadvantages in terms of the attempt by these people always to be trying to influence social and other policies in Barbados, and providing you can get the right terms out there in the commercial markets, provided the interest rates are right, provided your fiscal position at home is correct, I believe that Barbados can say goodbye to the World Bank and people who would want to come into this country and run Barbados.

There are advantages but there are significant disadvantages as well, as far as borrowing from these

institutions is concerned, and I would like to see our foreign debt profile revert to a situation where there is a diminishing amount of borrowing from international institutions and Barbados holding its own in the international financial markets. This is my conception of freedom in economic management, but it carries with it the need for serious responsibility in the management of our affairs.

I think it is reasonable to anticipate that over the next five to ten years it is unlikely that we will see again the very high interest rates regimes that existed in the late 70s and the 80s in relation to U.S. dollars. That being the case, I suspect that the Government might well be able to attract financing as favourable outside of international financial institutions as within the financial institutions by and large.

I think I have dealt with the question of bunching, bullet loans, institutional debt, but one final point about bond issues. I started to develop the point earlier that there is nothing wrong with bond issues, that the first one was put in place in 1979. I think the Honourable Minister of Finance made the point that our bonds in the market were being traded at a premium. When you have those bonds out there, you have to remember that the Barbados economy is constantly under scrutiny; and the worst thing that can happen to you happened to at least one other Caribbean country where there was a situation where the bonds were being discounted in the market and it created serious problems. That was Trinidad and Tobago. It created serious problems in the 80s for them to borrow money, despite all the oil and whatever they had. The fact is that the financial markets were responding to what they perceived in their markets as the value of the paper that they were holding on behalf of that country. 3.25 p.m.

So there is an added reason, apart from a domestic reason, as more and more of our paper, our debt instruments, are held by non-Barbadians on the international markets for continuous financial responsibility in the management of our affairs. Therefore, Sir, I will end as I started. It was very easy to get the Honourable Minister of Finance nervous, upset, defensive and aggressive at one stage because he thought that I was going to follow his bad example in opposition and do what he did. But no, Sir. I am taking a very... the Honourable Member for St. Thomas was the immediate cause of the lapse that you referred to.

Asides.

Mr. SPEAKER: Please continue orderly.

Dr. R. C. HAYNES: If I may wind up, Sir. I will not allow myself to be distracted, although my thoughts have been lost a bit by the confusion over there.

In other words, Sir, what I am saying is that I see no reason why we cannot support the Government in this step - the NDP. The Royal "we".

Before I take my seat, the final point I want to make is that it is important that whatever the fiscal deficit is that the financing of that deficit is sometimes more important than the size of the deficit. I make this point that I see this attempt to finance a significant proportion of the deficit by foreign borrowing as being appropriate.

Secondly, against the Resolution which we have just passed in this House he is locked into a situation now, Sir, where he cannot go to the Central Bank and I notice the advances were \$90 million at the end of May.

Asides.

Dr. R. C. HAYNES: Also I am going to warn him that we are not going to be over happy if he finds himself in a situation where he has to crowd out the very private sector on whom he is depending for job creation in Barbados. We will see how this balance is going to work out. It is early days yet in the financial year, but I think I speak for all responsible Members who will say that at this point in time we have no difficulty, bearing in mind the Estimates and the Budget, the commitment not to borrow more than 10% from the Central Bank and also the commitment to refinance part of Government's debt which is bearing a higher rate of interest and also the structuring of the debt in such a way that the heavier repayments fall in years when Government has a lower debt payment profile, if that is the case as I see it and the Honourable Member presents it, then we have no problems.

But, Sir, I reserve the right when he comes here for more foreign borrowing this year - not if, when he comes - to use all his words and my words. There is only one pool. We know the man who said that there was only one pool of foreign exchange in Barbados. There was an Honourable Member who once said that all this business of borrowing for capital projects, borrowing for refinancing, borrowing for this, that you never know when you have to trust it from the Minister because there is only one foreign exchange pool. Who used those words? Well, we will see as it unfolds, Sir.

Asides.

Dr. R. C. HAYNES: Sir, the Honourable Member has brought to my attention a Standing Order. I must inform the House who used those words. The Honourable Member for St. Peter used those words.

Sir, I take my seat and give the Government the assurance that I have no difficulty in supporting the Resolution. Thank you very much.

Mr. H. deB. FORDE: Mr. Speaker, let me say that the Honourable Member for St. Michael South Central obviously had to recognise the wisdom of the policy of refinancing debt in circumstances where you can have a lower interest rate and I am not surprised that he said there is evidence. Following on his own private initiative, I have learnt a few things from him, you have to refinance your debt and you obviously retire debt that you have borrowed at a higher interest rate and replace with debt at a lower interest rate. It is very good housekeeping. It is the best of debt management strategy and therefore we have to congratulate and agree with the Minister of Finance on acting in this way as he has.

I am pleased that we are using the pool of foreign exchange available regionally for the purpose of our capital borrowing. If we consider that among the governments of the Caribbean we do have substantial foreign exchange earnings which are held and used for the financing of other overseas governments and particularly the Government of the United States. Therefore, I believe the Government of Barbados must deliberately explore with the other Caribbean Governments and with our banking institutions and, in particular, our central banking institutions, ways in which without undermining our various foreign exchange ratings and positions we can borrow from each other's pools from time to time in order to sustain our debt profile.

I have heard *sotto voce* someone say it is not original. The pity is that although it is not original it has not been acted on and therefore I am a person of implementation not merely a person of conception. Therefore, I would wish to see a Government like ours which has begun to implement in this area. It is very important to implement this kind of strategy. 3.35 p.m.

Now, whilst I have to congratulate the Trinidad financial sector for having moved ahead in developing their capital markets, I regret very much that we have been very slow here in Barbados in developing the capital markets in our own country. The range of instruments available for people who are investing, even whether we are investing locally or are investing foreign exchange, the range of instruments and some of the difficulties placed before us by virtue of our legislative and other difficulties has inhibited the development of a proper capital market in Barbados.

I would hope that the Government, particularly now we are talking to the Organisation of Eastern Caribbean States - I think it is easier for us to do it in conjunction with them - will move rather rapidly to developing the capital markets in the Eastern Caribbean. We do have some problems, problems that in a way Trinidad no longer has.

The Honourable Member for St Michael South Central was quite right to say that we must take note, he says, of the fact that Trinidad with the dismantling of the foreign exchange regime, has had an expansion of the Trinidad capital markets. That is only one side of the picture. One of the reasons, and probably one of the principal reasons why recently both Trinidad and Tobago and Jamaica have been able to develop their capital markets to such a pace is because they have dismantled their foreign exchange regime. But at the same time, the corollary of this is that there has been a floating dollar and that therefore, to a considerable extent, there has been a devaluation of their dollar, and its value in the market. People must get this in their heads. I think the Honourable Member knows that but he is only going to give half of the picture in this House. I will always try to give the whole picture so that the public can understand.

Dr. R. C. HAYNES: Mr. Speaker, on a point of order. For the benefit of all Members present, I never mentioned the words "floating dollar" or a "devaluation", never at any time.

Mr. H. deB. FORDE: Sir, I did not expect the Honourable Member to mention it because the Honourable Member does not want to give the full story, or chose not to give the full story. I believe that when I am dealing with the public up front we must say to the public that if they take step A, it can have consequence B and C. One of the consequences of the expansion of the capital markets in Trinidad and Tobago and Jamaica by dismantling their foreign exchange regime has been as well the consequence of a dollar that floats rather rapidly.

Aside.

Mr. H. deB. FORDE: Devaluation came in Jamaica before that but Trinidad's capital markets have really only grown in relation to the devaluation that has taken place there and the floating of the dollar.

One of the matters the Honourable Member mentioned before was when Trinidad earlier, without a devaluation, floated a bond in foreign exchange. It could afford to do it then because its reserves were very high. It is when the oil reserves and the oil market fell that people lost confidence in the Trinidad bond and the people who took that bond were West Indians themselves, including institutional investors here in Barbados who had enough confidence in their own region and recognised that there were operations in those regions that they went in and bought the bonds at a discount. But we have benefited and managed to recover in those circumstances what other institutional investors overseas who had no commitment to the region would have lost.

I think the Honourable Member knows that, so there is scope for us to develop here in Barbados a capital market but we have to do it in the context of Barbados retaining a fixed parity to the U.S. dollar. That is one of the reasons why in dealing with the East Caribbean Central Bank and looking at the overall picture we have to put in place measures that would allow us to develop capital markets without undermining the Barbados dollar in any regard.

I think the Honourable Member must agree that that is a much harder exercise than the exercise which has been done in Trinidad and Tobago and Jamaica. In fact, the Honourable Member would be aware of the fact that rapid developments of the capital markets in Jamaica have recently resulted in the quick fall of one of their banks. The Government last week had to go in with \$150 million by way of rescue and that has not been able to save* the position so the bank has collapsed. We have to be very careful when we do it and when we do it I believe the Government has both at the political and administrative level the expertise and knowledge that we can, in conjunction with the OECS, develop along those lines.

Sir, I support anything the Government is prepared to do along these lines. I hope the Honourable Member will not look at merely the politics of the position for this is very serious for us. We cannot develop in the Caribbean if we allow our resources to be used by others and then have to borrow back those very resources, sometimes at punitive rates of interest, for our own development.

We are producing now within the Caribbean enough people out of our University and elsewhere with knowledge of finances and capital markets, with knowledge of foreign exchange, with knowledge of how to use the instruments, how to develop new instruments to get our own strength in dealing with what people consider to be an esoteric area of banking whether it is local banking or cross-border banking, and financing.

Aside.

Mr. H. deB. FORDE: The Honourable Member pays me a higher compliment than I really deserve at this point.

Let me talk also of the institutional versus non-institutional loans. The Honourable Member makes the point that our debt profile, and I think he was referring to the time before we became fully independent - and most of our debt was non-institutional which meant that we came through the normal commercial market but then as we had a currency that was backed by sterling, non-institutional investors felt that in the last resort the British Government which had ultimate responsibility for our debt profile would not renege on any obligation. But we could not have done the development that has taken place here

in Barbados, or indeed in the balance of the Caribbean, without some reliance on concessional financing. Whenever we do developments in areas like our Port, our Airport, water resources, health resources, even the very environmental resources that we are talking about, we cannot always do this at commercial rates of borrowing and we are members of the club. We pay our way in the World Bank.

I remember being in this House and hearing the Rt. Honourable Errol Barrow state that the Secretary of State for the United States at the time offered to pay Barbados' entrance fee to the World Bank. He quite rightly, for the pride for which we Barbadians are known, told them that if he could not pay his fees in a club he would not join the club. So we have paid our fees to the World Bank. What is happening in the World Bank and other institutions is not really a mere reading of the fact that Barbados has a high per capital income. It is the deliberate policy being taken by particularly the developed European countries that their primary responsibility is not to these islands like ourselves, or even to Africa, unless they can make a fortune out of it but their primary responsibility is the development of Eastern Europe. The argument coming out of the United States is that Rumania, Ukraine, particularly where there might be a residue of nuclear arms and what's not, that they have to strengthen democracy in those countries, even Russia, and that they need to put their money there. They are not only putting their money there and withdrawing like US AID from this island and elsewhere in the Caribbean, but they are putting pressure because of the strength of the OECD countries and the G7 countries, using their political clout and putting pressure on the institutional clubs of which we are a member, to transfer their lending and concessionaires to Eastern Europe. 3.45 p.m.

I have no quarrel with wanting to develop Romania, Ukraine wherever it is if they have the needs, but not at the expense of the Caribbean. It should not be at the...

Aside.

Mr. H. deB. FORDE: We have to do something about it, Sir. We have to talk about it. You will get from the US State Department the view that that is not the policy of the Clinton Administration, but on the other hand, the people in the Treasury that have the clout have been within the corridors of the World Bank and within the IADB hopefully saying that the IADB must not now make concessionary loans to Barbados.

If you go and you talk to the State Department, you get a different feature. I believe that the Governments of the Caribbean must expose this hypocrisy. That is the first

thing they have to do. Secondly, we must stand up on principle and argue strongly, our position. And thirdly, we have to send a message to the United States people that we are very strong trading partners. They now probably sell Barbados something like in excess of 45% of all trade done with Barbados and the Caribbean. We are very strong trading partners. We are not begging them for anything. If they do not understand that message, Sir, Barbadian traders must look at the fact that there are other markets we could go to.

We have not heard the same thing from the European Union. We still have access to the European Investment Bank so we must put pressure upon joint pressure. We cannot do it singularly. I am appealing here particularly to our Trinidadian neighbours and, to some extent, to our Jamaican neighbours. It is a mistake to assume that you can negotiate, in this global context, your way into NAFTA or anything else or any relationship on a mere bilateral basis. We have, therefore, to convince our Caribbean partners and, in a wider sense, our Latin American and African partners that we have to stand together on this issue in order to defend our own self-interest within institutional borrowing.

I believe that Barbados has a case for continuing institutional borrowing for a long time. I think the Honourable Member would agree with me, Sir. Our economy is still minuscule. If you take the economy of Barbados and place it alongside the economy of New York which is not an independent state or place it alongside Rhode Island, place it alongside Newfoundland, you will see that our economy is a small economy. The same applies to our Caribbean neighbours. Small economies have their advantages but they also have severe disadvantages, particularly where terms of trade move rapidly, particularly where we are, in some instances, dependant on only one industry whether it is tourism, sugar or what not and, particularly where the world commodity markets do not give the stability which we will expect.

We have suffered badly from sugar, for instance. The sugar market plunged and the result was that we found ourselves in great difficulty. Cocoa in Grenada, the same problem there. Even worse, now, is the problem confronting our brothers in the Windward Islands in relation to bananas. When you look at the banana problem, they are up against the big United States investors who are not growing bananas in Florida or Texas, they are growing bananas in Mexico or Guatemala, using the foreign position and then using it against us here in the Caribbean.

