

THE

House of Assembly Debates

(OFFICIAL REPORT)

FIRST SESSION 1994 - 99

HOUSE OF ASSEMBLY

Tuesday, January 14, 1997

Pursuant to the adjournment, the House of Assembly met at 11.20 a.m. o'clock on Tuesday, January 14, 1997.

PRESENT

His Honour I. A. ROETT, B.A., Dip. Ed., (Speaker)
His Honour R. D. MARSHALL, (Deputy Speaker)
Rt. Hon. L. E. SANDEFORD, B.A., M.A., (Econ.),

J.P.

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

Rt. 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)

Mr. D. J. H. THOMPSON, LL.B. (Hons.) (Leader of the Opposition)

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

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

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

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. 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)

Mr. C. A. MASCOLL, B.Sc. (Econ.) (Hons.), M.A. (Public Finance)

Prayers were led by Canon Ivan Harewood.

Mr. SPEAKER: The House is now in session.

MINUTES

Mr. SPEAKER: The Minutes of Friday, December 20, 1996.

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, I beg to move that the Minutes of this House of Assembly for Friday, December 20, 1996, which have been circulated, Sir, be taken as read.

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

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

ANNOUNCEMENTS BY HIS HONOUR THE SPEAKER

Mr. SPEAKER: Honourable Members, I have received from the Honourable Member for the City, Leader of this Honourable House, a written request for permission for broadcast of debate on the Value Added Tax

(Amendment) Bill, which is listed as Order No. 2 under Government Business. The letter was copied to the Honourable Member for St. John, Leader of Her Majesty's Loyal Opposition.

I met yesterday, in my Chambers, with both Honourable Members. As I then understood it, the Honourable Leader of the Opposition does not support the request for the broadcast. Guidelines have previously been agreed with me by the Leader of Government Business, and by the Leader of the Opposition, in terms of which, in the event that both sides do not support a request for a broadcast, I as Speaker shall make the final decision on that request.

Therefore, after careful consideration, I have concluded that I should authorise the broadcast and have so done.

I believe that the Bill is a matter of very great public interest. I have accordingly informed both Honourable Members of my decision. I am also to remind the House that any Honourable Member who desires that his speech in the debate should not be broadcast, is totally free to make that choice, ideally, by causing that information to reach the Chair before he or she begins to speak in terms of Standing Order 30.

However, in view of the practical difficulties involved, interventions under Standing Order 32 may be part of the broadcast. I trust that we may be able to proceed in the terms I have indicated, and I shall hope for the fullest cooperation of this Honourable House.

PAPERS

Hon. Miss B. A. MILLER: Mr. Speaker, I am commanded to lay the Annual Report and Statement of Accounts of the Barbados Investment and Development Corporation for the year 1994.

GOVERNMENT NOTICES

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, I beg to give notice of:

1. Limitation of Actions Bill, 1997.
2. Criminal Records (Rehabilitation of Offenders) Bill, 1997.
3. Minor Offences Bill, 1997.

I beg to give notice also, Sir, of the following Resolutions:

4. Resolution to approve the sale to Cynthia Griffith of a parcel of land at Cheapside in the parish of St. Michael.
5. Resolution to approve the sale to Victor Bovell of a piece of land together with building thereon at Rose Hill in the parish of St. Peter.
6. Resolution to approve the lease to Prison Fellowship of Barbados of a parcel of land, together with a building thereon at Country Road in the parish of St. Michael.
7. Resolution to approve the lease to the Barbados Telephone Company Limited of a parcel of land at the Garrison in the parish of St. Michael.
8. Resolution to approve to lease to Barbados Hockey Federation of a parcel of land at Wildey in the parish of Christ Church.
9. Resolution to approve the lease to the Barbados Shotokan Karate Club of a piece of land at the Marine House in the parish of Christ Church.
10. Resolution to authorise the Government of Barbados to enter into a swap agreement with Citibank, N.A., in order to limit the Government's costs and currency exposure in respect of the loan stock issued in relation to a loan of thirty million pounds sterling to the Government of Barbados by the Barclays de Zoete WEDD on December 14, 1990.

FIRST READING OF BILLS

On the separate motions of Hon. Miss B. A. MILLER, each seconded by Hon. D. A. C. SIMMONS, the following Bills were read a first time.

- (1) The Limitation of Actions Bill, 1997.
- (2) The Criminal Records (Rehabilitation of Offenders) Bill, 1997.
- (3) The Minor Offences Bill, 1997.
- (4) The Finance (Miscellaneous Amendments) Bill, 1997.
- (5) The Evidence (Amendment) Bill, 1997.

STATEMENTS BY MINISTERS

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, in view of a number of recent comments and ill-founded speculation which have appeared in the Press concerning

properties, I am providing the House of Assembly with a comprehensive statement on the status of those Government-owned properties overseas and the steps that the Government has been taking to rationalise and manage them in the most effective and efficient manner possible.

When the Prime Minister entrusted me with the responsibility for the portfolio of Foreign Affairs in September 1994, one of the first things I did was to ask for a report on the status of all properties owned by the Government overseas as residences and chanceries in the Barbados Foreign Service.

I was appalled to discover the state of disrepair and neglect into which these properties had fallen over the previous eight years. This not only reflected badly on Barbados, since these houses and offices are important in projecting an image of our country, but it constituted a depreciation of valuable assets and a waste of the taxpayers¹ money. The reason for this sad state of affairs was very clear. The previous Government had failed to provide the funds necessary to maintain and repair these properties, a striking case of false economy. 11.30a.m.

I immediately directed that a review of all the property holdings overseas be undertaken with a view to determining which properties should be sold and which kept and what repairs and maintenance would be required on those properties that it was decided to keep. I also directed that thereafter a properly structured and an appropriately funded property management programme be put in place to ensure that this unfortunate situation should not re-occur.

This review was undertaken in consultation with Mr. Rick Craig, the Consul-General at New York because of his valuable expertise in real estate and property management gained while employed as Real Estate Manager at Citibank and as Director of Corporate Properties at Chemical Bank of New York. I must make it clear that Mr. Craig's role was and is purely advisory. All actual transactions concerning the sale or purchase of any Government property are authorised by the Cabinet and undertaken by the authorised representative of the Ministry's Accounting Officer at the particular Mission, acting through the Government's attorney in that jurisdiction as is required by the Financial Rules.

At September 1994 the following 14 properties were owned by the Government of Barbados overseas:

United Kingdom: The Chancery of the High Commission located at 1 Great Russell Street, London W. Central 1, purchased in 1984 at a cost of £1.5 million.

The official residence of the High Commissioner, known as "Iverta", located at Thames Ditton, Surrey, purchased in 1969 at a cost of £37 500.

The Deputy High Commissioner's residence, located at 58 Donnington Road, Willesden, London, purchased in 1961 at a cost of £10 450.

A residence occupied by the Counsellor in the High Commission, located 1 Dobree Avenue, Willesden, London, purchased in May 1984 for £145 000.

A residence occupied by the First Secretary in the High Commission, located at No. 35 Dobree Avenue, Willesden, London, purchased in March 1984 for £106 950.

Canada: The official residence of the High Commissioner located at 368 Lisgar Road, Rockcliffe Park, Ottawa, purchased in 1976 at a cost of Can. \$197 500.

A residence occupied by the First Secretary in the High Commission located at 838 Edgeworth Avenue, Ottawa, purchased in 1972 at a cost of Can.\$57 000.

In the United States at New York, the official residence of the Permanent Representative to the United Nations located at 328 Cliff Avenue, Pelham, New York, purchased in 1968 at a cost of US\$92 000.

The official residence of the Consul-General, located at 301 Overlook Road, New Rochelle, New York, purchased in 1984 at a cost of US\$300 000.

A residence occupied by the Consul-General, located at 86-22 Sutro Street, Queens, New York, purchased in 1979 at a cost of US\$120 000.

In Washington, D.C., the Chancery of the Embassy, located at 2144 Wyoming Avenue, purchased in 1969 at a cost of US\$110000.

The official residence of the Ambassador, located at 4850 Linean Avenue, purchased in 1968 at a cost of US\$120 000.

A residence occupied by the Minister-Counsellor in the Embassy located at 9804 Hill Road, Kensington, Maryland, purchased in 1974 at a cost of US\$95 000.

In Belgium the official residence of the Ambassador, located at 24 Avenue, Prince d'orange, 1180 Brussels, purchased in 1982 at a cost of 20 500 000 Belgium Francs, approximately Bds. \$953 488 at the then rate of exchange.

As a result of the review of these properties, as a matter of priority it was decided to sell the residence of the Deputy High Commissioner at Donnington Road, in London, the residence of the Permanent Representative to the United Nations at Cliff Avenue, Pelham, New York and the residence of the Consul-General at Overlook Road, New Rochelle also at New York. The reasons for selling these properties were as follows:

The House at Donnington Road was in a state of gross disrepair including serious structural cracks. In fact, so shabby was its condition from years of neglect that the Deputy High Commissioner and his family were unable to occupy it and opted instead to live in a small one bedroom flat above the Chancery of the High Commission where they still reside at no cost to the Government.