I want the Barbadian public, the media to be sensitized to these issues because they are very vital issues and will make the difference as to whether these small islands survive and truly democratic countries being able

to provide a proper standard of living for the people of the Caribbean. They are very major issues now confronting us. A lot of the issues are economic, a lot of the issues are financial. I believe that we have the intellectual capacity to deal with them. But we also have to bring our peoples along with us and together, to raise their voices and we also have to bring the other countries along with us.

I am making a plea for the United States Government, not only to appear to us as though they are good neighbours, it is not enough to invite Barbadians to come to your July 4 celebration and hope they will walk around, feel merry and smile up in their Ambassador's face, as though you are getting somewhere. A lot of people would get fooled by that. We have to tell the United States bluntly that if we are supposed to be good friends of theirs, we expect a different approach from them in relation to this issue of whether Barbados is being graduated out or not. They must put their actions where their mouth is. That is how I speak to the United States.

I had to say to Japan, some years ago, and I think we have to tell them that and tell them that in clear terms, in the Caribbean and understand where we are. I am very consistent on this point. When I was Foreign Minister I made no bones about how I spoke to the United States or any of them, Sir, whether I was speaking about lease bases or elsewhere, I spoke the same way. If I have to raise my voice again, although I am here on the Backbench but if I have to raise my voice again, I will raise my voice very strongly in every international fora non-governmental and otherwise that I get access to, to talk about this type of attitude, Sir.

I want to make one final point to the Minister. I believe that we have a very large local pool of funds for investment purposes. They are held by some of our institutional investors, they are in pension funds and elsewhere. I have always considered it correct to allow some form of foreign investment of local funds. When we had the crisis of a few years ago, when the Democratic Labour Party, at the time, found it difficult to service foreign loans, it was admirable that those same institutional investors and pension fund managers and local business people voluntarily went to the Central Bank and said, "Look we have holding abroad X million dollars that are invested in bonds, equities and what not. We are prepared to borrow against them or to cash them in order to come back so that Barbados can continue to have its 100% rating." That is that. That foreign exchange is monitored by the Central Bank. They are not in the same position as people who can take it out in their suitcases. Theirs is monitored.

I am making a plea for the Central Bank to understand that when our foreign reserves are reasonable

and high, as they are now, they have to give permission to the institutional investors who are investing the pension funds of the workers of this country and they have to give permission to the National Insurance Fund, as well, to invest a certain reasonable proportion of those funds where we can maximize the yields and also have a cushion there, Sir. I do not believe it has gotten into the thinking of the Central Bank seriously.

Dr. R. C. HAYNES: Mr. Speaker, Sir, I thought that that matter was settled in 1986 or 1987. They are particularly in relation to insurance companies. They were allowed to invest abroad, lawfully, a proportion of their assets. That permission is still there, is it not? The permission is still there.

Mr. H. deB. FORDE: They allow them to take out about BD\$250 000 a year. That is ridiculous, Sir. 3.55 p.m.

Sir, let us take the National Insurance Funds. The National Insurance Funds are now the biggest holder of pension funds in Barbados. It is getting close to \$800 million. You cannot in those circumstances restrict the National Insurance to investing only in Barbados on short-term deposits in our own banks, treasury notes, treasury bills or indeed give us difficulty.

Asides.

Mr. H. deB. FORDE: Not this Minister, I am not talking about the Minister.

Mr. SPEAKER: Please, please, please.

Mr. H. deB. FORDE: or in investing only in on call money. If you have on call money at 5% and your foreign reserves allow you to go and buy a good bond or allow you to go and buy a good equity which you could monitor. When the Government wants it back, you bring it back because that is the way to go. I am only saying, Sir, that I hope the Central Bank will listen and will realise that as the National Insurance Funds and other pension funds grow they must be allowed to invest a further proportion of their investments outside.

My preference, Sir, is where I can get in a Caribbean country a US denominated bond then it is my preference to go there. Where I can get the same US denominated instruments, held by a Barbadian overseas, my preference is to go there because I believe they have more loyalty and more affinity with us here than elsewhere. So that is where we will go. Therefore I am asking that we use the conjoint thinking in the Central Bank, the Ministries of Finance and the Caribbean Development Bank to develop instruments that would allow us to go for five to ten year bonds,

reasonable medium-term instruments at reasonable rates of interest and well backed and pose no great risks to the foreign reserves on indeed to the funds that we are investing.

Sir, what I said about institutional investors should also be available for persons like my friend the Honourable Member for St. Michael South Central with his millions. It would be easy for him to invest at that rate as well.

Sir, I want therefore to support this Resolution and to say that the policy is right. The Minister has given us the interest rate in terms of the basis point and the spread. I think it probably would, for the benefit of the House, be easier for Members to understand whether we are going to fluctuate between 6 to whatever percent interest rates. The Treasury is now about 6%, so we know roughly where we are in relation to that.

Mr. SPEAKER: The Honourable Member has two minutes to conclude.

Mr. H. deB. FORDE: The last point I want to say, Sir, is that I want to express a regret that I expressed to the Minister before. We have gone through the Citibank Corp before to do a local flotation for the sugar industry. This happened before there was a change of Government. When I saw it advertised I thought that we were borrowing in US money. It was borrowing in local currency and it was a first class rate of interest. The rate of interest was about 10% and when you take into account the tax ...

Aside.

Mr. H. deB. FORDE: This was under the Democratic Labour Party. It started under them. So that none of that money, the National Insurance Funds would get an opportunity to invest because really they went out and went to certain investors. I believe that if we are floating that type of loan in the future, at that rate of interest, we will have to give piece to the workers of Barbados in order to increase the pool of funds available for pension in the future. I could not understand how the Government allowed that loan to be floating in the manner in which it was floated. Really it could have been floated here.

Aside.

Mr. H. deB. FORDE: The previous Government, let me say. It could have been floated here. That one could have been floated right here in Barbados and I believe our institutional investors could have dealt with that one.

Mr. SPEAKER: Please, let us do it orderly.

Mr. H. deB. FORDE: The Government of Barbados, under the DLP Administration at the time

Aside.

Mr. H. deB. FORDE: My understanding at the time was that I thought it was going to be raising foreign funds. There wasn't much debate on it. I am not here sharing political lashes. I am talking at a level just beyond partisan politics. I want to see that what is done, is done correctly. I want to see wherever possible where there is an advantage that that advantage is given to Barbados first.

Mr. SPEAKER: The Honourable Member, could you conclude, please? Your time has expired.

Mr. H. deB. FORDE: So I am asking that in future when that type of loan is being floated we be given the opportunity and I am glad to hear the Minister say that he will. I appeal to Caribbean and Barbadian investors, institutional or private who have US funds to take up part of these bonds because they are very sound bonds. They are also a strong investment and faith in ourselves and in our country. I believe that we must go for loyalty to ourselves first. Thank you very much, Sir.

Mr. SPEAKER: The Honourable Member for St. Lucy.

Mr. D. St. E. KELLMAN: Mr. Speaker, we will be supporting this Resolution also but I want to make a couple observations on these loans. Mr. Speaker, for years, since 1985 we have been seeing a particular emphasis being placed on interest rates whenever loans are borrowed and we do not put any emphasis on the currency the loan is being borrowed in. I want to warn this House that if you are going to be borrowing money, interest rates will not be the only factor that should be taken into account. There is something called foreign exchange gains and foreign exchange losses that you must place some emphasis on. I am going to give you an example, Sir. In 1990 a loan was raised on the English market for £30 million. We in Barbados got \$120 million at that point in time. If we did not repay one single cent of that loan and you were to pick up the phone now and call the Central Bank and ask them how much money is owed to the English lender they would tell you that we probably owe \$90 million or \$100 million without repaying one single cent. I am saying, Sir, that when people come to this House...

Aside.

Mr. D. St. E. KELLMAN: No, it is not a criticism, it is a praise. Let me explain, Mr. Speaker. Let me explain it again, Mr. Speaker. In 1990, the pound was over \$4 which meant that the \$30 million would have given us \$120 million or more. Today the pound is \$3.16 which means that it would have been \$94 800 000. Foreign exchange gains to the country would have been the difference

of \$120 million and the \$94 800 000 which would work out to about \$25 200 000. 4.05 p.m.

Sir, when you are borrowing money you have to look at the rate and you have to ask yourself whether the currency is going to increase, appreciate or whether it is going to fall. We found ourselves on many occasions borrowing money on the international market, especially the yen market, and I want to say there is nothing wrong with borrowing a bullet loan, but there is something wrong in borrowing a loan when there is evidence that the economy of the country that you are borrowing from is growing and the strength of the currency is increasing all the time.

What it means, Sir, is that when you come to repay the loan, instead of having to pay a constant amount, you have to pay an increased amount. What we had in the 80s...

Aside.

Mr. D. St. E. KELLMAN: I am very happy to hear you use the word "hedging". I want to congratulate the present Governor of the Central Bank for introducing "hedging", because if the previous Governors of the Central Bank had listened to me earlier they would have introduced that.

You see, Mr. Speaker, we cannot talk about borrowing money and only speak about interest rates. There are other things that affect the loans. We have to be very careful and this Resolution is rather interesting because if you look at Item 4 and then you compare 9, you can understand where the Prime Minister was coming from. That is why he can afford to talk about keeping the rate at 10% because he is not going to get the money from the Central Bank but he is going to borrow it overseas. Later on, he will probably introduce something which would give him some more revenue.

Sir, I do not know whether 17.5 is the right figure or whether 10 but we are dealing with \$40 million to help the finances of the Government. US\$40 million is \$80 million and this has something to do with 10% of the borrowing from the Central Bank. The Honourable Member for St. Peter would know that. So don't let them mislead you, Sir.

You see, Sir, all I would like to say on this matter is that when we borrow loans I want to hear whether we made a foreign exchange gain or whether we made a foreign exchange loss and I want to know the quantum. I do not want to hear about interest rates. If you are borrowing on the U.S. market, I don't want to hear anything about your foreign exchange gains or losses

because the dollar is tied to the U.S. dollar, so there will be no foreign exchange gains or losses.

When you are borrowing on the English market, the European market or the Japanese market, I want to hear about the foreign exchange gains and losses and when you tell me about the foreign exchange gains or losses then I can tell you whether it is a good loan or not. Thank you.

Hon. Sir Harold St. JOHN: I just want to add a few words to the debate, because I feel that it is important that these matters are debated because it contributes to public understanding of finance.

The terms of the loan in this case, as I understand it, is somewhere between 350 basis points and 385 basis points and that is roughly 3%. A basis point is... 350 basis points is 3.5%, 380 is 3.8% above the U.S. Treasury 7-year bond and that interest rate, according to my latest information, is somewhere in the vicinity of 6%. In effect, the effective rate of interest would be 9.5 or 9.8. The terms of the loan, as I understand it - a ten-year loan with a 6-year grace period.

What we have not heard is fees. It is very important that we know in these matters that a fee is charged by the underwriter and this is in essence what this company is doing for the Central Bank of Barbados. They have agreed to place the loan. In the event of their not being able to get people to buy the bonds, they themselves will have to find the money and for that they charge a fee. It is interesting also to note that Barbados is in such a financial state that there have been other people who are interested and are competing to provide this loan so that we see that here is* Barbados people who provide financial services are aware of the fact that this is one of the countries from which fees can be earned and which is a relatively good risk.

I look forward to the day when there are joint venture arrangements in Barbados between foreign merchant banks and local merchant banks so that we don't have to go too far to find institutions that would provide these services.

Statements that have emanated from the Honourable Member for St. Michael South Central with respect to an interrelationship between the abolition of exchange control and the rise of capital markets in Trinidad and Tobago was a statement which was incomplete and I am very glad that the Honourable Member for Christ Church West was able to draw to the attention of Honourable Members that the Honourable Member for St. Michael South Central did not tell the whole story with respect to the growth in Trinidad and Tobago of capital markets.

Although it is partly true to say that the abolition of exchange control in Trinidad and Tobago coincided

with the rise in capital markets, the true picture is that it also coincided with devaluation of the Trinidad dollar.

If we are going to discuss these matters, we have to discuss them with all of the ramifications of any particular policy. The elections are over. It is important that the public of Barbados, as I have repeatedly said, be educated to understand that if you free your foreign exchange controls that you open yourself to the possibility that if you wish to be able to guarantee a free market you may have to allow your dollar to float. That is the position. You have to allow your dollar to float. Now all of us as I understand it at the present moment are committed to a tied dollar at a particular parity. But at the same time we are also interested in developing a freer foreign exchange regime and already the Government has taken some steps in conjunction with the Central Bank to free up the foreign exchange market. 4.15 p.m.

In my opinion, further steps can be taken without imperiling or threatening the parity of our dollar, particularly in relation to inward investment. Now if a man wants to invest in your country, why should you tell him that he has to go through a very rigid bureaucracy in order to place his investment in your country? I would have thought that you should welcome him particularly in those areas of the economy where that investment will lead to the further enhancement of the foreign exchange earning capacity in your country.

For many, many years the pattern and policy of development in these areas has been the encouragement of joint ventures and the encouragement of foreign investment. Now we still have a regime in these countries and in Barbados particularly in which complaints are made about the bureaucracy involved in getting permission to invest in your country.

The other area in respect of this loan that is of interest to me, Sir, is the fact that the loan is being raised within the Caribbean area. It is obviously in the opinion of the merchant bank involved a pool of capital within the Caribbean that is looking for an investment in a U.S. denominated bond and people are wondering and inquiring about the capital market that has developed in Trinidad. There are lots of reasons for the development of the capital market in Trinidad. The Trinidad economy is an oil/gas driven economy and one of the things about such an economy is that the currency of that economy is the U. S. dollar, or it is denominated internationally by reference to a pricing mechanism which is in the U.S. dollar. So it is gas. If you have an economy based on that, your foreign exchange exports will automatically be denominated in the U.S. dollar and Trinidad is very fortunate in that respect. Recently, we had a dissertation from a very distinguished member of the hierarchy in Trinidad at the Executive level

in which he was pointing out the massive investments that are taking place in the gas industry and in the oil industry in Trinidad and Tobago. It is inevitable then that inward investment in Trinidad and Tobago will be in the U.S. dollar and obviously for the services that are provided there by the local community they will be earning U.S. dollars. So they wish to invest in the same currency. Now our economy is different. We do earn quite a bit of foreign exchange too. But our foreign exchange is earned out of the tourist industry. The economy of Barbados is nothing of the scale of the economy of Trinidad and Tobago. But what I am hopeful will develop is that we will be talking about a capital market within the context of a single economy within the CARICOM area. That is what we should be looking for a regime which will be established and which will provide for genuine competition between the various merchant banks. I would like to see the development of more of these institutions as a result of joint ventures and partnerships.

Now I heard the Honourable Member for St. Michael South Central also spoke about insulating the financial institutions between the offshore sector and the local sector, and that he is all in favour according to him of no contamination between the two sectors. While that is a desirable objective, it should be pointed out that our experience now is that if we do not allow some points of contact between the two sectors it may well mean that we will not have developed institutions in Barbados in which our locals could participate if services in this area cannot be provided by locally owned and registered institutions. Already our citizens cannot be owners of more than 10 per cent of international business companies. We have to make sure that our foreign exchange regime is such that if our locals wish to be able to have joint ventures with people abroad they can get the requisite foreign exchange permission to borrow and repay.

So that I think that we are reaching the stage where we have to review the points of contact which can take place between our offshore financial institutions and our local financial institutions. The time for a review is now. After all, we have had this offshore regime since 1979. We are now in 1995.

Aside.

Hon. Sir HAROLD St. JOHN: The Honourable Members on the other side like to say 1965. It is true that they had the laws on the statute book for 1965 but no impetus, no significant development took place until the amendment to the law in 1977 which allowed the offshore institutions to procure services from local institutions. That illustrates the point made. There was a point of contact and, when the law was amended, I was the Minister who amended the law so I am familiar with it. When the law was amended to allow the offshore international business

companies to procure services from Barbados, a whole new area developed. So that we need to do the same thing for the financial institutions to see that they can be increasing point of contact without detriment to the foreign reserves of Barbados.

So that, Sir, I am glad to see that all Honourable Members are supporting the idea that it is a good thing for us in Barbados to review our foreign debt and to take every step that is necessary to ensure that we improve the terms of the burden that we have to place in paying interest and in repaying principal. I have over the course of time been an advocate of the computerization of the foreign debt profile. I am very glad to see that programmes are in place where one knows fully the extent of the foreign debt, its maturity and its repayment programme over a whole period of time. That goes to improve the management 4.25 p.m.

Sir, I can easily give support to this Bill. I hope that with the next issue the terms and conditions will even be more favourable because I believe Barbados should get a loan now, not under 350 basis points, but around 300 basis points above the relevant U.S. Treasury.

Hon. O. S. ARTHUR: Mr. Speaker, I rise to wind up the debate. I would begin by thanking all those who have contributed to this most constructive discussion. Two matters which have engaged the attention of the House have allowed us better to focus Government's macro-economic policy and the policy for the management of the economy as a whole. Members are, I think, of one mind, that it makes sense that our export sectors are not performing as strongly as we would wish. This has baffled the Opposition. It therefore means that rather than running the kind of fiscal deficit we would ordinarily wish to run, we have tempered the fiscal deficit so as not to put pressure on the balance of payments. I acknowledge that as the starting point. The export sectors are not performing as strongly as we would wish and, in such circumstances, it would be foolish to have a larger rather than a smaller deficit. Therefore this year Government plans to have a smaller deficit than it would wish to have under ordinary circumstances because the exchange must be there.

We, also, in that context want, therefore, to reduce dependence on the Central Bank and commensurate with that to increase foreign borrowing, but on condition that we improve the maturity structure of the debt. That essentially is Government's macro-economic strategy. It makes sense. I am pleased that all Members of the House agree that, given what we have to work with, it makes sense. Obviously Government's macro-economic policy will be adjusted as circumstances change. If the export sectors were to become far more robust and we had heavy streams of foreign exchange earnings, we might want to run a

bigger capital programme, and a large deficit, but that is a judgment to be called depending on the circumstances as they arise.

The Opposition seemed to have been baffled that I did not go fully to 2.5% of the GDP as it was said as an optimal deficit. That is the optimum. We will work depending upon the extent of the foreign exchange reserves of the country. This is the year where we do not feel that we should go to a 2.5% deficit because we think that might put a little pressure on the reserves. I hope that answers all the criticisms the Opposition has from time to time raised.

Mr. Speaker, a number of very specific points were raised. I believe we should, in presenting these matters to the House, give full disclosure. It is a fact that I have already told the House what the maturity structure of the loan is and what is the interest rate. It is true that at the time the loan was contemplated, given the 7-year U.S. Treasury Bill rate, the loan would have been at an interest rate of between 9.2% and 9.47%.

In relation to the fees, Sir, one of the factors which determined why we decided to go with Citicorp was because the fees associated with the loan from Citibank were lower than the fees from any other source. If I may give the House the facts, the fees that would be charged by Citibank for placing this bond and managing the bond would, I think, be in the vicinity of \$530 000 whereas in the case of Bankers Trust it would cost us about \$650 000 to place the same bond in the market. In relation to Lazard Freres they were asking 2% as a commission plus legal fees and other closing charges so the Citibank proposal was the least expensive in terms of fees from the point of view of the Government

Mr. Speaker, a number of very interesting points were raised in relation to the development of our capital market and the comparisons with Trinidad. A lot of speculation was entered into about exchange rates and exchange controls. The truth is, Sir, that the development of a capital market depends upon surpluses to recycle. Where there are large surpluses capital markets thrive. For example, there has been a whole capital market that has been developed to recycle the oil surpluses of the Arab countries. In our case, there are not a lot of surpluses yet in Barbados to recycle. Those that we know of, Sir, are the profits of the main corporations, the savings of the ordinary household, the NIS, a few pension funds but Barbados does not, at this stage, in my judgement, have a critical mass of financial surpluses to sustain a well developed capital market. That is why it is so important for us to look to the development of a capital market in a regional context, hence the edge and premium that the Government has put on entering an economic cooperation agreement with the OECS countries.

Trinidad has oil surpluses to recycle, and accompanying that it is placing a bond, for example, on behalf of a large company in Trinidad which can make a large surplus that it can then recycle. Jamaica has sought to develop a capital market by engineering what I think is one of the largest surpluses in support of the financial sector of any country by the wrong instrument. The financial sector in Jamaica earns 30% and 50% interest rates. In Jamaica there is now going on a massive transfer of wealth to the financial system which it is recycling. I do not at all propose that we should have to raise interest rates in Barbados, 50% and 40%, for the financial sector to accumulate surpluses, so we would not be able to go the Jamaican way.

Sir, in the case of Jamaica their interest rate policy and the transfer of wealth to the financial sector has helped them to develop a capital market. Trinidad is recycling oil surpluses and surpluses from its heavy industry but we have pensions funds basically, insurance funds, NIS funds, the funds of about 18 public sector corporations and the savings of households. When you accommodate the needs of the housing sector and commercial banks, there is not a lot of surplus yet in Barbados to form a critical mass for us to have merchant banks evolving, secondary mortgage markets and the like. We will come to that some day. I think that we will have to work very closely with other countries, particularly in the Eastern Caribbean, and with Trinidad, to develop our capital market. It is something that the Government is giving very serious consideration to.

I must announce to the House formally that we will be looking to formalise and sign the Economic Cooperation Agreement between Barbados and the Organisation of Eastern Caribbean States in early August in Montserrat to allow us to get on with the business.

Aside.

Hon. O. S. ARTHUR: When you read the Cooperation Agreement we are looking to fusing our financial sectors in Barbados with those of the OECS with a view to our being able to get on with the business of capital development in a serious way.

Now, Sir, the question of our relationship to institutional lenders was raised. I take the point the Honourable Member for St Michael South Central put on the table, that we have to be careful how we handle borrowings from institutions like the World Bank and others. I say that for a very precise reason. Countries like Guyana and Jamaica now find themselves in a quandary that they have been able to refinance and reschedule their debt placed on the private market but the rules do not allow institutions such as the World Bank, IADB and the IMF to reschedule their debt. Those countries that came to

depend heavily on the World Bank and the IADB for loans now find themselves caught in a debt trap with those institutions where year by year they have to use increasing proportions of their foreign exchange earnings to service the debt while they do not have the capacity to reschedule them. It is an issue that is engaging all Caribbean countries in their relationships with multilateral institutions.

I also take the point about the conditionalities as a serious deterrent. We saw it in relation to the World Bank Human Resource Project where they wanted the Government of Barbados to accept the charging of fees at the level of the Polytechnic and the Community College to access loans to conduct training in this country. I feel Governments must say "No" to loans where the conditionality is too onerous. We had, in fact, as one of our first actions of Government to restructure the conditionalities of that loan.

Generally speaking, Sir, this has been a fairly constructive debate. Members now understand better Government's macro-economic policy. A Government's macro-economic policy cannot be set in concrete, however. It has to fit the parameters of the economy as it evolves. We, as I said, have to be careful.

Aside.

4.35 p.m.

We, as I said, have at all stages to be careful as to where we set the deficit in relation to our best estimate of the available foreign exchange earnings. If the tourism industry were far more robust, perhaps it would have gone two different ways. But it behoves us, at this stage, to be careful not to put pressure on the Central Bank to finance the deficit, Sir, not to incur short-term foreign debt with high interest rates that lead to bunching and therefore, Mr. Chairman, we have gone for a lower deficit, modest Central Bank financing, longer commercial borrowing, better maturity structure, lower rates of interest.

I will close by telling the House that it is quite possible that we may come back to Parliament later in the year for a loan to do the re-financing. This is not about re-financing. In the Budget Debate I said that the Government was going to borrow - never before has a statement been that clear - an amount equal to ... On page 21 of a document called Financial Statement and Budgetary Proposals I said this:

"Our debt management strategy for this year will be to borrow on the foreign market loans equivalent to the amount of principal which we have to repay."

We have to repay \$80 million and now we are borrowing \$80 million.

In addition, Mr. Speaker, discussions have been initiated with a number of interested parties with a view to working out a re-financing package for the major commercial loans which are very costly to service. From April 25, I opened up Government's debt management strategy to the public by saying that we were going to borrow \$80 million in one instance and we were going to put in place a re-financing package. It makes sense. At least one loan raised by the Democratic Labour Party Government carries an interest rate that is onerous. We are carrying that interest now, Sir, and it is very expensive to service. It makes sense for us to raise a loan with a low rate of interest and take that off the books. Government is, even now, involved in very intense negotiations with financial institutions for the purpose of raising a loan to take that high interest loan off the books. I am not saying in a critical sense. You raise loans sometimes when the interest rates are against you. It makes sense, when interest rates drop, to go back to the market and put re-financing arrangements in place.

I hope that, since I have been so open with Parliament and have put this on the Table so squarely in advance that when I come back to Parliament with a proposal to re-finance...

Aside.

Hon. O. S. ARTHUR:...because I will raise the loan. It is the same loan that the Member for St. Lucy praised because the interest was 13%. If you could get 9% money, who wants to carry a 13% loan when the interest is killing us year by year?

The fact is that there will be a re-financing proposal put to Parliament. It makes sense. It will save the country millions of dollars over the period of the loan and I will be urging Parliament to engage in a discussion of that proposal in the same constructive spirit as it has engaged it in this particular matter.

It is on all of those grounds therefore, Sir, that I have the greatest pleasure in moving that this Resolution do now pass.

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

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

Mr. SPEAKER: Order No. 1. COMPANIES

(AMENDMENT) BILL, 1995

Order No. 1 was called — To move the Second Reading of the Companies (Amendment) Bill, 1995.

Hon. D. A. C. SIMMONS: Mr. Speaker, Sir, some months ago I indicated to the House that Government was concerned that, for many years, there has been tremendous dissatisfaction with the functioning of the Corporate Affairs Registry. This dissatisfaction was widespread. It permeated the legal professions and the accountancy professions and it had the consequence of turning away, from Barbados, a lot of investors and it also had the consequence of creating much ill-feeling between the various professions and the Registrar of Corporate Affairs. The source of the dissatisfaction and disquiet was located, principally, in regard to the applications for registration of company names, as simple a matter as an application for the name of a company.

In and out of Government, I have been aware of several instances where persons applied for names in the usual way and submitted the 3 names that you must submit and none was found acceptable. They were rejected. Applicants went back 2 and 3 times with new sets of names and they were rejected. Ultimately when names were approved, you would see, from a casual look in your telephone directory you were coming to a position where a number of companies were formed largely with the use of letters of the Alphabet, AB&C Company Ltd. and so on.

There had, therefore, to be a fundamental problem that was giving rise to this disquiet and dissatisfaction. The Corporate Affairs Registry alleged that its hands were tied by the language of the Companies Act and the language of the Regulations made under the Companies Act. But it seems that nothing was done for years to rectify the problem. Just let me give you an example. The Registrar would allege that, under Section 417 of the Act, it is provided that:

"The Registrar may refuse to accept articles of incorporation or continuation for a company or to register articles amending the name of a company if

(a) the name is not distinctive because

(i) it is too general;

(ii) it is descriptive only of the quality, function or other characteristic of the goods or services in which the company deals or intends to deal; or

(iii) primarily it is not a geographic name used alone,"

There was also paragraph (e) of Section 417 which gave a wide discretion to the Registrar to say if the name were:

"...in the opinion of the Registrar, for any reason, objectionable."