The residence at Cliff Avenue in Pelham is also in a state of neglect requiring a significant outlay of funds - an estimated US\$240 000 - to restore the house to a satisfactory condition. In addition the residence had historically incurred high maintenance costs and was located at a considerable distance from the Permanent Mission and the United Nations, up to 1V₂ hours in the rush hour, and this meant that valuable time was spent by the permanent representative commuting with resulting heavy wear and tear on the official car. Moreover the location of the residence had proved over time to be increasingly inconvenient for servicing the United Nations whose meetings since the property was bought have increased both in frequency and in duration, often lasting into the early hours of the morning. In addition the numerous social functions which an Ambassador must attend are held, usually at the UN itself or in the vicinity. Indeed, Sir, during Barbados¹ campaign for the presidency of the United Nations General Assembly in 1988 the then Permanent Representative, the Late Dame Nita Barrow, had to occupy an apartment in Manhattan, rented for her by the Government, for 6 months.

The residence of the Consul-General at Overlook Road in New Rochelle was in a state of serious disrepair verging on dilapidation and there was also the confirmed presence of radon gas and asbestos, also making it unfit for occupation by the Consul-General. It was decided that minimum cosmetic repairs, painting, masonry and so on should be done and the house sold rather than spend large sums in bringing it up to an acceptable state. The Consul-General, who like all other such officers is entitled to be provided with furnished accommodation and household staff by the Government, chose as was his right, to reside in his own house and receive an allowance from the Government for so doing. This is a perfectly customary arrangement for which ample precedent exists. It should be noted in passing that the Consul-General has never

exercised his entitlement to have his household staff paid for from Government funds.

Mr. Speaker, Sir, there is a long history of Foreign Service heads of mission and even some members of staff living in their own residence and being paid a housing allowance. Barbados' first Consul-General at New York who is now the Honourable Member for St. Michael West, lived in his own residence for the duration of his tenure from 1966 to 1971 and was paid an allowance. When he returned to Barbados to become a member of the Cabinet, his house continued to be rented to the Government of Barbados. A later Consul-General rented his house to the Government and was paid an allowance in addition. The house was partly furnished at the Government's expense. As a result when he was recalled he resigned. These 3 properties were therefore, Mr. Speaker, Sir, put on the market and sold. In each case the sale was arranged through reputable brokers and transacted through the Government's attorneys in New York and London. The details are as follows: 11.40a.m.

The residence at 328 Cliff Avenue, Pelham, New York.

Date of Sale: June 2, 1995.

Brokers: C. B. McClellan Real Estate. The company has been in existence since 1878 and does business in Pelham and New Rochelle only.

Attorney: Mr. Edward J. Babb of the law firm Barnes, McGhee, Segue and Harper. Mr. Babb has been retained by the Government since 1968.

Sale Price: US\$870,000

Determination of Sale Price: The brokers advised that while the property should command normally a price of US\$1.0 to US\$1.1 million the extent of disrepair would require expenditure of approximately US\$240,000. It was therefore determined that an asking price of US\$975,000 was reasonable and a taking price of US\$850,000 to US\$900,000 would be acceptable. Following the marketing of the property by the brokers two offers of US\$700,000 and US\$730,000 were received and rejected. The eventual purchaser made an offer of US\$750,000 and after several rounds of negotiation through the brokers a selling price of US\$870,000 was agreed on.

The Residence at Donnington Rd., London

Date of Sale: April 3, 1996 Brokers:

Chattin Estates

Attorney: Mr. Stephen Goldberg of the Legal firm Osmond, Gaunt and Rose. This firm has been retained by the Government since 1968.

Sale Price: £190,000

Determination of Sale Price. The original asking price was £220,000 with expectation of offers in the region of £170,000 - 200,000. Thirty persons viewed it. Eventually an offer of £190,000 was made and accepted.

The residence at Overlook Rd., New Rochelle, New York

Date of Sale: May 6, 1996 Brokers:

C. B. McClellan Real Estate Attorney:

Mr. Edward Babb * Sale Price:

US\$457,500

Determination of Sale Price: The property was put on the market in April 1995 at an asking price of US\$600,000. No offers were received. Eventually the asking price was reduced to US\$499,000 and this resulted in six offers all at or below US\$405,000. Finally an offer of US\$457,000 was received and accepted.

The three properties were sold as part of a rationalisation of all of the Government's property holdings overseas. As indicated two of those properties were sold because they were in a state of horrendous disrepair occasioned by the scandalous neglect of the previous Administration. The other property - the Residence of the Permanent Representative in Pelham, New York - was sold primarily because of its inconvenient location and the high cost of maintenance it incurred.

The Government will be ensuring that those properties which are being kept are repaired and refurbished and thereafter properly maintained so that their value as assets is enhanced. Moreover, the Government is also acquiring new properties where it is cost effective to do so. Two such properties have been acquired so far.

A residence was bought for the Consul-General in Miami in December 1995. Miami is an important hub both for doing business in the south east of the United States and into Latin America. The Consulate-General has a pivotal role to play in the promotion of tourism, investment and trade in that region. To that end representatives of the Barbados Investment and Development Corporation and the

Barbados Tourism Authority have been assigned to work in the Consulate-General as part of the Barbados Country Team in the south-eastern U.S. Accordingly, it was cost effective to acquire a residence for the Consul-General and market conditions were favourable for doing so. The residence is located at 10027 S.W. 93rd Place, Galloway Glen, Miami in a quiet and scenic neighbourhood, some twenty minutes from the offices of the Consulate-General and from Miami International Airport. It was bought for a price of US\$460,000 on December 15, 1995, after several properties were viewed through real estate agents. The attorney who handled the transaction was Mr. George Allen, of the law firm, Taylor, Brion, Buker and Breen of Miami, recommended to the Consulate-General by Mr. Edward Babb, the Government's legal adviser in New York.

The second property that has been acquired is a new residence for the Permanent Representative to the United Nations. The residence is located at No. 14 Fairway Close, Forest Hills Gardens, Queens, New York. It was purchased for US\$975,000 on November 7, 1996. Mr. Edward Babb was the attorney undertaking the transaction on behalf of the Government.

The residence is in a suitable district of the Borough of Queens within half an hour's drive of the offices of the Permanent Mission. It has a spacious living room with an adjoining patio suitable for entertaining large numbers. The grounds are small, therefore not requiring heavy maintenance. It is in very good condition and the Ministry has spent US\$31,000 adding a guest toilet and coat closet on the ground floor as well as other minor refurbishments. It is an excellent asset for the Government and it is our intention to maintain it so as to improve its value.

Much ill-founded criticism has been vented against the Ministry for the length of time it has taken to acquire a replacement residence for the Permanent Representative in New York and inane and ignorant charges of squandermania have been made against the Government in relation to the costs of accommodation of its diplomatic representatives in New York, as well as the retaining of two household staff for the Permanent Representative pending the acquisition of a new residence.

The Permanent Representative assumed office in New York in June, 1995, the same month in which the residence at Pelham was sold. While the search for a new residence was being conducted the Permanent Representative and his family were accommodated in a furnished two-bedroom apartment at the "Sutton", an apartment hotel located at 330 East 56th Street, New York with effect from July 1995 until December, 1996 when he moved into the new residence located in Forest Hills, New York. The rent was US \$7,500 a month from July, 1995 to September 1996, and US \$8 000 from October 1996 to December 1996.

The search for a new residence was conducted within strict guidelines. It had to be under one million US dollars; be in good condition with low maintenance costs; be in an appropriate neighbourhood; be suitable for entertaining; and be in reasonable proximity to the United Nations and the Offices of the Permanent Mission at 800 Second Avenue. Over sixty houses that met at least some of those criteria were actually viewed but none was found suitable until the property at Forest Hills was identified in April of 1996, negotiations begun, the approval of the Cabinet sought; funds voted by Parliament in August with closure taking place in November. 11.50a.m.

This information I have already given to this Honourable House, but this Administration is serious about the purchase of overseas properties. It is not going to repeat the folly of the previous administration in depositing some \$337,069 on an office building in Brussels in 1991 and losing every single cent because it was unable or unwilling, Sir, to come up with the rest of the money. That was at the time when the previous Administration was deep in the embrace of the International Monetary Fund. That, Mr. Speaker, is squandermania. That, Mr. Speaker, is gross incompetence and financial mismanagement.

Asides.

Hon. Miss B. A. MILLER: Honourable Members are asking me to repeat the figure - \$337,000.