I would said, Mr. Speaker, I could not find that any effort had been made to grapple with that problem which was running business from Barbados. In other parts of the world, you can go and virtually buy a company off a shelf. Send in a name and you get it back within 2, 3 days and that is that. In the Caribbean, in the British Virgin Islands, companies are incorporated with the greatest possible speed not only because they are computerised but because there is a desire to be business friendly, because there is flexibility and because there is generosity in the use of discretion that is vested in the Registration Department. Sadly those qualities do not reside in Barbados and so we have to amend the legislation to remove some of that wide discretion and I hope that after today the message would have got through that the Government of Barbados, however constituted is desirous of the greatest flexibility in this area such as would promote business activity. 4.45 p.m.

Sir, we brought an amending Bill. I first gave instructions about this matter on the 11th of January this year and we brought an amending Bill which was a very short piece of legislation but I subsequently withdrew that and what appears before you today is a Bill which deals with the problem of registration of names as well as a Bill which provides a new Division C (1) to the Companies Act and I have a duty to explain to Honourable Members how that has come about. When the first amendment was before the House the Honourable Member for Christ Church West, on the 10th March 1995, wrote to the Minister responsible for Companies and copied to me a letter pointing out that for many years, going back to 1988, April, the late Mr. Joey Armstrong of Cottle Catford and Company had raised with Government the need to revise the Companies Act to permit companies which were incorporated by Statute prior to the new Companies Act of 1982 to be continued under the Companies Act 1982 and there was a whole list. I will give some examples, Sir, the Light and Power, the Barbados Mutual Life Assurance Society, the Barbados Fire Insurance Company, Codrington High School for Girls, Horticultural Society, the Leeward Islands Congress of Seventh Day Adventists, Pilgrim Holiness Church, the Cricket Association, Y.M.P.C., Barbados Fire Insurance Company, the Barbados Poultry Association, the YWCA, the Church of God, the Junior Chamber of Commerce, and even, Sir, West Indies Hospital Sweepstakes Funds. Those kinds of companies which were incorporated by Statute but no provision was made in the new Act of 1982.

I wish to compliment the Honourable Member for Christ Church West for drawing the need for these provisions to the attention of Government and also for himself having a go at drafting the new Division C (1) because he did submit to us a draft which was based on the English Act of 1985. So we have now married the amendments that will provide for statutory companies to be continued, if they choose. We have left an option.

I am being encouraged to give the advantages and disadvantages. I would not wish to make that kind of speech today because we have about 7 matters that he hope to deal with today. There are many advantages of forming a company and there are many advantages of being continued because all other companies prior to 1985 which were established as companies were required to be continued, to file articles of continuance. These companies were not so required and therefore have not sought to be continued under the Act. Mr. Armstrong felt that it was a lacuna which needed to be closed. We have not made it compulsory. We have used the word "may" in the legislation to give them the choice if they want to but there are advantages about being able to institute actions and prosecute claims in your own name. If you are not continued under the Act, I think I am right in saying that you cannot maintain an action in the courts. You would probably have to go and get it done *ex post facto*, but there is a provision ...

Aside.

Hon. D. A. C. SIMMONS: They might not be able to maintain an action. I was waiting for them to attempt to bring a case because the Act does say that if you are not continued, I think it also says you may not be able to defend also.

The Honourable Member for St Philip South and I appeared in a case together took that point in relation to a Puerto Rican company which was involved in pharmaceutical distribution in Barbados.

Aside.

Hon. D. A. C. SIMMONS: We have also taken the opportunity to amend section 10 of the existing Companies Act, Cap. 308 to allow a company which may have registered in a language or been incorporated in a language other than English to be incorporated in Barbados in the foreign language provided there is a proper notarial certified translation of the name. The reason for that is that it has been found that there are a number of companies and the more we get into offshore business and so on there a number of companies that may incorporate outside of Barbados with a name that is written in a language like French or Spanish or something like that and they want to re-incorporate in Barbados and we are trying to simplify the procedure to say that all they have to do is give us a notarial certified transcription and that would be acceptable.

In respect of the statutory company, Sir, clauses 355(1) to 355(10) deal with these statutory companies, Sir, and the language is very straightforward in my submission. It is regulatory and I do not think that we will have any difficulty with these. Now I wish to go on to say, Sir,

that all of these amendments have been sent to the Registrar of Corporate Affairs for her consideration and observation, and the Registrar has told us that she is satisfied with the amendments* She understands the purpose for which the law is being amended. 4.55 p.m.

The amendments as to the change of name were sent to members of the accountancy profession and the legal profession and we got very favourable comments from the professions. So there has been consultation and indeed the consultative process plus the need to add Division C (1) have been responsible for the IMe delay in bringing this matter before the House.

Now, Mr. Speaker, I also wish Honourable Members to be assured and particularly the lawyers on both sides that at the same time that we have purported to amend the substantive Act, I have the draft Regulations because we are taking the opportunity to have the Companies Regulations amendments to harmonize with the amendments in the statute itself. As soon as the Bill passes the Senate and receives the assent of Her Excellency, the Regulations are ready to be made by the relevant Minister the next day. So really there is no reason why these amendments should not become operative next month, allowing for the Senate and the period for assent.

In regards to the amendment of the Regulations* we studied with great care the legislation of our competitors as Bahamas, BVI in particular, Sir, and we even looked at Belize and Cayman Islands. What has been reproduced as the new Companies (Amendment) Regulations is a synthesis of the best of those jurisdictions from which we have distilled general principles and included them in the Regulations.

I made mention, Mr. Speaker, of Section 417 of the existing Act/Clause 5 of the Bill completely abolishes, removes and repeals Section 417(a) so that the Registrar in the future cannot be heard to say that a name is not distinctly because it is too general. That is gone and that part that gave the wide discretion Section 417(e) which said that if it was in the opinion of the Registrar for any reason objectionable, I felt that could admit to arbitrary exercise of discretion. We removed that too. So that there is now a limited compass within which the Registrar of Corporate Affairs will have to function.

Mr. Speaker, with those brief remarks, that really is the background to the Bill and I hope that Honourable Members will be satisfied that a genuine attempt has been made by the amendment to allow for the more speedy registration of companies in Barbados. If the present circumstances persist, then it is not the fault of the

legislation or the fault of the Attorney General for that matter^ and we will have to address the matter differently.

I therefore beg to move, Mr. Speaker, that this BUI be now read a second time.

Mr. SPEAKER: The question is that this Bill be now read a second time...

Mr. H. deB. FORDE: Mr. Speaker, Sir, I just wish to speak for a very limited time on this Bill and to make a couple of points. I am pleased about the assurance given by the Honourable Attorney General in relation to the improved functioning of the Corporate Registry and the speed at which names will be approved. Having regard to the changes being made to this Bill at a recent occasion to examine a similar section as we have in existing legislation in the Canada Business Corporations Act, Ontario Companies Act and Alberta Companies Act and I examined them in detail in order to look at the way in which the legislation has been interpreted in Canada. Obviously, I think that there is a certain rigidity taken by the relevant authority here in Barbados which is not manifested in the decisions which have come before the Canadian Courts and they have challenged that very rigidity. For instance, you may get two companies bearing similar names and there is an almost rigidity here in rejecting them even where one is a holding company and the other is a subsidiary or an affiliate and they have consented. The ruling in Canada is quite clear that in those circumstances you allow them. I do hope that the Corporate Registry will bring a more understanding approach to these matters, Obviously; the Registrar has to take the wider public interest into account. But I think the public interest is being interpreted in such a manner that there is no guidance from the decisions of legislation similar to that that we have put on our Statute Book. 5.05 p.m.

Having said that, let me say to the Attorney General that the Barbados Companies legislation still remains many light years ahead of the legislation in some of the Caribbean jurisdictions. Of course^ the Caribbean Justice Improvement Project has done a draft bill, modelled on the Barbados Act, which has now been circulated in the Eastern Caribbean States and in the Western Caribbean States, and I believe that at least two of those states have already enacted the relevant legislation.

I was assured only a couple of weeks ago by the former Mr. Justice Renwick who is doing the law reform project for the OECS that all of the OECS countries would be passing that legislation and it is likely that we would have harmonised the Companies law of the Caribbean within, I hope, another year or two. This is very vital if we are to have a growing capital market of which we spoke earlier in the House developing in the region.

At the same time, I am conscious of the fact that the Attorney General's Chambers or at least the Ministry with responsibility for companies along with the Attorney General Chambers have been working on other amendments to the Companies Act. I have seen at least one amendment still being discussed among interested parties for comments. So I expect that the Attorney General will no doubt be coming back to this House again this year or early next year with further amendments.

What I would like to suggest to him is that the professions most intimately concerned should be asked to *look* at some of the other developments that have occurred in the Canadian and American thinking of companies acts and use the opportunity of the Law Reform Committee for us to do an even more general update so that we would be ahead of what is happening in the financial and corporate world who need this type of structure to do business.

I hope that we will use that opportunity. I have myself taken on the task of writing to one or two people knowledgeable in corporate affairs to suggest to them that perhaps we should develop some of the amendments and pass them on to the Law Reform Committee or to the Attorney General.

I also wish in relation to those amendments dealing with statutory companies to thank the Attorney General for bringing these amendments. Many years ago, the late Joseph Coleridge Armstrong, who is now deceased, an outstanding corporate lawyer, wrote to the Bar Association and suggested that we should amend the Companies Act to provide the various statutory companies an opportunity to incorporate under the Companies Act. There are various reasons for this, Mr. Speaker, Sir.

Prior to the enactment of our companies legislation, joint stock companies were incorporated by act of Parliament, so you had companies such as the Barbados Fire and General and the Barbados Mutual which have their own legislation. Even after we had a Companies Act there are some institutions that came for statutory incorporation like the Barbados Cricket Association. Those companies can now come under the Companies Act and the companies limited by shares, companies with a no-share capital structure, companies that are non-profit companies without necessarily going under the Charities Act only because the legislation allows that, what was formerly known as companies limited by guarantees. Therefore, if we had such a model Companies Act that allowed this scope for the type of instruments which people need, then it would be good for us to make it available to statutory companies.

Mr. Armstrong wrote many years ago to the Bar Association and I must say that nothing happened. The Bar

never responded and never did any draft or anything of the sort, but late last year Cottle Catford took up the matter on behalf of one of their clients and wrote to me and I did essay a draft which has been much improved by the Attorney General's Chambers. To that extent, I want it to be known because I don't want to hear anybody say afterwards I have not declared an interest.

I think the Honourable Attorney General spoke on the matter and complimented me, but I also have a duty to say to that extent I have tendered advice to Cottle Catford on the matter. I want to thank therefore the Attorney General for the speed with which himself and the Chief Parliamentary Counsel reacted to get this legislation on the Statute Book.

It would help companies that want to amalgamate to joint venture. For instance, I don't want to talk about things before they happen, but I am aware of some of the statutory corporations of that nature which are interested at present at amalgamating for better efficiency with other countries.

Hopefully, one of these days we will see some of the Government's statutory commercial corporations, although I notice that they are probably exempted by virtue of the new section 355.1(b), but a small amendment would allow those government commercial statutory corporations that want to privatise to be able to do so. The past Administration mentioned a number of those corporations which they were going to allow to move into a private structure and that could not have done it readily without some form of capital structure and without possibly being subject to the Companies Act.

I do hope that these amendments which are necessary will make our Companies Act much more attractive to the investing public and to investors in general. I also must agree with the Honourable Attorney General that the provision dealing with foreign language names is necessary. The only question I must ask - I am not clear from the amendment as to whether in addition to stating their name in Latin formation and in the English language they would also have to give a notarial certified translation of their bylaws because they may be doing business with other persons and we do allow companies to change their domicile at the moment. So they are changing domicile, but I would think that the public might want at some stage to know that those very companies do have an English translation of their bylaws. It may be a company incorporated in China. They are now allowed incorporation of companies. They have a new commercial act in China. It may be a company incorporated in Russia. Their bylaws may be in Russian or may be in Chinese.

I believe that if they are in Spanish or in French or even German we would not have too much problem here in the Caribbean, but we may have some difficulty with some of the other languages and maybe the Minister can look again and consult with the profession, particularly those who practise in the offshore sector as to whether or not we should not ask for bylaws, at least within a certain framework, to be also filed in the local English language. I do not believe that this would pose any great-difficulty to the companies or that it would act as a disincentive. We have to be conscious of the fact that already in the offshore sector litigation has started. Some of it does not originate here, but there has been fall out among shareholders in the offshore sector, and we are picking up the effects of the litigation in our judicial system. Since they are domiciled here usually Barbados is now proving to be a jurisdiction to settle contentious disputes between shareholders and others involved in the offshore sector. I anticipate that this will increase. Increasingly our court system will be involved in the manner in which the offshore sector functions, not merely our corporate sections of the regulation but the judicial system. In fact, we have to keep ahead in this regard and strengthen the judicial arm, as well as the corporate arm, if we are to do well in the financial services and offshore sector. 5.15 p.m.

I am pleased that the Minister is therefore responding. I want to give my support to the provisions of this Bill and ask that the interest to the extent that I have indicated be also noted.

Hon. D. A. C. SIMMONS: Mr. Speaker, if no one else wishes to contribute, I just wish to thank the Honourable Member for Christ Church West for his comments and to let him know that I was making a note on the file about the question of the translation of bye-laws. It may be that we might be able to do something in the actual Regulations as they are being amended. The Chief Parliamentary Counsel is away. He will be back next week and I will refer the matter to him.

In fact, I have also received some submissions from the Registrar about other amendments. I wish to make a general appeal to the legal and accountancy profession that if there are areas of the Companies Act which after 10 years have now revealed themselves as in need of amendment that in so far as we have a functioning Law Reform Committee, I should be obliged if they would draw these areas of deficiency to the attention of the Law Reform Committee with a view to our doing a set of amendments for the future.