The previous Administration also had an opportunity to relocate the offices of the Consulate-General, the Permanent Mission, the Barbados Tourism Authority and the Barbados Investment and Development Corporation at 800 Second Avenue in New York when that lease came up for renewal in 1992. This was the almost unanimous advice of all the Barbadians who worked in those offices and who knew exactly what the situation was. As recent as yesterday, Sir, in the freezing cold, the entire staff of the Barbados offices at 800 Second Avenue were on the street because of a bomb scare at 800 Second Avenue. It is a constant situation in New York. There is a police presence in a blue and white car outside of that building 24 - 7. It is a building owned by the Israeli Government and is under constant threat. Instead of taking the advice, what the previous Administration did was that they ignored the advice and instead moved the Barbados offices from the 17th Floor in that building down to the Second Floor and worse still, this is the worst part of all, Mr. Speaker, they entered into in respect of that building a fifteen year lease that is highly disadvantageous to the Government of Barbados and we are now having to deal with the consequences of this managerial incompetence.

As far as the household staff of the Permanent Representative are concerned, every Ambassador is entitled

to have two household staff that are chosen and employed by him and paid for from Government funds. They are his personal staff. The Permanent Representative elected, when he assumed duties in New York in June of 1995, to employ two persons who had been engaged by successive Permanent Representatives since September 1969 in one case and May 1976 in the other. In other words, Sir, these two persons had obviously performed excellent and loyal service to a succession of Ambassadors in New York.

But the Opposition has been calling for these two loyal and hard-working Barbadian women to be severed and sent home. This is not surprising, Sir, since when the Opposition was in office they made it a practice to send home a lot of loyal workers and cut the salary of those who just managed to retain their jobs. In fact, the Democratic Labour Party Administration gutted the Barbados Foreign Service in 1992 when they severed twenty six staff at a cost of \$165,339 and hastily brought home ten officers at a further cost of \$148,037.

Mr. D. J. H. THOMPSON: Mr. Speaker, Sir, on a point of order.

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

Mr. D. J. H. THOMPSON: I am on a point of order, Sir.

Mr. SPEAKER: Please. The Honourable Member is making a ministerial statement.

Certain remarks made by Mr. D. J. H. THOMPSON were ordered by Mr. SPEAKER to be expunged from the record.

Mr. D. J. H. THOMPSON: Mr. Speaker, I am on a point of order.

Mr. SPEAKER: I have ruled that you cannot rise on a point of order. The Honourable Member is making a ministerial statement. Will you take your seat, please?

Mr. D. J. H. THOMPSON: Mr. Speaker, I am on a point of order.

Mr. SPEAKER: I have ruled that you cannot speak on a point of order. Will you take your seat please?

Mr. D. J. H. THOMPSON: On a point of privilege, Mr. Speaker, Sir.

Mr. SPEAKER: The Honourable Member cannot rise on a point of privilege. Will you take your seat please?

Mr. D. J. H. THOMPSON: Mr. Speaker, Sir, I am a Member of this...

Mr. SPEAKER rose.

Mr. SPEAKER: The Honourable Member. Will you take your seat please?

Dr. R. C. HAYNES: Mr. Speaker, on a point of privilege.

Mr. SPEAKER: There is no point of privilege. Will you take your seat please?

Dr. R. C. HAYNES: Have you heard the point of privilege, Sir?

Mr. SPEAKER: There is no point of privilege. Will you take your seat please?

Mr. SPEAKER rose.

Asides.

Mr. SPEAKER: Honourable Members please. Could we proceed orderly? May I suggest to the Honourable Member who is making the ministerial statement, let us proceed as a statement please.

Dr. R. C. HAYNES: Mr. Speaker, if a Minister comes in here and accuses me of killing a man, are you going to tell me I cannot get up and deny it? If a Minister comes in here and lies, are you telling me I should not get up immediately and respond to it? A Member can rise on a point of privilege at any time in this Honourable House.

Mr. SPEAKER: Will you take your seat please?

Dr. R. C. HAYNES: Are you telling me I should not get up immediately?

Mr. SPEAKER: The questions the Honourable Member is asking me I am not in a position to answer. I hope you will not be accused of killing anybody.

Dr. R. C. HAYNES: I will just ask the same question that Sir Granfley Adams asked in this House in the 1950s under the same circumstances, and he was sent out.

Mr. SPEAKER: Please take your seat. You are not going to be sent out. Let us proceed.

Hon. Miss B. A. MILLER: Mr. Speaker, the Democratic Labour Party Administration gutted the Barbados Foreign Service in 1992 when they severed twenty six staff at a cost of over \$165,000 and then in great haste brought home ten officers at a further cost of in excess of \$148,000. In Ottawa they reduced the non-

established staff from six to one in the High Commission, closed down the High Commission and tried to operate out of the then Counsellor, Mr. Nigel Harper's home, until the neighbouring residents and the Canadian Government protested, and Barbados became the laughing stock of the Diplomatic Corps in Ottawa, just as it is still the laughing stock in New York in respect of a diplomat with a dog. *The New York Times*, the *Sunday Times*, the *Sunday New York Times* of January 12, Sunday gone, has a headline: "**Impugning Immunity - Diplomats Who Do Wrong**" and the last sentence in that is asking: Does the dog have diplomatic immunity too? In the *New York Sunday Times* we are still the laughing stock in 1997.

Mr. Speaker, Sir, none of these loyal workers that were sent home by the Democratic Labour Party was given the courtesy of any advanced notice. They were summarily dismissed or recalled and the directive to inflict this pain laughingly went out to all Missions on February 14, 1992, Valentine's Day! 12.00 noon

The Barbados Labour Party Administration inherited in 1994 a demoralised and almost destroyed Foreign Service. The allowances of our diplomats abroad had fallen behind every other CARICOM country, including Guyana, Trinidad and Jamaica, and locally recruited Barbadian staff were so poorly paid that in many cases 75% of their salaries was going towards rent. Properties were run down, as I have already described, and in a state of dilapidation. Foreign policy lacked all purpose and sense of direction.

Mr. Speaker, Sir, it has fallen to this Administration to repair the damage done to the Barbados Foreign Service. One element in this repair job has been the restoration and rationalisation of the Government's properties overseas.

All transactions related to the sale and purchase of these properties will continue to be handled in accordance with the laws and regulations governing such matters. Both the maintenance and the sale and purchase of these properties form part of a comprehensive property management programme designed to maximise the financial benefits to be derived from the ownership of property overseas and to ensure that the image of Barbados abroad is one of which all Barbadians can be proud.

Thank you, Sir. I am much obliged to you.

PERSONAL EXPLANATIONS

Rt. Hon. O. S. ARTHUR: Mr. Speaker, Sir, I am rising under Standing Order 19 to seek the indulgence of the House as required by Standing Order 19 to make a personal explanation.

On the last occasion the House met I indicated to the House that I was going to seek through the Leader of Government Business in the House, permission for debate on the amendments to the Value Added Tax Act to be televised. Subsequent to that, Mr. Speaker, I appeared on a call-in programme and I responded to issues raised by members of the public regarding the desirability of televising the debate on the VAT amendments and it has been brought to my attention, Sir, that I said on that occasion that the debate would be televised. I acknowledge that I said that, Sir, but I said that not with a view to being judgmental but in an anticipatory way recognising that it was in the public's interest to have the debate televised.

If my statement is in any way regarded as usurping the powers of the Chair to make determination in this matter, I just want by way of personal explanation to state that it was not intended. My statement was simply anticipatory and was made in a moment to assist in satisfying the public's desire for greater input information on this most important matter. I am speaking, Sir, strictly in relation to Standing Order 19 and I am seeking the indulgence of the House as required by Standing Order 19 to have that personal explanation entered into the records of this Parliament.

ORAL REPLIES TO QUESTIONS

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, I beg to give notice that the Reply to Parliamentary Question No. 44 is ready.

ORDERS OF THE DAY

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

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, Your Honour indicated earlier on that Your Honour had given permission for the debate on the Amendment to the Value Added Tax Act to be televised live. I would be much obliged if there could be some indication from the Opposition to Your Honour as to the format of this debate. Nothing has been communicated to me. Your Honour spoke about a meeting yesterday. At that meeting a statement was made that the Opposition would get back to Your Honour at half past four yesterday so that I could know how this debate could be expected to proceed.

Mr. SPEAKER: Let us proceed with the debate, please. I believe everything has been set up for the debate to be televised and the debate will be televised in its entirety. That is my understanding.

Hon. Miss B. A. MILLER: I am much obliged to you, Sir.

ORDER NO. 2 - A BILL TO AMEND THE VALUE ADDED TAX ACT, 1996

Rt. Hon. O. S. ARTHUR: Mr. Speaker, Sir, the introduction of a value added tax and the comprehensive reform of our system of indirect taxes associated with it constitutes perhaps the most complex and certainly the most far-reaching undertaking by a government of Barbados in the last decade. It is a reform, Mr. Speaker, that touches every individual in Barbados. It touches every household. It touches every firm. It touches the entire society.

The introduction of the value added tax and the reform of the indirect tax system has also introduced many new legal, accounting, financial and economic concepts to the everyday life of Barbados and to our business activity and most of these new concepts, particularly the legal and financial concepts, are very complex and very difficult for the ordinary man to grasp. It is also beyond any reasonable dispute that the value added tax in and of itself, by the nature of its application raises a number of uncertainties and carries with it the possibility of some short-term dislocations, despite such medium and long-term benefits that the society may realise.

It is therefore against that background, Mr. Speaker, very opportune and timely that the House is having the opportunity to discuss matters pertaining to the value added tax. The tax has just been introduced and the public is now in a position to deal with it not as an abstract conceptual issue but as a practical matter. 12.10 p.m.

In addition, Mr. Speaker, there is a great and genuine public interest by all sections of the society to have a greater pool of information, more enlightenment and more informed analysis on everything having to do with the value added tax. In such a context, Sir, it is proper and appropriate that such information, such informed analysis, such enlightenment should issue from the Floor of Parliament, from call-in programmes, columnists in the Press, and even from public meetings held by Opposition parties as well as the Government of the day, if it is the Government's wish.

I truly regret, Mr. Speaker, that on the occasion when the value added tax was introduced into this Parliament,

it was not dealt with by this House by way of a televised debate. You will recall that the tax was passed in Parliament without a division. It was passed in Parliament with the expressed support of all sides of this House. It was passed in this Parliament with only cursory debate on all sides because, and this is the fundamental point, Sir, there was an expressed consensus then on all sides of the political divide in Barbados that a 15 per cent value added tax, structured in the manner contained in the legislation, was both a necessary as well as a desirable thing for this country.

I seem also to recall, Mr. Speaker, that so great was the consensus of the day that the Leader of the Opposition and the then spokesman of Finance and Economic Affairs was not even in the House on the occasion that the original legislation came to Parliament and he left the responsibility for giving support to the value added tax to be carried, and I must say, Sir, eloquently so, by the Deputy Leader of the Opposition who spoke for no more than 10 minutes on that occasion.

Mr. Speaker, much has happened since then. Political opportunism, and I want to put it, Mr. Speaker, as starkly as possible, of a very rank order has now taken over this entire discussion. There has been an element, unfortunately so, of public hysteria surrounding the implementation of the tax, arising in part out of a genuine fear and ignorance on the part of some, but sponsored, regrettably as well, by carefully crafted public relations exercises conducted by certain sections of the private sector purely for the purposes of increasing their profitability at the expense of public enlightenment pertaining to the purposes and nature of the Value Added Tax.

As a result, Mr. Speaker, where there was once a political consensus relating to the implementation and the structure of the value added tax, as was reflected in the fact that the tax was introduced in this Parliament, it was passed in this Parliament without division, it was passed with the expression of support on all sides, where there was once a political consensus there is now a determination, unfortunately so, on the part of some to embroil this most important initiative, vital to the welfare of this country, in rank political controversy.

I submit to this Parliament, Mr. Speaker, that the value added tax has a history, a history that is well documented. The planning and preparation of the value added tax was started by one administration and is now being implemented by another. The Barbados Labour Party in all of this is not implementing a Value Added Tax for cheap short-term political popularity reasons. There is no cheap short-term political popularity to be gained from introducing this tax neither are we doing what we are doing because we have a desire to be unpopular.

We are doing what we are doing, Sir, as regards giving effect to a comprehensive approach to tax reform because we believe that the value added tax and the restructuring of the indirect tax system of Barbados is in the best interest of this country. We were part of the original consensus that said that a VAT should be brought to Barbados and we will remain adamant in our view that this country at this time needs to have a VAT and the associated reforms to the indirect tax system put in place and managed effectively as part of the development of this society.

Mr. Speaker, I want to make it very clear in this debate. We are not running from our responsibility. We accept fully as a Government the responsibility for agreeing to the introduction of a value added tax in this country and we will live by the consequences of that decision.

For my part, Mr. Speaker, I want to thank members on my side and members of the public who have expressed their unstinting support on what, for me, has been a physically and intellectually challenging exercise. The Ministry of Finance has, over the course of the last 18 months, been inundated by advice from all sections of the Barbados society regarding the structure and content of a VAT. We respect the genuine concerns that have been raised. We have set up a system whereby we collect, collate and analyse all the concerns that have been raised. We recognise that some of the concerns are genuine. We recognise that some of the concerns are in the nature of special pleading designed to enable some unscrupulous businessmen as well to take advantage of any slips we might make. We are wise to those devices but, at the end of the day, the introduction of a complex and comprehensive reform of the indirect tax system is not an easy manoeuvre to undertake.

It has been a difficult exercise, Mr. Speaker. We never anticipated that it would be hassle free but other societies, 66 societies have gone this way. There are 4 other societies in the Caribbean that have a value added tax of 15 per cent similar in structure to that of Barbados and if other societies can do it, Sir, so can we. We fully accept our responsibilities in this matter. We are not afraid to live up to the consequences of the decisions we have made.

We also accept as well the responsibility of managing the implementation of the Value Added Tax and the restructuring of the system of indirect taxes in general in such a way as to successfully accomplish the core purposes for which the reform is being made without working undue or unintended hardships on various sections of the society.

Mr. Speaker, I want to stress that point because it is precisely why these amendments are before this Parliament today. We are determined to carry out the implementa-

tion of the value added tax and the reform of our system of indirect taxes in such a way as to accomplish the core purposes for which the reform has been set in train without, at the same time, doing unintended or undue hardships to various sections of the society.

It simply means, Mr. Speaker, in very simple language, that the Government is going to be sensitive to concerns raised about various aspects of the implementation, and without departing from the core of the policy in relation to the base of the tax, without making frivolous decisions, Mr. Speaker, about changes in the rate, without taking on board the special pleading of groups who should know better, Sir, we will nonetheless from time to time, as circumstances warrant, Mr. Speaker, make such appropriate amendments to this legislation as to any other legislation, to avoid causing or working undue hardship on any sections of the society. That, Mr. Speaker, is why this debate is taking place today. There are some amendments to the value added tax that we brought today, to avoid imposing undue or unintended hardships on any section of the Barbadian society. 12.20 p.m.

Mr. Speaker, Sir, in the interest of public enlightenment, therefore, I welcome the opportunity afforded by the bringing of these amendments to focus the discussions for the benefit of the public on the various essentials pertaining to the value added tax. It is of public interest in Barbados, Sir, of genuine public interest on the part of our people to know more about the tax, to understand its background, and to be able better to determine the issues that are being posed by various commentators to the public at large.

In the course of my presentation, Sir, I will deal with these essentials by refocusing our attention on the background to the VAT. I will address issues that have been raised pertaining to purported differences between the DLP's concept of the VAT and the BLP's concept, and simply explain to the House and for the concerned the nature of the differences. In the rationalisation, I will focus, Mr. Speaker, on some uncertain controversial issues that have been raised, and give the House the benefit of a rationalisation as to why we have made decision in the face of the controversies that exist. I will set the amendments that are before this Parliament in their proper context so that the House can proceed with a decision on these amendments with the full explanation of the Government, particularly the need for them to avoid inducing undue or unintended hardship.

I deal, Sir, with the first issue, the background. Almost every politician speaking on taxation in Barbados, and particularly so the Member for St. Michael South

Central has championed the cause that our society would benefit from lower rates of indirect taxes.

I have heard the argument put with great force and persuasion on all sides that too many investment decisions in this society have been forborne because the old system of indirect taxes so distorted cost conditions in Barbados, that people could not realise reasonable rates of returns on investment, and therefore the indirect tax system was in and of itself a disincentive to investment.

We have, from 1975, seen an incremental approach to changes in the direct taxes of Barbados. The first attempt was an attempt to introduce a general sales tax and that floundered, Mr. Speaker, on the altar...

Asides.

Rt. Hon. O.S. ARTHUR: It floundered on the altar of a lot of considerations, Sir, most of which were not within my knowledge.

In 1980, a determination had to be made as to whether we would have a value added tax for this country or whether it was appropriate to go by way of a consumption tax. The Minister of Finance of the day decided that he would experiment with a consumption tax, starting, I think then at a rate of - I speak subject to correction, Sir - I think it was 5%.

Between 1980 and 1996, what was intended to be a small consumption tax of 2% had risen by 1996 to a consumption tax with the lowest rate of 21%, the highest rate, Sir, of 89%, and in between the two, 25 different rates. We had the most remarkable situation, Sir, where what ought to have been the same commodity, a shower head, was carrying different rates of consumption tax, depending on whether or not it was a low speed shower head or a high speed shower head.

The point I am coming to, Sir, is that the nature of the devolution of our indirect system was such that rather than have a simple tax system easy to administer, Barbados found itself by a process of incremental change with an indirect tax system with many different rates of taxes, very difficult to administer. Precisely, Mr. Speaker, because the rates of taxes were so high, the tendency and desirability of evading taxes became something that was practised widely by a large number of otherwise law-abiding Barbadians.