Mr. Speaker, I also wish to say that what we are doing today, even though it appears to be a very simple

amendment, it is important if we are to maintain our competitive edge in the offshore financial services sector, certainly in the Caribbean. In that regard, Honourable Members will see that we circulated today a copy of the Bill on International Trusts. I would be grateful if all Honourable Members would read it - it is comparatively short - with a view to our debating it next week. We would like to get that through before the House goes on recess some time in the summer because the market is asking for it. By the time they have the next set of offshore conferences and so on, we would wish to be in a position to let the international market know that Barbados does have legislation providing for international trusts.

I should also mention to Honourable Members that I am hoping also to have in Members' possession with a view to debate before the recess, a new Shipping Corporations Bill to provide for the registration of ships. There is a considerable amount of interest being developed in that area. We have over 50 registrations at the Registry in London and there are a lot more that are out there ready to come as soon as we get the legislation fully in place.

In addition to that, there are tremendous employment opportunities to be generated in that sector. All of that depends on having the new Shipping Corporations Bill before the House. We have worked feverishly on it I was speaking to London this morning to the gentleman who is heading up this and the Chief Parliamentary Counsel. There is one area we have to make some amendments to but we should be in a position to have that Bill in the hands of Honourable Members by the next weekend. That is a fairly thick one but I will give Members a reasonable time to study it.

The Bar has already studied it so it has come back from the Bar. They had a special analysis done of the Bill by the Honourable Member for Christ Church South. We have taken his concerns into consideration and made certain amendments to that Bill so it is virtually ready and in accordance with what the profession will accept.

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

Hon. O. S. ARTHUR: I beg to second that.

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

On the motion of Hon. D. A. C. SIMMONS, seconded by Hon. Miss B. A. MILLER, Mr. SPEAKER left the Chair and the House went into Committee on the Bill, Mr. W. C. C. CALLENDER in the Chair.

COMMITTEE

Mr. CHAIRMAN: This House is now in Committee.

Clauses 1-3 inclusive were called and passed.

Clause 4 was called.

Hon. D. A. C. SIMMONS: I beg to move that Clause 4 stand part, Sir, but in so doing I wish to draw attention to page 5, top of the page, line 1. It says:-

"in effect, under this Act as though the had been lawfully done under this Act."

The word "the" is a typographical error. It should be "they".

"Where a statutory company applies for reincorporation pursuant to section 355.2

- (a) all corporate instruments of the statutory company; and
- (b) all cancellations, suspensions, proceedings, acts, registrations and things,

lawfully done under or pursuant to any provision of the incorporating Act are presumed to have been lawfully done under this Act, and continue in effect under this Act as though they had been lawfully done under this Act."

Subject to that amendment, Sir, I beg to move that Clause 4 stand part.

Hon. G. W. PAYNE: I beg to second that.

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

Clause 5 was called and passed.
5.25 p.m.

On the motion of Hon. D. A. C. SIMMONS, seconded by Hon. Miss B. A. MILLER, Mr. CHAIRMAN reported to His Honour the SPEAKER, the passing of one Bill in Committee. Mr. SPEAKER resumed the Chair and reported accordingly.

On the separate motions of Hon. D.A.C. SIMMONS, seconded by Hon. Miss B. A. MILLER, the Bill was read a third time and passed.

Mr. SPEAKER: Order No. 12.

Order No. 12 was called - To move that the House resolve itself into Committee of Supply to consider the grant of sums of money for the service of Barbados.

On the motion of Hon. O. S. ARTHUR, seconded by Hon. D. A. C. SIMMONS, Mr. SPEAKER left the Chair and the House went into Committee of Supply, Mr. W. C. C. CALLENDER in the Chair.

COMMITTEE OF SUPPLY

Mr. CHAIRMAN: This House is now in Committee of Supply.

SUPPLEMENTARY ESTIMATES NO. 3

HEAD 19 - AS AMENDED - MINISTRY OF FINANCE AND ECONOMIC AFFAIRS

Order No. 12 was called - To move the passing of a Resolution to grant the additional sum of \$1 249 525 from the Consolidated Fund to supplement the Estimates 1995-96 as shown in Supplementary Estimates No. 3 of 1995-96.

Hon. O. S. ARTHUR: Mr. Chairman, Sir, you will recall that, in December of 1994, Parliament approved a Resolution whereby the Government of Barbados agreed to guarantee the issue of \$42.6 million in corporate bonds by the Barbados Agricultural Management Company which had been placed, on its behalf, by Citibank of Trinidad and Tobago. This \$42.6 million is to be drawn in 3 installments, the first of which was drawn down in the amount of \$20.6 million in December of 1994. Under the financing arrangement that had been agreed to as far back as June 1994, it was agreed that all funds drawn down under this loan arrangement would be repayable in equal installments in June of each year with the final repayment being made in June of 1994. Effectively therefore, Sir, we have to pay back a \$20.6 million bond issue in 4 installments beginning in June 1995. The amount inclusive of interest that is necessary to redeem the bond is \$6.12 million each June.

Mr. Chairman, in the Estimates of Expenditure, provision was made under Head 190101 for \$3 million to assist the Barbados Agricultural Management Company to meet these debts as they fall due. An additional amount of \$1 249 525 is now required to service this particular matter in full.

The amount provided by the Ministry of Finance has already been disbursed to the BAMC and the BAMC has already met the interest out of its own resources. But unless Government were to provide additional funds to the BAMC to meet the balance of the bond redemption, then the financial position of the BAMC would be put in serious jeopardy.

The House is therefore being invited to agree that an additional \$1 249 525 be added to the \$5 million already granted to the Barbados Agricultural Management Corporation to enable it to service, in full, the drawdown of \$20 million, the first repayment of the \$20.6 million bond issue that it received in December 1994. Government is in a position to accommodate this supplementary without putting its financial position at risk. You would recall that, earlier in this financial year, Sir, I said that we would not easily accede to supplementaries.

The facts are, however, that Government's revenue for the first quarter of the year has exceeded projection. We had projected current revenue of \$247 million for the first quarter of the year. Our revenue in every item has exceeded projections despite what the Leader of the Opposition said about bad forecasting and we took in \$253.4 million. Whereas we had projected expenditure of \$354 million for the first quarter of the year, we spent only \$280 million. This was as a result of a very tight line being held on purchase of goods and services and transfers to institutions as well as a rather slow rate of expenditure on capital projects. So that Government's total spending for the first quarter was about \$70 million less than we had anticipated. In such circumstances, Sir, Government's deficit for the first quarter was, including the payment of debt, about \$26 million, as compared to the \$100 million we thought we might have to deal with.

Government is therefore in a position to accommodate this request for supplementary without putting Government's financial position in any jeopardy.

I am commending this Resolution to the House against that background. I must, however, before I go on to Item 6. 1. 2. speak about the tremendous flow of resources that is going to the sugar industry, through the Treasury. I have already - dealing with this matter - spoken in terms of the last restructuring. This is the last restructuring of the sugar industry of Barbados. It is a tremendous cost to the Treasury. We are here now repaying bonds issued in favour of BAMC. The BAMC has drawn down \$6 million to help restructure the industry. We are taking \$6 million from the Treasury to repay that bond. We have also put in the Estimates of Expenditure monies to help the independent growers cover the losses arising from the drought.

We have also put, in the Estimates of Expenditure, monies to help them with the replanting. I believe that came to as much as \$5 million and, in addition, through the Barbados Agricultural Credit Trust, we are having to service the bond issue of Treasury Bills that was deposited at the BNB when the agricultural loan portfolio of the BNB was transferred to the Agricultural Credit Trust. The House will recall that I said then that even that was an

arrangement that put the BNB at some risk because they are only getting 4% on the bonds when they are having to borrow at 7%.

The point I am making is that the cost, right now, the cost of rehabilitating the sugar industry and meeting the debt obligations of the industry is a considerable charge on the Treasury. It is running now in excess of \$10 million and could be as much as \$15 million in a financial year. I believe that the public should feel that this commitment of public funds will yield an industry that is viable, that is reformed, that can produce at cost, that allows it to be able to meet premium market prices while meeting a return to investors. 5.35 p.m.

As I understand it the exercise on which the industry is embarked through Booker Tate and BAMC is designed to deal with this particular matter but so much, Sir, in terms of funds has been expended on this matter and so much has been expended, as you would be aware, Sir, through the Barbados Agricultural Development Marketing Corporation that the public has a right to ask us to pause to enquire whether we are getting value for money.

I believe it is a fact that, between 1982 and 1992 about \$32 million in public funds were pumped into the Barbados Agricultural Development Corporation together with \$22 million in funds that had to be put by Government to cover its debt to the BNB. So that is about \$50 million in the BADC. Countless millions also went into the sugar industry directly through price supports and when it is all added together, Mr. Speaker, over the course of the last decade a very substantial part of the national surplus and I use that remark, in the same sense too, Sir, the real and large part of the national surplus has gone into trying to save and salvage the sugar industry. A day will come when the industry is going to have to show the results of the restructuring. We will continue, Sir, to look at our obligations.

The implication of what I am saying, Sir, is that last December following a decision in June, the House guaranteed the borrowing of \$42 million from Citibank by the BAMC. The first drawdown of \$20.6 million has been made and we are paying back. An \$18 million drawdown was to take place in September of 1995 and that repayment is going to start in June 1996. So, in June 1996, Sir, we are going to have to find \$11.35 million to service those two drawdowns. Then the third drawdown of \$3.4 million which should take place in 1996. So in June 1997, Sir, we are going to have to find in one month \$13 million to service the bond that was raised on the market by Citibank to assist Booker Tate and the Barbados Agricultural Management Company to undertake the restructuring of the sugar industry. That is not to

take account, Sir, of the interest on the bond. It is a substantial commitment and one therefore, Sir, has to make sure that all feasible arrangements are put in place to have this money properly spent.

Now, Mr. Chairman, a matter that is still outstanding but will soon be resolved is the matter of the future of Bulkeley. As part of the overall arrangements for this loan and in particular in order to secure... If I may back up, Sir, the \$40 million which was raised through Citibank for the Barbados Agricultural Management Company is part of a \$60 million loan that has been raised to rehabilitate the industry. The next \$20 million was raised by the Government of Barbados and the Barbados Agricultural Management Company from the Caribbean Development Bank. A condition attached to the loan from the Caribbean Development Bank was the condition that we should have an industry of 65 000 tonnes but utilizing two factories on the understanding that capital investments would have been made at Portvale to escalate the capacity of Portvale but that the two factories would be Portvale and Andrews. That was a condition agreed to by the Democratic Labour Party administration as a condition for this loan.

It was understood, Sir, as part of the conditions for that loan that Bulkeley would be closed at the end of the 1995 sugar crop. The end of the 1995 sugar crop has come and Government has asked for an evaluation of all of the options in the matter. We have received advice from the company. We have also and will tomorrow be seeking advice from other industry groups but a firm decision has to be taken one way or the other. I thought I would bring that matter to the attention of the House because this is a matter in which there are obviously no easy solutions and we will be in a position to accommodate this particular loan. I hope the output of the industry and prices in the market are such that the total servicing of this bond does not have to fall to the Government as is the case at present.

At present Government has to service this bond fully because the Agricultural Management Company is in no position to do so. We sincerely hope that the industry will reach the position where it can service this debt in much the same way that I hope that an arrangement can be put in place sooner rather than later for the assets, not vested in, but at the disposal of the Barbados Agricultural Credit Trust, that those assets can be so disposed of that we can be put in a position to look other than to the Treasury to service the \$200 million in bonds that have been deposited in the BNB as its holdings, in lieu of the agricultural loan portfolio of the sugar industry with the BNB.

Sir, I am asking the House to support this because it is covered by Government's guarantee. I am also asking the House to support an amendment to an item at Object 612 under Head 19, Program 13 - Economic Affairs,

where, in addition to using the funds for postage, dues, supplies and associated office supplies we are making provision for training as well. With those remarks, Sir, I beg to move that this Head stand part.

Mr. D. St E. KELLMAN: Mr. Chairman, I am very happy that we are back at this debate once more. I remember in December when this was first brought to the House of Assembly I said at the point in time that the 3-year time limit was a bit too short and that it would have created problems for B AMC to finance this loan. I thought at the time that the amount they were required to repay would have been too high. I remember asking at that point in time if we were going to increase the price of local sugar or whether we were going to finance these repayments from the Treasury. It is clear to me, after hearing the Prime Minister today, that the Treasury will have to repay these loans for the Barbados Agricultural Management Company.

On the issue of Bulkeley sometimes it is regrettable that when decisions are made that long-term planning is not involved in the decision making of certain companies. I remember when Portvale was being built I kept asking the question, where is the sugar belt of Barbados. It was my opinion at the time, Sir, and I will repeat it. I was criticized and I was called a "D", I was called everything but the facts are here today, Sir. At the point in time I figured that the location of the new factory should have been in the St. George area and not in the St. James area. I said it then and I am saying it now, Sir. If Portvale Factory or whatever they want to call it was built where Bulkeley is now we would not have this problem. 5.45 p.m.

Aside.

Mr. D. St. E. KELLMAN: No, Portvale was not built in the time of the Democratic Labour Party. Portvale was built in 1982 and you remember the debate between the Prime Minister at that time and the director of the sugar industry who was also the Chairman of the National Bank. The Honourable Members for Christ Church West and South will tell you about that, Sir. I am saying, Sir, to all of us who are accustomed to the goings on of the industry were aware that Bulkeley Factory is located in what we will regard as the sugar belt. If there is a need for one factory in Barbados, anybody will tell you that that factory should be in the St. George area. People are talking about you can easily go to Andrews, but there are certain problems with Andrews. There are certain problems also with Portvale. At the time the suggestion was made to keep Haymans Factory in St. Peter open.

Aside.

Mr. D. St. E. KELLMAN: Not the Democratic Labour Party, Mr. Chairman. They went ahead and built Portvale Factory in St. James in the tourist belt. It should have been built in St. George and now you have a problem that you will be closing Bulkeley Factory. I am going to say this to you, Sir. If you check the history of the agricultural industry especially the sugar industry, whenever you close a factory you close sugar estates. The Honourable Members for Christ Church West and South will agree with me that whenever a factory is closed that sugar production goes down. Because the farmers will tell you that they are not sending their canes so far.

Aside.

Mr. D. St. E. KELLMAN: They do not have to pay for the transporting of their canes.

Aside.

Mr. D. St. E. KELLMAN: Who is swiping? You had better ask the Honourable Member.

Mr. CHAIRMAN: Please address the Chair.

Mr. D. St. E. KELLMAN: Mr. Chairman, the only way they do not have to pay the additional cost of transporting their canes is if they are supplying chopstick canes and that is what the Honourable Member is speaking about.

Hon. O. S. ARTHUR: On a point of order, Sir. The Member is in danger of misleading the House. Under the conditions entered into by the Democratic Labour Party Administration pertaining to the closure of Bulkeley, the understanding is that if Bulkeley was to be closed that the cost of transporting canes - the people would transport canes still to the Bulkeley site and the cost of transporting canes from Bulkeley to Andrews would be met by the Barbados Agricultural Management Company. That was the arrangement, Sir, entered into by the Democratic Labour Party Administration. I am shocked and ashamed that the Member who is a standing member of that party and shadow Minister of Agriculture, Sir, does not know what his own party entered into.

Mr. D. St. E. KELLMAN: But, Mr. Speaker, that is if. The key word is "if". So I do not want to hear in here that the Democratic Labour Party agreed to close Bulkeley. The Honourable Prime Minister just said "if", the key word and I am saying, Sir, that at Carrington they made accommodation for chopstick cane and I believe that the Prime Minister is also referring again to chopstick canes and not whole canes. I would like to know what is the provision made for whole canes, Sir.

Aside.

Mr. D. St. E. KELLMAN: We have not closed a factory, Sir. It is your mandate now, Sir.

Mr. Chairman, it is the mandate of the present Government. But anyhow, Sir, I would also like to find out what happened to the arrangement of the surplus from the imported sugar and, as we are aware, that surplus was supposed to help redeem bonds in the sugar industry and pay interest.

Mr. Chairman, I am saying to you that the sugar industry received money through the National Bank coming from the BMC at the time from the surplus sugar to pay for interest and to help redeem bonds. I want to know if this is what is happening still or if the BADMC is holding on to all of the money? I want to know if that is true. But I am saying, Sir, that if we want to see the sugar industry back to a level of 65 000 tonnes of sugar, Sir, we cannot afford to operate with two factories. We must find out* Sir. We cannot afford to operate with two factories. We must find out what we can do with Bulkeley and I know that I am on record in this House as saying that the previous owners before the BAMC made sure that they did not do the right things. They did not import the equipment to keep Bulkeley in good condition. I am saying that it was in error. I am saying that we might be put in a position today that we should not have been in and I warned this House since December last year to be careful that we do not find ourselves in a situation where the equipment is not reordered so that people will come and put an argument to us that we cannot do anything about Bulkeley because we have to spend too much money on Bulkeley.

I am saying, Mr. Speaker, that if we need the foreign exchange from the sugar industry that we must keep the 3 factories. If we close one instead of getting the 65 000 tonnes, we might find ourselves in a situation where we will not get the 65 000 tonnes. Because if we have a major breakdown at one of these factories, we are going to find ourselves scrambling. And, Mr. Speaker, I would not like to see it happen but I am saying these things in the interest of Barbados, Sir. Thank you.

Hon. O. S. ARTHUR: Mr. Chairman, Sir, sometime during the 1980's the Member for St Lucy used to be Financial Controller for the Barbados Sugar Industries Limited.

Mr. D. St. E. KELLMAN: Mr. Chairman, on a point of order. This is the second time, Sir, I have to correct the Honourable Prime Minister on this. I was never the Financial Controller of Barbados Sugar Industries Limited, Sir.

Hon. O. S. ARTHUR: Mr. Chairman, Sir, he used to be a person who was involved in the financial affairs of the industry, Sir. He was one of those who advised that Portvale should be maintained on an overdraft.

Mr. D. St. E. KELLMAN: The Honourable Prime Minister is misleading the House again, Sir. At that time, Sir, I objected against that.

Hon. O. S. ARTHUR: Mr. Chairman, Sir, he was so totally incompetent in his rendering financial advice that he had to be fired by the Barbados Sugar Industries Limited.

Mr. D. St. E. KELLMAN: On a point of order, Sir. I was never fired by the Barbados Sugar Industries. Mr. Chairman, the Honourable Prime Minister who I have a lot of respect for, Sir, is misleading the House again because I was never fired by the Barbados Sugar Industries Limited. The Barbados Sugar Industries Limited went into receivership in 1992 and I was still there.

Hon. O. S. ARTHUR: But, Mr. Chairman, Sir, he is no longer there and he was made to leave. Just like how the Barbados Sugar Industries Limited had to close down factories because of redundancy, Sir, they had to close down parts of their Accounting Department because they were making no contribution whatsoever to the development of the industry the Member for St. Lucy fell into that syndrome. 5.55 p.m.

Mr. D. St. E. KELLMAN: Mr. Chairman, again the Honourable Prime Minister is misleading the House. The records of Barbados Sugar Industry Limited in receivership, B AMC, would prove that if they had listened to my advice they would have saved millions of dollars.

Hon. O. S. ARTHUR: The Member for St. Lucy is thoroughly competent to speak about the industry. He himself is a casualty of the decision of the industry to shed dead weight. I really believe that we have to listen to him when he speaks, but in this matter he is so thoroughly wrong.

I want to establish again, and I must speak very deliberately, that the decision to close Bulkeley was entered into as part of the conditions for access to a loan from the Caribbean Development Bank. The \$20 million that was borrowed from the Caribbean Development Bank to finance the rehabilitation of the Barbados Sugar Industry had a condition to the effect that at the end of the 1995 crop Bulkeley had to be closed. That decision was not a Barbados Labour Party decision, it was a decision by the Democratic Labour Party, and I shall not now have the shadow spokesman for agriculture of the Democratic Labour Party seeking to make it appear as if it is

something that we came into office and have invented. It is something that we have come and found as a requirement for a loan.

Mr. D. St. E. KELLMAN: Mr. Speaker, the Honourable Prime Minister is misleading the House again. Earlier he said "if and now he is changing words saying it would have to.

Hon. O. S. ARTHUR: Sir, the Honourable Member is misunderstanding the point. I am also saying to the House that the Barbados Labour Party Government has asked for a review of the entire situation. We have asked for a review of the possibility of maintaining a three-factory industry, we have tried to evaluate the implications of making investments in Bulkeley, because there have been no investments in Bulkeley over the course of the last three years, and the reason why Bulkeley is run down is that the Democratic Labour Party Government knew that it had decided to close it down and there was no investment made in keeping the factory running by replacement of capital. That is a matter of fact

Mr. D. St. E. KELLMAN: Mr. Chairman, on a point of order again. Bulkeley was in a bad state since the 1980s. The truth of the matter is that Carrington was in a better state than Bulkeley.

Hon. O. S. ARTHUR: This is no point of order. Mr. Chairman, these points of order are points of nuisance. The real point is this, Sir, that we are now doing an analysis to see if it is possible to save Bulkeley in the face of the prior decision of the Democratic Labour Party that it had to be closed at the end of the 1995 crop as a condition for a CDB loan. That is the analysis we are doing and we will soon have the results.

The Member for St. Lucy raised the question of the proceeds from sugar. Again, Sir, there was a time when the difference between the price of local sugar and the price of sugar imported into Barbados was used to service the bonds of the sugar industry. The facts now are that the Democratic Labour Party amalgamated the BADC and the BMC and the proceeds from the sale of sugar, whether imported or locally grown - but in this case imported because we are now importing sugar - are no longer available for the servicing of sugar debt, they are now part and parcel of the revenues needed to operate the amalgamated B ADCMC. The point there being that when the BADC and the BMC were amalgamated it was the understanding that the profits realised from the monopoly enjoyed by the BMC in importing sugar, chicken wings and onions would be used to underwrite the operating loss of the Barbados Agricultural Development Corporation. The Member for St. Lucy knows that. That the nature of

the amalgamation of the two institutions has therefore pre-empted the use of any difference between the price of local sugar and imported sugar from being used to service the sugar bonds. That again, Mr. Chairman, was a DLP action.

The Member for St. Lucy was not in this House when the amalgamation of the B ADC and the BMC was brought to Parliament, but on that occasion I asked for a financing plan which has never been produced. That is why one of the first actions of this administration was to ask for a business plan, as you know, Sir, a financing plan for the institution, because the institution was set up on the shakiest of financial foundations. It can only function as an institution if the Corporation is allowed to import and enjoy a monopoly of the importation of sugar, onions, chicken wings and things of that character. No corporation in Barbados can long survive if the sole reason for its existence is to reap monopoly profits from the importation of onions, sugar and chicken wings. But that is our reality where that institution is concerned.

To answer the question raised by the shadow Minister of Agriculture on the Democratic Labour Party side is to tell him that his own administration so re-organised the affairs of the BMC/ADC into its amalgamation as the BADMC as to cause it to have to depend upon the difference between the local price for sugar and the imported price for sugar as the source of revenue and that revenue stream is no longer available for the servicing of sugar debt. As a result, therefore, it falls now squarely to the revenues of the BAMC or the Treasury to service any debts that arise as a result of the restructuring of the industry, because the profits from imported sugar are going to the BADMC. That is the problem and unless the sugar industry gets itself into such a state of buoyancy as to be able to meet its operating costs and to help carry some of this debt, it is going to fall to the Treasury. The Member for St. Lucy therefore does not have to come to this House to grandstand, he just simply has to search the records of his own administration. They have put the industry in a condition where it cannot look for any profits from imported sugar to help service the debt of the industry. That has already been pre-empted.

Where Bulkeley is concerned, as I said, Sir, it is a tough decision but it is something we have inherited. We are doing the analysis, we have taken advice from the company, we are taking advice from the industry specialists. Nobody likes to have to close a factory, but it is something that has been made - and I want to stress this point and stress it again - the closure of Bulkeley was made a condition by the Democratic Labour Party of its access to \$20 million from the Caribbean Development Bank for the restructuring of the Barbados Sugar Industry. That is the historical record and there is nothing that can be said from the other side that will change it. It is a very

shameful thing that they have agreed to do that as a condition with the institution and did not tell the public about it, but now the Member wants to come to this House and grandstand about the BLP mandate.

Mr. Chairman, we have to face the tough options we have been left with; we have to play the hand we have been dealt. Nobody likes to have to close any enterprise, but if you are tangled up in conditions for loans with multilateral institutions, very often you have to honour your obligations, and that is what is staring us down the barrel as we go about the business of trying to manage this country with the inheritance that has been left by the Democratic Labour Party. That is the reality. The servicing of this debt is not easy but it is what has been left to us and we will live up to our responsibility. 6.05 p.m.

The question that Head 19, as amended, stand part was put and resolved in the affirmative without division.

On the motion of Hon. O. S. ARTHUR seconded by Hon. D. A. C. SIMMONS, Mr. CHAIRMAN reported the passing of one Money Resolution in Committee of Supply and Mr. SPEAKER resumed the Chair and reported accordingly.

Mr. SPEAKER: Could we have some order please?

On separate motions of Hon. O. S. ARTHUR, seconded by Hon. D. A. C. SIMMONS the Resolution was read a first and second time and agreed to.

ORDER NO. 6 - FINAL APPROPRIATION BILL, 1995

Hon. O. S. ARTHUR: Mr. Speaker, the Financial Administration and Audit Act requires that the Minister responsible for Finance should, as soon as possible after the end of each financial year, introduce to the House of Assembly the Final Appropriation Bill containing any sums which have not been included in any Appropriation Bill.

Sir, during the course of the last fiscal year parliamentary approval was granted for some \$62.6 million to be paid out of the Consolidated Fund by way of supplementaries. Those specific supplementaries have already been discussed at length in this House. It is not customary that we would debate this matter again and therefore I beg to move that the Final Appropriation Bill 1994-95 be read a second time.

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

Dr. R. C. HAYNES: It is not customary for us to debate the Final Appropriation Bill and I do not propose

to do so now, except to note that this current Barbados Labour Party Administration appears to have departed from the practice that developed in the past when a previous Barbados Labour Party Administration did not pass a Final Appropriation Bill for 10 years.

Hon. O. S. ARTHUR: Mr. Chairman, Sir, I rise to wind up the debate and to thank the Member for St. Michael South Central for the third compliment he has paid this Administration for its efficiency in managing the financial affairs of the country. I beg to move that this Bill be read a second time.

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

On the motion of Hon. O. S. ARTHUR, seconded by Hon. D. A. C. SIMMONS, Mr. SPEAKER left the Chair and the House went into Committee on the Bill, Mr. W. C. C. CALLENDER in the Chair.

Clauses 1 - 4 were called and passed.

Hon. O. S. ARTHUR: Mr. Chairman, I beg to move that the Schedule be the Schedule to the Bill.

On the motion of Hon. O. S. ARTHUR, each seconded by Hon. D. A. C. SIMMONS, Mr. CHAIRMAN reported the passing of one Bill in Committee and Mr. SPEAKER resumed the Chair and reported accordingly.

On separate motions of Hon. O. S. ARTHUR seconded by Hon. D. A. C. SIMMONS, the Bill was read a third time and passed. 6.15 p.m.