You have already heard in this House, Mr. Speaker, the point made that a large number of otherwise law-abiding Barbadians, because of the high rates of consumption and other indirect taxes, found it possible to indulge in a suitcase trade with repercussions, Sir, that were not always in the best interest of this economy.

If that was not enough, Mr. Speaker, when the consumption tax was being incrementally increased from 2% to 21%-89%, stamp duties on extra regional imports were also being introduced by various Ministers of Finance to the stage where we had in this country a system of indirect taxes featuring a combination of extraordinarily high rates of stamp duties of 20%, combined with high rates of consumption taxes ranging between 81-89% falling on a very narrow range of goods.

The situation was compounded by the fact that businessmen found themselves having to pay a tax upon a tax as inputs moved through the production and distribution system, without the possibility or opportunity being afforded to them to offset any of the taxes that they paid on their inputs, against the taxes that they paid on their outputs, Mr. Speaker, Sir, contributing to the high cost of doing business in this country. From this very Floor, over and over again, the call has come: "Let us do something to reform this impossible system of indirect taxes that has done so much to drive the economy underground, to permit high levels of tax evasion, and to do so much to distort the making of business decisions in Barbados, and to make Barbados an unattractive place for people to make investments."

Those, Mr. Speaker, are precisely the objectives being sought by the reform of the indirect tax system, to simplify the system, to make it more amenable to economic progress by addressing deep-seated and long-standing concerns arising from the functioning of the old tax system as it pertains to private investment, and to address questions, Mr. Speaker, about ease of administration and the fairness of the rates.

We have all agreed in this House of Assembly, Sir, from time to time, that the best tax system for Barbados would be a tax system in which there were lower rates than those being fetched by the old consumption tax and the old stamp duty. We all know that we had to drop the rate from 20 or 21%, something like that, lower. We all recognise, Mr. Speaker, that the only way in which we can lower the rates and continue to provide the Barbadian public with the range and the quality of public services and goods that we believe to be essential to the quality of life that we enjoy in this country, that the only way in which we could successfully lower the rates would be to broaden the base of tax.

The question arose, "How do you broaden the rate of the tax?" The answer, simply, is, Mr. Speaker, that the old consumption taxes and the old stamp duty fell only upon goods. As you know and as all of Barbados knows, increasingly, services have been featuring as a larger and larger proportion of the economic activity taking place in this country.

As a result, Mr. Speaker, if the tax base was to be broadened, it stands to reason that it has to be broadened, first of all, by expanding the range of goods that were not subject to tax before that should be subject to tax, and also by bringing into the tax net, Sir, many services, some of which were very valuable and also some of which were giving the providers of the services a wonderful income. So that we had to bring a number of services into the tax net. 12.30 p.m.

In every country of the world where the VAT has been used as the basis of tax reform the broadening of the tax base by the bringing into the tax net of services has been a feature of the reform. It should appeal, Mr. Speaker, to the intelligence and commonsense of every Member of this House, that the only way in which we can satisfy ourselves, as all of us want to, is to reduce the tax rate if we are going to bring services not previously taxed into the tax net.

Now, Sir, as I have said this matter has a long history. History would have to record that it was the Member for St. John who in 1992 first by way of memorandum, in his capacity as Minister of State to the then substantive Minister, asked that the introduction of a VAT be put on the agenda of a Cabinet of this country. Arising out of reports that had been prepared by consultants engaged under the auspices of the International Monetary Fund, history will also have to record, Sir, that on September 9, 1993 the Cabinet of the day was presented with representations from the then Minister of Finance regarding the nature of a VAT that would suffice for economic purposes being sought by tax reform. It is a matter of history, Mr. Speaker, that that Cabinet meeting determined some of the essential features of the value added taxation system that has been instituted in Barbados. That is a matter of fact. Among them Sir, is that the VAT should be invoice based and that is standard practice in all VAT legislation, and among them, Mr. Speaker, and this is the core of the point, that all goods and services should be taxed at a single rate except for those explicitly exempted or zero-rated. I think we ought to spend a little time explaining that to the public through this House, Mr. Speaker, because the VAT differs from all other previous forms of indirect taxes in that under the consumption tax the Minister would have to state which goods must bear the tax. But under the VAT the legislation is so drafted that unless the legislation in and of itself excludes a good or service from the payment of the tax, by definition that good or service must pay the tax. Unless it excludes it, it is something that should be taxed and that is the point. So that the legislation that the public is now reading, Sir, would contain in schedules those goods which are zero-rated, those goods which are exempted from the VAT and those supplies that are zero-rated as well, on the

understanding that unless you are excluded from that list as a good or service you are subject to the payment of the VAT. That that decision, Mr. Speaker, is a common feature of all VAT legislation as applied was endorsed by a Cabinet decision on the 9th September, 1993.

In addition the then Cabinet outlined a limited range of goods that would be zero-rated and by zero rated, Mr. Speaker, for the benefit of the House and for the benefit of persons who have been listening to this debate, it simply meant that the person selling the goods does not charge VAT on the goods he sells but if he pays taxes on the inputs used to prepare those goods he can claim the taxes charged on the inputs that he used to prepare the goods against zero tax and hence he gets a refund. So a zero rated good or service, Sir, enjoys a special place in the tax system since a producer of a zero-rated good gets a refund on all input taxes used to produce the good.

By contrast, Sir, where a good is exempt the producer of the good or service does not charge the customers for the good or service but he cannot offset the taxes paid on his inputs against zero tax and hence he has either to absorb the input taxes or find some way to pass it on to the public. That is the essential difference, Mr. Speaker. All VAT legislation sets out which goods are to be zero rated, which goods are to be exempt and as a result we can read into the policy intentions of Government a perception as to what should be the intake of the VAT by reference to the list of goods they feel should be zero-rated and those which should be exempted.

Mr. Speaker, Sir, the burden of my presentation in the first part of this debate will be to substantiate to the benefit of this House that we inherited in the Barbados Labour Party, on assuming office, a situation where clear Cabinet decisions had been taken by DLP Cabinets regarding the structure of the VAT and all of the changes that we have made subsequent to that, Mr. Speaker, have been with a view to lessening the impact of the VAT for the benefit of the economy and for the public of this country.

I will go further, Mr. Speaker. A DLP Cabinet in 1993 determined that only well-defined merchandise exports should be zero rated and I will define them. Duty free shopping should be zero-rated and services provided for the offshore sector should be zero-rated. Those were the only things at the time thought worthy of being zero-rated, and in relation to an exempt status where the producer has to absorb the input taxes or find some way to pass them on without being able to offset them against output taxes, that banking and insurance, lands and used buildings, second hand goods, transportation of passengers by bus, water supplied by the Barbados Water Authority, educational and medical services and non-regular sales to charities should be exempted.

At the time, Mr. Speaker, the DLP Cabinet set a threshold or said they should have set a threshold at which people should register to pay the tax at \$60 000 on the understanding that persons below that threshold, the small business sector, would have to pay a 3% tax on their turnover. That was part of the Cabinet decision of September, 1993 and taken together, given the way in which the zero-rated and exempt goods were defined and a determination to impose a 3% turnover tax on persons who did not register for the VAT it was determined that it was likely that a VAT so structured would yield \$21 million more than the taxes that they were going to replace and there was the consequential decision by the then Cabinet that any such excess of revenue realised by a VAT so structured would be put into social welfare programmes. 12.40 p.m.

I want to stress that point, Mr. Speaker, because a bit of the controversy arising throughout this debate has been how we have dealt with the question of the provision of funds for social welfare programmes. It is very important that we must understand, Sir, that the \$21 million that we have heard bandied about from time to time, of excess revenue over what was being raised by the taxes that were being replaced by the VAT, included provision for the charging of a 3 per cent turnover tax on every small business in this country who did not register for the purposes of paying a VAT. So that the Government was proposing to tax the poor in order to give to the poor. It is as simple as that. By 1994 April, Sir, certain other determinations were made by the then DLP Cabinet but particularly, Mr. Speaker, the determination that the tourism industry would be required to have an exempt status for the purposes of the implementation of the VAT in Barbados.

I go back, Mr. Speaker, to what an exempt status means because a lot of people in Barbados do not understand what it means. When a good or service is exempted, the person supplying the good or service is not allowed to charge a VAT to customers but is required, if he has to pay any taxes on its inputs, to absorb those input taxes or find some other way to pass them on to the consuming public. So the decision for the tourism industry to have an exempt status for the purpose of the VAT would have meant that the hoteliers of Barbados would have had to absorb all of the taxes on their inputs used for the purposes of providing hotel accommodation in this country.

Now we start from a situation, Mr. Speaker, where study after study has illustrated that Barbados has ceased to attract investments of any considerable extent in tourism because rates of returns in Barbados realized from investment in tourism are too low because of the burden of indirect taxes. It would seem to me, Sir, that as a matter of policy if we are going to reform the indirect tax system

you would have to put the hotel industry into a position where any disadvantage that started under the old system would not be exacerbated by further disadvantages imposed upon it by the introduction of a new system. That would seem to me, Mr. Speaker, to be something that is entirely desirable. So that if we knew in advance that Barbados' tourism was struggling by way of an inability to attract new investment because of the high level of taxation, then one of the key matters that was to be addressed by the reform of the tax system was to give it a different status.

Aside.

Rt. Hon. O. S. ARTHUR: I am hearing from the Other Side what about the investment in Westmoreland. That precisely illustrates the point because the Other Side knows the extraordinary agreements and concessions that had to be entered into with entities like Royal Westmoreland to correct what was in fact a matter of fact that if the old tax system had to apply to that investment, Sir, it would have never come to Barbados and that is the point.

I have heard the Member for St. Michael South Central, in particular, time after time in this House speak of the need for us to find a system through the reform of the indirect tax system whereby because of the inability of our productive sectors to be competitive because of having to absorb high and cascading rates of tax, a system to change that status quo should be brought to bear in Barbados. Therefore, Sir, on April 8, 1994 when the Democratic Labour Party of the day was presented with recommendations from the then Minister of Finance to give the hotel accommodation in this country an exempt status, as I have defined it, I feel and my Cabinet has felt that it was making an incorrect decision. I will explain that we have changed that by the new legislation that we have brought to the House.

Now, Mr. Speaker, April 8, 1994 was not the last time that a DLP Cabinet had to deal with the matter pertaining to the VAT. It had a go at it again, Mr. Speaker, at a meeting on June 16, 1994. It recognized that there were a number of matters that had not been settled that needed to be settled and that based upon advice that had been rendered to it on the basis of the study that had been done that some of the judgments that it had made hitherto ought to be changed. It also recognized that there were a number of controversial issues on which it had to take a decision as a Cabinet. I say to this Parliament, Sir, that when a Cabinet makes a decision that it reflects a policy of that administration because the Constitution of this country recognizes the Cabinet as the supreme policy making body of this land.

One of the critical issues that had to be dealt with and was dealt with by the DLP Cabinet on June 16, 1994, a few short months before the election, was the question as

to whether or not food should be subject to a VAT in Barbados and it obviously should be an issue because of a number of reasons. Food has always been subject to indirect taxes in Barbados contrary to what happens in other countries. The public may not be aware but it is a matter of fact that prior to January 1, 1997 anytime the public of this country bought a tin of corned beef from an extra-regional source that tin of corned beef carried a 20 per cent stamp duty and most extra-regional food imports into this country prior to January 1, 1997 carried a 20 per cent stamp duty. So we are one of the countries in the world which has historically maintained a system of indirect taxes on food. The public were paying them but they did not know that they were paying them and hence there was no controversy.

In addition, Mr. Speaker, the VAT is a tax that is designed to fall on consumption and all of the studies that were done indicated that food expenditure represented 40 per cent of household consumption in Barbados, so much so that if you were to exempt or zero-rate foods that you would exclude such a large proportion of the consumption expenditure base of taxes that you would as a consequence have higher rates of taxes on everything that remained.

Now I go back to my original point that we all agreed that one of the problems with the old taxation system in Barbados was that you had too high a rate on a select range of goods and every time you narrow the base against which the taxes apply, Sir, we face the danger of going back to precisely the deficiencies of the old system with a limited range of goods carrying a high rate of taxation. 12.50 p.m.

The Democratic Labour Party in January, 1994 presented a paper by the then Minister of Finance, the Honourable Member for St. John, dealing with the question of whether or not as a matter of policy a tax should be imposed on food. The Minister did not say that as a result of existing and temporary financial difficulties a temporary tax should have been imposed on food or that a tax on food was necessary. The Cabinet Paper of that date spoke in these terms: "a tax on all foods is highly desirable." I want to repeat that, Mr. Speaker. The Member for St. John, on 16th June, 1994, took a Paper to Cabinet to deal with the question as to whether or not a tax should have been imposed on any food, on some food or on all foods, he was prepared to give the Cabinet his advice as to whether it was necessary and temporary and he was clear and categorical, Mr. Speaker, that a tax on all foods was highly desirable.

Mr. Speaker, I am now hearing distinctions being drawn in the ranks of the Democratic Labour Party by persons who are purporting to say they are speaking in their own personal capacities in relation to whether VAT

should go on all foods or not. I speak in particular to the views that have been expressed by the newest Member of this House, the Honourable Member for St. Michael North West. He and he alone enjoys a singular standing in this House, Sir, that he was at the time engaged as an adviser to the Minister of Finance pertaining to matters having to do with the structuring and the implementation of a VAT. I have had the most comprehensive review done of all the records of the Ministry of Finance and he was an adviser, on 16th June, at the time when his Minister of Finance submitted a recommendation to the then Cabinet that all foods should be subject to tax, and there is no reference whatsoever, no memorandum, no report contributed by the then adviser to the Minister of Finance in relation to any zero-rating of food or any separate rate for food. So that the Member for St. Michael North West had the opportunity when he was being paid from public funds to advise a Minister of Finance to represent, if he so determined, an opinion that was contrary to that his Minister so assiduously held. There is no record that he made any such representation, but if he now wants to claim that he made such recommendation, it is obvious that the Minister could only have gone to his Cabinet with the strong recommendation that a tax on all foods was not just necessary but highly desirable. If he had treated the advice of his adviser of the day with contemptuous disregard. I want to use the opportunity from the Floor of this House to say that Barbados can treat the advice now being rendered by the Member for St. Michael North West with the contemptuous disregard that it was so obviously treated by the Minister of the day when the determination of this matter had to be made.

I want to say, Sir, that the analyses that were entered into...

Aside.

Rt. Hon. O. S. ARTHUR: You are not only an economist, you are a political contortionist. The Member for St. Michael North West is going to find I am not going to tangle with him but I am going to tell the truth. He will have to justify to this House how in 1992 he could have said that the VAT is a manufacturer's dream and then by 1995 saying the VAT is going to destroy the manufacturing sector of Barbados. He is an economist by training, but he is a political contortionist by practice.

Mr. Speaker, Sir, I want to deal with the question of food. All of the analyses that have been done drew reference to both the pros and cons of dealing with taxes on food in alternative ways. The argument that we should zero-rate taxes on food has popular appeal and in fact one of the pieces of advice that was rendered to the then Minister was that it was politically stupid for the Government of the day to agree to a VAT on food. Mr.

Speaker, to zero-rate food as a way of giving relief to the poor also has very serious deficiencies in it as a method of giving relief. I will just deal with it graphically in the terms in which it was addressed by a columnist when he said that as a Government we have to recognise that the sun must shine for both the just and the unjust.

Mr. Speaker, the reality is that sunshine is free and unlimited, but the Government's coffers are not thus and as a result it falls to us to find the best way of rationing the resources we have to be able to give effect to the relief in areas in which it will have the most productive and socially useful purposes. We just simply are not rich enough as a society to subsidise the rich in order to give effect to our better determination to try to help the poor. It would seem to me, therefore, Mr. Speaker, that on balance the best way to help the poor is not to give across the board relief on food, such that a man enjoying a T-bone steak and earning \$100 000 a year can say "I am enjoying this duty free T-bone steak because the Government wants to help the poor," but the best way to help the poor is to compute the effect of any price increases that would result from the introduction of the tax and give the poor income that would allow them to have the purchasing power to more than compensate for any adverse effects arising from price increases that were associated with the introduction of the value added tax.

Mr. Speaker, that was the Democratic Labour Party's intended policy, actually, when it determined as far back as 1993 that the best way to deal with relief for the poor was not by across the board zero-rating of items but by passing back to the poor through the social welfare system cash grants so that the genuine poor people would have money in their pockets to protect them from any impact of price increases.

Mr. Speaker, a lot of this controversy in the country at present pertaining to taxation on food is a false controversy. It is false that an Opposition that in June of 1994 had made a Cabinet determination to tax all foods at 15% could now say that they had a different plan in mind. It is also a false issue for us to believe that the best way to help the poor people in this country is to introduce systems that help the rich at the same time and perhaps also end up helping the rich to a far greater extent than helping the poor. The best way to help the poor is to identify who they are, to determine the extent to which they need the help and to bring into existence such systems of cash relief as to enable us to ensure that the relief is going precisely to the people in the society who need the relief, rather than everybody benefiting in an indiscriminate way. Mr. Speaker, I am going to have a lot more to say on this matter but I believe the Leader of the House wants to make an announcement to the House.

1.00p.m.

SUSPENSION

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, I beg to move that this House be suspended until 2 o'clock this afternoon.

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

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

RESUMPTION Mr.

SPEAKER: This sitting is resumed.

Rt. Hon. O. S. ARTHUR: Mr. Speaker, I was in the process of dealing with the issue arising from the decision to allow food to be subject to a value added tax and I would like to extend that discussion with the leave of the House because it is one of the crucial issues engaging public attention on this very important matter.