ORDER NO. 8 - RESOLUTION TO APPROVE THE
VESTING IN THE ESTATE OF DUNLOP PAYNE,
DECEASED, AT TENT BAY, ST. JOSEPH
AS FULL AND FINAL COMPENSATION
FROM THE CROWN TO
THAT ESTATE

Hon. G. W. PAYNE: Mr. Speaker, I beg to move that this Resolution to vest 1 000 square metres of land at Bathsheba, St. Joseph in the estate of Dunlop Payne do pass.

In July, 1985 Government approved the acquisition of a number of properties at Tent Bay, St. Joseph, to enable it to proceed with the improvement of the fish landing site in that area. Included among those properties approved for acquisition for the parcel of land measuring 734 square metres was the property of Dunlop Payne. Five parcels of land, including the 734 square metres lot of Mr. Payne, acquired to facilitate the Tent Bay project, were vested in the Crown.

It was proposed then that to allow implementation of the project that Mr. Payne would be located to nearby lands owned by Government. This proposal gained acceptance by Mr. Payne. Accordingly his house was demolished and a new one was provided for him by the Crown on Crown lands which had been acquired earlier for the provision of a community centre. Mr. Payne, unfortunately, died before compensation was paid. It is now proposed to transfer the land on which the relocated house stands to his estate. The Chief Town Planner has approved the use of the 1 000 square metres portion of the subject parcel for residential purposes.

Parliamentary approval is hereby sought to vest 1 000 square metres of Government owned land at Bathsheba, St. Joseph, in the estate of Dunlop Payne in full and final settlement of compensation due from the Crown to the estate.

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

Mr. B. M. TAITT: Mr. Speaker, I am very happy to hear that the estate of Dunlop Payne will finally have settlement of this matter which has been ongoing for some considerable time. I am not rising to raise any matters related to that.

Since the original acquisition was for the Tent Bay Development, I just thought I should put in the record my concerns that the Minister of Finance, the Honourable Prime Minister, while recently expounding on an agreement for the development of the said Tent Bay with the European Union which has been described...

Aside.

Mr. B. M. TAITT: But it is related. Mr. Speaker, am I not permitted...

Mr. SPEAKER: You sound as if you are treading a little far though.

Mr. B. M. TAITT: The Honourable Member, while discussing the development of a related fishing development -1 just wanted to put in the record that I was disappointed, first of all that the organisation with which the agreement was signed was described in the Press, at least from the Government Information Service, as the European Economic Community and then, subsequently, that the Minister did not have the presence of mind to remember that it was the Democratic Labour Party that had negotiated this very advanced and committed principle.

Hon. O. S. ARTHUR: Mr. Speaker, lest the Honourable Member mislead the House, just to say for the record that the reallocation of funds for other

fishing districts in Barbados was done by the Democratic Labour Party in preference to allocating funds that had been voted for Speightstown and approved for Speightstown which, as it then was, the second biggest landing district in Barbados.

Mr. B. M. TAITT: But that the Honourable Member could not remember that the negotiations had been entered into by the Democratic Labour Party, was a source of disappointment to me.

Dr. R. C. HAYNES: Mr. Speaker, just to ask a very quick question. I do not know whether the Honourable Minister could tell us the status of the project at Tent Bay. My understanding of the situation was that millions of dollars were spent to put a whole lot of big rocks in the sea and to put a slip way at Tent Bay which the fishermen could not use, and then more money was spent to remove and relocate some of the big rocks from the sea. So you spent money putting big rocks in the sea. You spent money removing some of the big rocks from the sea. The slip way was hazardous to the fishermen and they cannot use it.

It has also created a hazard for the fishermen when they come in because of the very big rocks that you have put in the sea leaving only a very narrow channel for the fishermen to come in. The big rocks were brought from all over the island and dropped there to add to the ones that were there- Then on top of that, it is my understanding that for extended periods of the year the fishermen who used to fish all year, or most of the year around Tent Bay, now have to bring their boats to Bridgetown because of the dangers created by the so-called project at Tent Bay.

All I am asking, Sir, is what is the status of the project. Is it going to be completed and how much it has cost to date? I hope the Minister will be able to assist me.

Hon. Sir HAROLD St. JOHN: Mr. Speaker, I am very familiar with anything to do with fishing in Barbados. I well remember the plans the Government had between 1976 and 1986 to improve the physical conditions under which fishermen operated in Barbados.

The East Coast of Barbados was an integral part of the development of this massive fisheries plan, as was Oistins, Speightstown and the Bridgetown Fishing Harbour. It is regrettable that over the course of the eight years, between 1986 and 1994, the only thing of any significance that took place was a decision very early in 1986 to abandon the advanced state of development of Speightstown, and to continue the development of Tent Bay, and the neglect of Skeete's Bay and Consett Bay development.

As fate would have it, Sir, it now falls upon this Government to start back Speightstown, complete Consett

Bay and the area at Skeete's Bay and to rectify what has occurred at Tent Bay. 6.25 p.m.

Now, Sir, Tent Bay is an area of great difficulty, there is a tremendous amount of local objection to anything going on at Tent Bay by a variety of people, not all of whom are fishermen. Some are hoteliers. I well remember that under great difficulty and great strain the canalization of the area underneath the hotel by Atlantis Hotel took place and the slip way was started. This area that was acquired from the Estate of Dunlop Payne, along with the area from a gentleman Zephirin's, all of that took place. The Honourable Member for St Michael South Central knows that area very well. I will not say the circumstances under which he knows it nor would I say the use to which he puts it.

But the position is, Sir, that arising out of what has taken place at Tent Bay, it is a fact of life that there has been, from the very beginning an argument between the consulting engineers and the fishermen. There has always been an argument from the very beginning between the consulting engineers and the fishermen.

Aside.

Hon. Sir HAROLD St. JOHN: The fishermen's arguments were based on their peculiar local knowledge and I have no doubt that the engineers' arguments were based upon their superior knowledge to devise the theory. That is fairly clear. But the basic position is that the fishermen refused to have any confidence in what was designed. That is the position.

But I would say this, Sir, arising out of that project, if one goes to Tent Bay, one will see that there has been a great improvement in the area which was formerly the Train Line which had a bridge. There has been a great improvement in the flow of water coming down the hill that used to damage all of the land around there by Atlantis. A bridge has been built. My memory is that a good concrete bridge was built A very attractive bridge designed by an architect who is no longer with us, Athelstone King. But the Government also acquired a very good area there which is, from my memory now that it has been developed together with the bridge that has been built that there was a good area where people can drive, take their car, there is a parking area underneath the hill, right at sea level, and it is a good promenade.

The late Dunlop Payne was a well-known politician. I believe he was a candidate for the Democratic Labour Party. It is a measure of the objectivity of this Party that, notwithstanding that, that this Resolution is brought here. They had 8 years. Again it fell upon us to deal with it, Sir.

Aside.

Hon. Sir HAROLD St. JOHN: That is what I mean. And you know the circumstances under which Dunlop Payne lived, in his last days. The Honourable Member knows them. When this land was being dealt with, there used to be pictures, every day, in the *Advocate* about Dunlop, how he lived and his plight. Notwithstanding that, the Government rebuilt a new house for him and gave him the land. I am very glad to see that it was done.

I am only looking forward to seeing the redevelopment of the Speightstown Fishing Terminal which is long, long overdue, and the one at Consett Bay and the one at Skeete's Bay. But the last point I am going to make, Sir, the Honourable Member, if he knew fishermen very well will know that what has happened in the fishing industry in Barbados is this, because of the attractiveness of the facilities that have been created in Bridgetown, fishermen from all over the island go to Bridgetown. That is a fact. They always left Skeete's Bay and Consett, although me ie from Skeete's Bay and Tent Bay than at Consett Bay, during the time of the rough seas and fish in the Harbour.

Aside.

Hon. Sir HAROLD St. JOHN: It is nothing to do with the big rocks. It is to do with the conditions of the channel.

Aside.

Hon. Sir HAROLD St. JOHN: The Honourable Member does not know that, Sir. The Honourable Member does not know the community of Skeete's Bay. I know the community of Skeete's Bay from the 1950s when we had co-operatives and they started the fishing co-operatives. They always came to town to fish. They liked town for a number of reasons too, Sir. As a matter of fact, some of them had families in the country and some in town. That was a well-known fact. It is not true to say the big rocks.

The fact that there has been local objection to the development of Tent Bay. That has always been there and it has always been there, not only from fishermen but from others in Tent Bay. The Honourable Member for St. Michael South Central knows, the conditions down there very well. When the Government put a traxcavator there to haul up the boats, there was objection from hoteliers and others there. That is a fact.

Aside.

Hon. Sir Harold B. St. JOHN: The Honourable Member says that is not true. The Honourable Member is an adviser up there, Sir. The Honourable Member is a big wig down there. He knows that very well.

I am pleased to say that there has been a great improvement in the relationship between those who wish to help the fishing industry and people in surrounding areas down there. I believe that the community is a much less divided community today than it was, but it may be that, with the passage of time, that with advancing years that tempers have cooled and especially now that it is known that the Government had no intention of taking away people's property down there, but enhancing it, Sir.

Aside.

Hon. Sir HAROLD St. JOHN: I know the Honourable Member knows down there well.

Mr. SPEAKER: The Honourable Member for St. Andrew, please.

Hon. G. W. PAYNE: Mr. Speaker, in the absence of the Minister of Agriculture and the explanation by the Honourable Member for Christ Church South, I think the question of the Member for St. Michael South Central has been fully answered.

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

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

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

Mr. SPEAKER: Order No. 10.

RESOLUTION TO APPROVE A LEASE OF LAND AT
ORANGE HILL, SAINT JAMES, TO THE
BARBADOS ASSOCIATION FOR THE
CORRECTION OF LEARNING
DISABILITIES FOR USE
AS A SCHOOL

Hon. G. W. PAYNE: Mr. Speaker, I beg to move this resolution to lease the former St. Silas Senior School at Orange Hill, St. James to the Barbados Association for the Correction of Learning Disabilities. Government proposes to lease this school to the said Association for a period of 15 years at a rental of \$100 per annum and subject to review every 5 years.

The premises comprise approximately 22 869 square feet of land with buildings thereon. The Barbados Association for the Correction of Learning Disabilities is a voluntary non-profit organization responsible for the management of the Learning Centre which is a school for approximately 82 children with learning disabilities. It started in 1977 by a single person, Mr. Richard Browne and, at that time, it had 3 students. Today it has grown, as I said, to 83 students and there is a long waiting list

of over 100. It is anticipated that when this structure is completely renovated that it will be able to accommodate at least 120 students.

The Committee has actually be seeking alternative premises for a considerable length of time and, in this respect, it is now seeking a long lease with Government to which it has agreed. All the students attending the Learning Centre are referred to the Centre by Psychologists. Its curriculum addresses the academic and physical activities for children between the ages of 4 years to 18 years in an environment where there are teachers specially trained to cater for children with learning disabilities.

The present location at Spooner's Hill has been the haven for much criminal activity. The premises have been broken into, on more than one occasion, a lot of the equipment has been stolen, some of the students have been sexually molested, both the male and female. As a matter of fact, someone is presently serving time in prison for raping one of the students. It is very important that they be moved to more secure premises. The move to Orange Hill will involve renovations to the tune of about \$400 000. In this respect we are pleased to say that this Government has doubled its contribution from \$75 000 to \$150 000 this year. The main contributors to the renovations have been the Arawak Cement Plant, the Barclays Bank to the tune of \$30 000, Simpsons Motors \$10 000, the Muslim Community \$7 500 and the Association has been able to raise about \$6 500 on its own. The Ministry of Finance has provided tax concessions. 6.35 p.m.

In terms of the programme and equipment the Canada Fund will be giving the Centre \$13 000 to assist with the ceramics programme. UNICEF and UNESCO are giving \$10 000 and \$5 000 respectively for equipment and the British High Commission will be giving a further \$5 000.

In terms of training the National Children's Home, a UK Association for Children has provided \$5 000 to assist in a training programme for teachers. This is in progress at this very moment and it is being done through Erdiston College.

The University of the West Indies, the University of Louisville, Kentucky and the Memorial University of New Foundland, they are interested in carrying out research to determine whether physical disability has something to do with mental retardation. It is interesting to note that 75% of the students attending this institution are asthmatics.

The Orange Hill site will have a research and resource centre, two sick bays for male and female and a gymnasium. There will be a heavy emphasis on computer training and in about three years time all rooms will be

equipped with a computer. By 1996 all the classrooms will also have a Television and V.C.R. The main aim is to have the students returned to the normal classroom whenever this is possible.

There are two other points I would like to mention here of special interest maybe to Members on the other side. Firstly I think that special mention should be made of the work of a former Member of this House in this whole exercise and his contribution tells the lie to the feeling among members of the public that people who are seeking to gain public office in Parliament are only interested in doing things when they are seeking to get into the House and not when they have left.

I think it would be unfair if we did not pay special tribute to the work which is being done in this area by Mr. Keith Simmons, a former Member of Parliament, in this area and I am indeed delighted to see that the work is being done at that particular school, my old school, and it was of some concern to me when, after the amalgamation of the two schools, I realised that this building was going derelict and it is good to see that some use has been made of the building. I would hope that Members of the Barbadian community would seek out buildings like these. There are a host of them and I daresay that most of them went derelict under the last administration. I think there is a lot of use that can be put to these buildings and we should use this particular one as an example of the good use that can be put to a building, especially seeing that vandals had actually overrun this building. I think I would invite all Members of Parliament to pay a visit to this particular site.

Planning permission has been obtained for the extension. The Barbados Association for the Correction of Learning Disabilities agreed to the main terms and conditions proposed by Government having given careful consideration to the matter. The Division of Housing earlier this year granted approval for the Association to take possession of the premises. The Association was duly informed but the permission is subject to Parliamentary approval of the proposed lease. The building is at the moment, I believe, about 80% completed. Parliamentary approval is being sought to lease the said St. Silas Senior School to the Barbados Association for the Correction of Learning Disabilities for a period of 15 years with an option to renew every 5 years at a rental of \$100.00 per annum, subject to review. I beg to move that this Resolution do now pass.

Mr. SPEAKER: The Honourble Member for St. Michael North East.

Hon. Miss M. A. MOTTLEY: Sir, I beg to second this Resolution and I would also like to register the

support of the Ministry of Education for this project being conducted by this Association more commonly known as the Learning Centre at Silas School. It is a fact, Sir, that they have had some difficulties in Spooner's Hill. I do not know that I would agree with the Honourable Minister of Housing that it is because of the circumstances in the district. The reality is that those are persons who had travelled from far and come in inland.

On a more serious note, Sir, the Learning Centre has been doing excellent work in this country, filling a gap that Barbados' educational system does not presently cater to. I think that if we assess the question of special education in Barbados you will see that there has traditionally been a joint public/private sector approach towards the provision of special needs education. Indeed those who have more serious handicaps in the form of being severely physically and mentally challenged are in fact catered to between the Challenor School and the Pre-vocational Centre of the Ministry of Education. Those who are educably retarded as the phrase is known to be are catered to by the Learning Centre and by that we mean, Sir, that they still have the capacity to learn but they need serious and intensive assistance before they can be main-streamed into the system again, if at all. To that extent the growth of the Learning Centre has filled this vacuum and on so recognising the valuable role played by the Learning Centre, this Government in its preparation of its first Estimates took a decision to increase the subvention available not only to the Learning Centre but to the Challenor School from the \$190 000 combined for both institutions to some \$450 000 because we recognise that they were in fact filling a lacuna which Government could not, at this stage, fill.

It did not end there, Sir, the provision of training for teachers in special education as you well know, Mr. Speaker, is something that has not traditionally fallen within the purview of Erdiston College and to that extent the training that is currently taking place, being coordinated by Erdiston for teachers of the Learning Centre, is a progressive step in the right direction because too many persons who would wish to help in teaching these children are not trained and we need therefore to expand the base of training available to persons who wish to work in the area of special education. 6.45 p.m.

I am happy to say, Sir, that apart from this project we will be expanding that level of training considerably during the course of the next financial year. In respect however, Sir, of the general age, it should be noted as well that the Learning Centre is one of the choices that is available to students who sit the 11-Plus Examination in this country. Because it is recognized that some children, particularly those who get below 20 per cent and 10 per cent, may need

that type of intensive treatment and diversified curriculum. I venture to say, Sir, that the programme available at the Learning Centre now for persons over 11 years old is the type of programme that should have been running in the composite and senior schools in this country where we saw a diversified curriculum capable of getting the interest of children who have difficulty in maintaining concentration, who have difficulty in retention of facts and in learning. To that extent, Sir, I am happy to say that we feel that since the Learning Centre can only accommodate some 120 persons once this expansion is finished and since of that 120 persons are in fact students of primary school age, that there is a clear demand for further institutions of that nature that will serve the purpose of addressing the needs of persons continually performing under 20 per cent and incapable of attaining the basic foundational skills for a secondary education. We believe that there should be no stigma attached to these institutions. We believe that these institutions can prepare persons to live a full and productive life, that they can be involved in skills.

The Honourable Minister of Housing averted to the Ceramics Programme at the Learning Centre. We in fact have identified for this academic year starting in September 1995 a new proposal relating to the establishment of what we call "schools of alternative secondary curriculum". By that we mean secondary schools that will provide an atmosphere of learning for children but recognizing their disabilities, provide a diversified curriculum that will expose them not only to the basic rudiments of English and Maths so that they can function and read and express themselves effectively, but also to a range of skills ranging from fishing to working within the tourism plant, to types of industrial arts be it auto mechanics or matters of that nature, to forms of horticulture and agriculture because many of these children are good with plants, to forms of physical education, because many people will not know that primary, composite and senior are now prevented from participating in secondary schools sports which can only be unfair and must stop, and also to teach them functional things like how to drive, how to comport themselves and how to express themselves and relate to people while at the same time exposing them, Sir, to the wonders of computers and information technology giving them an opportunity to be creative in themselves.

We believe that the senior and composite schools have eventually to be replaced fully by these "schools of alternative secondary curriculum". We believe that they will be catering to persons primarily reaching...

Mr. SPEAKER: The Honourable Member, as much as I am really enjoying listening to you, I think you are going on.

Hon. Miss M. A. MOTTLEY: I am coming home, Sir. I just would like to finish the point. I was making

the point that it caters more or less to the same type of category as the Learning Centre, perhaps not as intensive a problem but for persons who have difficulties like these and, Mr. Speaker, you will be well aware of this from your experience in these matters. The first of these schools, Sir, will in fact lure the type of project that is taking place at the Learning Centre where we will be using the old St. Peter Girls' School in Speightstown which is excellently located within the tourism...

Mr. B. M. TAITT: On a point of order, Sir. Before the Honourable Minister sits down, could she give us an indication where else they are going to acquire some more schools like this so we could know where to look for the policy here?

Hon. Miss M. A. MOTTLEY: Sir, as I was saying, we are going to acquire the old St. Peter Girls' School from the Ministry of Housing where we will seek to refurbish that school and provide a level of diversified curriculum for these secondary students. It is unfortunate, Sir, that the St Joseph Hospital was never put in a state where we could send them up there to learn something about medical sciences and practicioning. But having said that, Sir, we can send them to Almond Beach Resort. We can send them, Sir, to the other...

Mr. SPEAKER: The Honourable Member please. No need...Could you get back to Orange Hill please?

Hon. Miss M. A. MOTTLEY: And the students, Sir, who live in the north of Barbados ranging from Orange Hill, SL James and other districts such as St. Peter, St. Lucy and all of those other areas in the north will have the opportunity to go to this school for alternative secondary curriculum.

I am happy to announce, Sir, that it will be named after a distinguished St. Peter educator by the name of Alma Parris. It will be known as the Alma Parris Memorial School for alternative secondary curriculum. That, Sir, will be opened from September this year.

Sir, I would only wish therefore to applaud the efforts of all those persons who worked voluntarily with the Learning Centre. It is the type of activity that we have to sustain in this country, because as I said, our provision of special education in Barbados has always been a joint private/public sector approach and to that extent I laud those persons who have worked in this project, which is an excellent project. But equally, Sir, I applaud the Ministry of Housing for agreeing to the leasing of this St. Silas School. I have had the pleasure of seeing the building. They have done a fantastic job with the construction, Sir, and I would invite the Press to make arrangements with the Learning Centre to go and see what they have done and the

Parliamentary Representative for the area who happens to be the Minister of Housing to go and see the excellent work that has been done there at the Learning Centre. They have in fact as well been trying to get a heavy duty elevator for persons who are unable to walk because it is two stories. To that extent, we would wish that the Minister of Health would also assist in the efforts.

Aside.

Mr. SPEAKER: Let us hear the Honourable Member please. She is coming in. Let her come in please.

Hon. Miss M. A. MOTTLEY: Sir, I would hope therefore that the Ministry of Health would assist in the execution of this project because it is worthwhile and, as I said, it is two stories and the children will have difficulty in getting upstairs without the ability to have an elevator installed. There are some elevators I understand at the Geriatric Hospital which will be suitable for this project.

With those words, Sir, I wish to give support to the Minister of Housing for agreeing to this lease.

Mr. SPEAKER: The Honourable Member for Christ Church East.

Mr. W. C. C. CALLENDER: Mr. Speaker, I will not detain the House too long but I did not think that I could see a Resolution like this brought before the House and not make an intervention. First of all, I think it is a good idea to assist such institutions who are into Special Education. I also wish to note the efforts of other people who are involved in education in Barbados through their own efforts and I am glad to see that the Government has continued to assist such institutions including private schools. I believe a case can be put also for post-secondary institutions to be given assistance.

Mr. SPEAKER: Do you have any in mind?

Mr. W. C. C. CALLENDER:....Institutions such as "O" Level Institute. 6.55 p.m.

Well, Sir, the Co-Operative High School has often benefited from leases from Government, and therefore I had to rise. I cannot be selfish, the school with which I have been associated for a lot of years has been given assistance by both Governments, who recognise the importance of education especially for those who are deprived and have not been able to gain access

Mr. B. M. TAITT: On a point of order, Sir. Mr. Speaker, I believe that the Honourable Member was

not taken as seriously as he should in this House when he discussed that distinguished institution in St. Michael West, the 'O' Level Institute. I would like him to spend a little more time on that.

Mr. W. C. C. CALLENDER: Sir, since the House is in a good mood, I am making the point that we need to look at education in a broad perspective. This Resolution here sets the tone for understanding that we need to look at other educational institutions that are providing a service to the country and I think perhaps we can look in the direction of special education, in the area of computers and other special education, not only for the disabled but, as I made the point earlier, for those who have not been able to benefit from the formal secondary education. I believe that institutions which lend to education after you have left school, when there is a greater level of receptivity, should also be given some assistance.

I want to make the point too, Sir, that the effort to have the school placed in Orange Hill -1 do not know how secure Orange Hill is - but I think the Minister in introducing the Resolution alluded to the fact that the school is being placed in a safer environment I think this brings into perspective the idea of security relating to schools and it should be taken a bit further where we have to look in this modern age when people are coming off the street and going on to school properties that there should be greater provision made for security in schools.

In this regard, Sir, I have to mention the apprehensions of the parents of the St. Bartholomew's Girls' School, who apparently believe that to have all the children of the area cramped

Mr. SPEAKER: Please.

Mr. W. C. C. CALLENDER: I am dealing with security in relationship, I am making the point that ...

Mr. SPEAKER: Make the point quickly.

Mr. W. C. C. CALLENDER: I will make the point quickly, I am not going to take up much time.

Mr. SPEAKER: Do not belabour it, please.

Mr. W. C. C. CALLENDER: I am making the point that the apprehensions of fear are real in this modern day society and I am saying that we need to look at security, not only at St. Bartholomew and Parish Land, but throughout Barbados whether it is Orange Hill or Spooners Hill, the need for security around all schools should be a priority in this day and age, because things can happen anywhere. People can come from St. Lucy and come up to St. Philip. It can happen anywhere. Or they can come from Spooners Hill to Orange Hill.

I am not going to be very much longer, Sir, I just wanted to make those two points. I want to support the Resolution and hope that this is just a sign of what is to come in terms of looking at the other forms of support to educational institutions, particularly in the private sector where the cost has become so prohibitive that it is making it impossible for some schools to continue. We have seen over the years a number of private secondary schools have had to go out of existence because of the heavy burden, the heavy cost of keeping these schools alive, schools that have played a great role in Barbados. I must salute those people who have been able to continue over the years despite the increase in cost and still give the kind of service to help produce a lot of good students that we find coming out of these other institutions.

Thank you.

Mr. G. A. CLARKE: Mr. Speaker, I want first of all to compliment the Minister for the way he presented the Resolution and also to say that the information he gave was very informative not only to myself but also to Members of the House. I would like also to underscore some of the points he made and to re-emphasise them. Throughout Barbados we have a number of buildings which are owned by the Government and I believe community groups would do well to request the use of some of these buildings.

There was a time when the Community Officers helped in the various communities. I believe that the Ministry of Labour and Community Development, through their officers, could help community groups to get involved where some of these buildings can be identified and returned to their proper use. I also believe that the Ministry of Housing over the last couple of months has been looking at a number of requests and has been making available these buildings to various communities and organisations. I believe, Sir, that in the coming months that a number of schools will be grouped together and buildings should be made available to the community for use by these various community groups and associations.

Thank you.

Hon. G. W. PAYNE: Mr. Speaker, just one clarification to something the Minister of Education has said with respect to the naming of the school, lest it be taken out of context. The name of the school is the Alma Parris Memorial School. She was referring to the school in Speightstown and I think a mixup will come here, because Alma Parris was also the Head Teacher at St. Silas School and I would not want any offence from the Learning Centre.

Just in closing, I would also like to say that notwithstanding the fact that the school itself caters

to children between the ages of 4 and 18, it is hoped when this renovation is completed that those students who have not been accepted at the secondary schools, and those students who have passed the age of 18 who have not reached a certain level of attainment, who would want to come back would be able to come back and utilise the facilities of the schools, whether it is the computer or the other technical equipment, on certain arranged days during the week.

With those few comments, Mr. Speaker, I beg to move that this Resolution do now pass.

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

ADJOURNMENT

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, I beg to move that this House do now adjourn to Tuesday, the 18th day of July at 11 o'clock in the morning.

Speaking on the Adjournment, Sir, it does give me a certain degree of pleasure to compliment Members on both sides of the House today for the wonderful way in which we have been able to get through a lot of work without confrontation, without acrimony, with a good to and fro. We note the absence of the Leader of the Opposition in all of this, but we were glad...

Mr. SPEAKER: Please, please.

Hon. Miss B. A. MILLER: I am making a point, Sir.

Mr. SPEAKER: Order, please. The Honourable Member for the City, please.

Hon. Miss B. A. MILLER: Yes, Sir.

Mr. SPEAKER: As you make your point I would not like you to make your point with any kind of imputation.

Hon. Miss B. A. MILLER: I am not finished making it yet, Sir. I am about to say that I am pleased that the Leader of the minority Opposition was able to join us, and for an extended period, on this occasion.

Mr. Speaker, Sir, with those few words, I beg to move that we adjourn till next Tuesday, 18th July, at 11.00a.m.

Hon. O. S. ARTHUR: Mr. Speaker, I second the motion for the Adjournment. I too want to cite the fact that the Business of the House was transacted well today. We had four major matters dealing with finance and the economy and I want to salute the efforts of the Acting Leader of the Opposition for the spirit that he brought to discharge his responsibilities.

The question that the House do now adjourn till Tuesday, 18th July, 1995 at 11.00 a.m. was put and resolved in the affirmative without division, and Mr. SPEAKER adjourned the House accordingly. 7.05 p.m.

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