The facts have to be told that a lot of extra-regional food imports were subject to import taxes that were higher than the VAT and for the sake of completeness a consequence is that while the VAT is going indeed to increase the price of some local foods and certain foods from regional sources it is in large measure going to reduce the price of food coming from extra regional sources, many of which are in the nature of basic goods used regularly by the poorest sections of the population. I have already indicated last year to Parliament that, for example, a tin of corned beef which is a commodity that enjoys a wide consumption among the low income people in society, a tin of corned beef, which used to carry a stamp duty of 20%, is now going to carry a VAT of 15% and by that reason will be cheaper to the consuming public.

The overall point I am making is that we have to be measured in our view of the extent to which the VAT as it is to be applied is going to increase food prices in this country because, on the one hand, it is going to reduce the price of extra-regional food imports many of which, as I said, enjoy wide consumption while it may or may not increase the price of a lot of local food production. I say may or may not, Mr. Speaker, for a very deliberate reason because it has been told that a deliberate decision was made to allow all of the inputs used by the agricultural sector in Barbados, the fertilisers, the insecticides, the seedlings to be purchased by the farming community without the imposition of the tax. That was with a view to keeping the cost of agricultural production down.

Everybody in Barbados producing food will find that they will pay no taxes on their inputs. A large part of the food produced by Barbadians is food produced by people

on a small scale and as you know, Mr. Speaker, the structure of the VAT is that persons with a turnover of less than \$60 000 a year will not be charging the VAT so we are zero-rating the inputs and a lot of hawkers will be selling food produced at zero-rated cost without the imposition of the VAT. All of these things have to be taken into account if the public is to be given a full representation as to the true implication of imposing a VAT in Barbados in circumstances where there were taxes on food before and in circumstances where 2 additional considerations mattered, namely, that the cost of inputs have been zero rated and we have set a threshold below which people will not charge the VAT.

It is part of our culture, Mr. Speaker, that a large part of the agricultural food output in Barbados is sold through that system where persons need not register for the VAT. The public, Sir, should be taking this matter into account.

I want to enlarge this point, Sir. There is a great danger of our seeking to deal with the VAT only from the perspective of its impact on food prices as if that is all there is about the VAT. The reality is that the nature of a value added tax as conceived is that it will bring certain things into the tax net and increase the prices, but for a large number of commodities that were previously subject to very high rates of consumption tax and stamp duties and generally used on a day by day basis by the householders in Barbados the effect of the introduction of a VAT in this country is that the price of a lot of those commodities will go down. The price of toilet paper has already gone down in this country. The price of most health care items that are now subject to combined duties and taxes in excess of 100% will go down. Articles like toothpaste will go down. Hair care products will go down. The price of clothing will go down and these are things that are used on a standard basis day by day by most households in Barbados.

It is also very pertinent that a number of articles that bulk very heavily in the personal investments of the households, namely appliances, electrical appliances, refrigerators and the like will also register price decreases as a result of the introduction of a VAT. The point I am coming to is a simple point that in seeking to determine the effect of the VAT on the household sector we cannot just take into account the percentage increase on certain domestic and regional foods. We must look at the overall balance and take into account the benefits to accrue to households from having their purchases of a wide category of items used in the ordinary household on a daily basis come down substantially as a factor in determining whether the VAT is going to be a good tax or a bad tax.

The analysis that we have done supports the view that on balance the ordinary householder will find itself in a position where when you offset the price increases with the price decreases that they will be better off as a result

of the VAT. We recognise, however, that there is a class of the Barbadian society that is not in the position of the ordinary householder to the extent that they spend a disproportionate amount of their income on food and it is precisely that class that the Government has decided to target by way of increases in cash grants to welfare recipients as well as by way of increases in pensions.

I just want to say to the House, Sir, that the cash grants to those needy persons reflect increases that will allow them to more than offset any damage accruing from the increased price of foods and those recipients still stand to benefit in all other sections of the community from the fact that items other than food will come down substantially.

I am therefore, Sir, appealing for persons to have a balanced perspective of this because that was the intention from the outset that you institute a tax system that you know will cause some prices to increase, others will decrease but the question that arises is what is the overall balance. That is the question the Barbadian public must take account of. Do not just deal with the VAT from the point of view of one item. It affects a whole range of items and the question is on balance how does it affect the individual person. 2.15 p.m.

Sir, I am committed to reviewing, as I said, the situation. I do not want to tinker with the system even as I am setting it up in terms of changes in the rates or changes in the base. I have already given the country the assurance that within 9 months we will look at the revenue outturn. We will not depart from the policy which says that the best way to deal with the needy is to treat them as a targeted group rather than deal with them by way of an across-the-board approach involving changes in the rate or changes in the base. I have already given the country the assurance, Mr. Speaker, that after 9 months we will review the situation and see if additional relief is warranted. All I can say at this stage is that we are now working only on projections. We have to wait until the outturn is in hand before we make a fundamental change in policies.

Another major controversial issue apparently has been the issue of whether we should have allowed refunds of consumption tax on old stock that was on hand when the VAT was introduced on January 1, 1997. This has been an issue, Mr. Speaker, that has been at the centre of controversy in every country where the VAT has been introduced. Analysis after analysis has been done of it for us taking into account the experience of all countries that have gone through the same process, taking into account the experience of the 2 countries in the Caribbean that have had to face the same decision.

It is instructive, Mr. Speaker, that on June 16, 1994, when the Democratic Labour Party had to face the same issue as a point of policy it referred to the experience of Jamaica and Grenada as instructive of the significant revenue losses that could accrue if you were to refund the consumption tax that was payable on old stock. It took the decision, like most countries that have had to face this issue, not to allow a refund. We have agreed with the analysis.

In our judgment, Sir, there are ways in which the business community could have managed their stock to have as limited stock as possible in hand at the point when the VAT was introduced. I was very deliberate in giving the business community a full 6 months to work down stock to a sensible level to mitigate any adverse consequences arising from the fact that the old stock on January 1, would not be allowed a refund on the consumption tax payable on it.

It is also very much to the point, Sir, that bonded warehouses in Barbados are very prevalent. I think there are about 150. Stock put in the bonded warehouses before the introduction of the VAT and taken out immediately after the VAT would be subject only to the VAT. The use of that was recognised as one of the ways by which we could mitigate the consequences.

I want to tell the House, Mr. Speaker, that so concerned were we about this particular matter that we allowed the business community of Barbados to put into the bonded warehouses commodities that would ordinarily not be subject to bonded warehouse treatment such as a lot of materials used in the building industry, tiles, plywood and a lot of things with the result that the use of this bonded warehouse facility throughout the private sector has put the country in a position where the transition period from one old stock to the use of new stock has been shorter, were not the facility in wide use.

I believe you will find there are a large number of Barbadian businesses that are even now within the first 2 weeks of the introduction of the VAT in a position to announce to the consuming public that the prices of a large number of commodities are coming down precisely because of the use of the bonded warehouse facility. It is particularly true, for example, in the case of building materials because the public has to be made to understand that under a VAT the cost of building a house or repairing a home is going to be less than the cost under the system of taxation that the VAT is replacing. We have gone the extra length to allow that benefit to be conferred on the public by allowing items to be put into bonded warehouses that would ordinarily not be in bonded warehouses.

I must stress the point, however, Mr. Speaker, that there is no reason why the country should be divided on false issues where this matter is concerned because

the Democratic Labour Party Cabinet saw the same analyses we saw regarding the likely disastrous effects on revenue of refunding all the consumption tax paid on old stock, all the possible loopholes that could arise if you were to decide to allow refunds because people would then find ways of beating the tax system by the definition of old stock. They took a decision that they were not going to allow refunds on old stock. We have also taken the same decision, faced with the same analysis, faced with the same situation, yet some people would want to use it as a way of dividing the nation on this issue.

I speak in terms of the Democratic Labour Party broadly, Sir, because this is a view that is coming from the NDP section of the Democratic Labour Party moreso than the Democratic Labour Party itself. There has been a merger, as you know, Sir, and many different people are speaking now on behalf of the merged party. The critical criticism that has come from the NDP faction of the Democratic Labour Party has been that we should have refunded the consumption tax on old stock. I do not know why the spokesmen of the Democratic Labour Party itself do not really chastise its NDP faction by telling them that is not the Democratic Labour Party's policy and if they want to join the Democratic Labour Party they should at least know what the DLP policy is and stop trying to create a further faction in the Democratic Labour Party.

Mr. Speaker, the fact is that these are temporary problems. It allows me to refer to a critical aspect of the machinery for the carrying out of a VAT in Barbados which the public must be made aware of and must be prepared to use. I do not believe that we should be filled with a system of taxation that is intended to be of indefinite duration and of benefit to the country merely to accommodate problems that are of a temporary nature. The problems pertaining to the lack of refunds on old stock is obviously a temporary problem. It will evaporate once the old stock has been worked down. 2.25 p.m.

I really must stress for the benefit of those persons who want to use the machinery, that the Value Added Tax Act provides for the establishment of an Appeals Tribunal, which is not only authorised under section 76 to deal with matters arising from assessments by the Comptroller of Customs when those are in dispute, but also, under section 60, is authorised to examine cases where applications are warranted for refunds and remissions of the taxes, where it can be established that the circumstances of the case warrant for a refund or a remission on the understanding, Sir, that the tribunal will evaluate the situation, determine whether there is a hardship, make a recommendation to the Minister, and I want to stress this point now, Sir. I have removed from the draft legislation the powers of the

Minister of Finance to independently waive the Value Added Tax. If the Minister agrees that a refund or a remission is desirable, the Minister has to publish it in the *Official Gazette*. He also has to bring that to Parliament, Sir, by way of an Order which is not just subject to a negative Resolution as some Orders are, but has to be by way of affirmative Resolution, meaning that if, Sir, somebody wants to get a refund, he has to make it known to the entire Barbadian public by way of the *Official Gazette*. I have to bring it to this Parliament, and I have to seek the leave and the authority of the Parliament to grant the relief. So anybody who has a problem arising from temporary issues pertaining to the VAT, the refund on old stock, can apply for the relief, and if it is granted to one, it will be made known to all and they can make a similar request.

We must not, Sir, tinker with the system in order to accommodate problems that are of a temporary nature. The same argument can be applied to the hoteliers who are alleging that they entered contracts 6 months ago, although they had enough time to vary the contracts, Sir. If they entered contracts and they cannot vary them, and if there is a temporary problem on the existing contracts that they hold, if there is a case of hardship, apply for relief but do not expect us to change the rate, the structure, nor the base of a tax to deal with a problem where there is a recourse in law for that problem to be otherwise dealt with.

Now, Sir, I can therefore sum up that part of the analysis for the benefit of the House. No matter which of the 2 major parties was in office, Sir, there would be Value Added Tax on food, Value Added Tax on electricity, Value Added Tax, Mr. Speaker, on telephones. There would have been a determination not to allow relief on old stock, and the status of the transportation sector would be the same. All across the world where the VAT is applied, Mr. Speaker, nobody allows a VAT to be charged on public transportation. In Barbados there was a decision taken, on all sides, not to charge, for the very good reason, Sir, of how would you get it collected. How would you conceive a tax system that would allow you the collection of a value added tax by people using the mini-buses of Barbados, Sir?

Our taxis, their business is such that during the course of a day a large number of transactions are made that cannot be traced. So that the treatment of all those various sectors is similar. There is a similarity of treatment of water as between the BLP and the Democratic Labour Party. There is a similarity in relation to the financial sector, in relation to the treatment of the educational sector, in relation to the treatment of the medical sector, Sir. There is a similarity in relation to the treatment of manufacturing, and there is a similarity in relation to the treatment of agriculture. When the decision had to be made, all sides say in the same analysis, Sir, "Let us do relatively similar things."

The critical difference, Mr. Speaker, has been in relation to tourism. If the House wants to discuss this matter, Sir, let us do so from the point of view of informed analyses. It is our policy position that the tourism sector of Barbados has languished over the course of the last 20 years, 10 years for sure. It has languished from the point of view of there not being an expansion of the hotel capacity of any substantial nature because the operating costs were too high, because indirect taxes have been too high.

We took a point of view, as I said earlier, that if we were to have meaningful tax reform in Barbados, to the extent that tourism has by far become the centre of the Barbados economy, not only as the largest direct employer, but as its performance affects the capacity of the economy indirectly from an employment point of view, there would have to be some element of tax relief built into the process of tax reform.

Now the Member for St. Michael North West put the case that the best possible status for tourism would have been a zero-rated status. He said as much, that the best possible was a zero rated status. A zero rated status for tourism, Mr. Speaker, would simply mean that, not only would they get a refund on all of their input taxes, but that the potential for abuse would be so enormous that it would run a horse and carriage through the tax system of Barbados.

No Government of Barbados, therefore, could feasibly allow a zero rated status to the hotel or tourism industry in general. Tourism hotel accommodation carries VAT in all the countries of the world where the VAT is used as a form of indirect taxes. It is also true, Sir, that it is the common practice, as you must know, that hotel accommodation itself in most countries carries a lower rate of tax than the other transactions and operations in the hotel and tourism industry in general.

We took a decision as well not to zero rate the sector. We could not agree with the DLP's policy decision to have the hotel accommodation accorded an exempt status, because our calculation showed that it would have worked a hardship on the sector in so far as it would have forced the sector to absorb, or find some way of passing off by its own devices, some \$35 million in input taxes.

We took cognisance of the fact that there was representation from the industry and that they argued, for example, for a 5% rate. We did not feel that we could have been as generous as that, but that we would settle at a special rate for tourism hotel accommodation at 7V₂% which we think meets the public interest, while enabling the private interest to be promoted.

Now, Mr. Speaker, Sir, I believe that is to be preferred to the proposed exempt status that was being recommended by the Democratic Labour Party. It is our policy position. If they want to hold their party position, Sir, so be it, but I would say only this, that it is a policy position that the Democratic Labour Party held despite recommendations from every source from which advice was rendered. That is the essential point, Sir. Every piece of advice rendered to the Democratic Labour Party in relation to the structuring of the VAT argued against giving the hotel accommodation exempt status as proposed.

Sir, we took a decision on it based upon policy. I believe also that the pragmatics of the situation were strongly in support of our departing from an exempt status for tourism, as had previously been proposed, and we are prepared, Sir, to stand by the decision that we have made.

The consequence, therefore, of our treating the hotel industry in that way is that our calculations indicate, Mr. Speaker, that if we had allowed hotel accommodation to be exempted, the VAT at 15%, with hotel accommodation exempt, would have yielded virtually the same revenue as the taxes it is replacing. If we allow 7V₂%, Sir, the VAT together with excise tax would bring in less revenue. Those are our calculations.

I would point out to the House at this time, Mr. Speaker, that there are projections. Built into those projections are assumptions about compliance and substitution. Once you are talking about price changes, you are talking about substitution. Assumptions about compliance have been built into the projection for food based upon how we think the small sector of Barbados will respond, and so on and so forth. At this stage, Sir, there are projections.

I am aware, Sir, that there is a body of opinion that says that the VAT is going to bring far more revenue than we are projecting. On this, Sir, there is a very important story to be told. The burden of taxation in this country has fallen disproportionately on persons who are captives of the payroll, persons who earn a wage or salary that is defined, or persons who have been selling goods on the basis of well-defined market arrangements so that their sales can be properly audited and their liability to tax traced. 2.35 p.m.

There is a large cross-section of the Barbadian society, particularly among the self-employed and the professional classes where large revenues are earned, large incomes are realised but the liability of those persons' taxes is very low because of difficulty in estimating their real income and their real revenue. VAT, Sir, is going to bring into the tax net a lot of services that were not hitherto taxable and, by leaving a paper trail because of its invoice base, it is going to allow a better trail to be left of the

real income being earned by a large number of entities in Barbados who have hitherto not been liable to tax. If one of the results of that, Mr. Speaker, is that persons who have not been carrying their fair share of the burden, Sir, are now brought into the net and made to carry their fair share of the burden and if the revenue is far in excess of what we anticipate the revenue to be, Sir, the House has my assurance that I will go back to the overall system of taxes and make appropriate adjustments in due course in the balance between direct and indirect taxes. If we can get more people who are professionals to carry a greater share of the burden by registering for the VAT, Sir, and the VAT also leads to an increase in the income tax because their income can be better calculated, I give the House the assurance that if these things are realised by 18 months or thereabouts we will be looking at the income tax again with a view to making appropriate adjustments. But let us get the system in place first.

Mr. Speaker, I want to use the occasion of this debate in this Parliament to urge persons who really ought to register for the VAT to register. I am not in a position, obviously Mr. Speaker, to go into details about any individual cases and I will not do so but I have a responsibility to cite the fact that the VAT office has had difficulties with certain professional groups who should be charging VAT for their services either reporting realistic estimates of their gross turnover or registering at all and I am not going to single out the group, Sir. They know whom they are but they are historically the groups in Barbados that have not paid a lot of income tax. A lot of the hysteria that is being generated in this country is by people who do not want to register for VAT because they do not want to leave the invoice trail and the paper trail that would enable their incomes to be better estimated and put in a position to carry a fair share of the burden of taxes than they are carrying now, Sir. The policemen, the school teachers, the civil servants, the sanitation workers, Sir, all the workers employed on a salaried basis in Bridgetown and elsewhere are carrying the burden of taxes and it is not fair that there are those who are better off, earning large salaries, enjoying our public services and want to enjoy improvements in those public services who are not carrying their fair share and are willing at the same time to create hysteria about a system that would put them in a position where they have to be more responsible in the burden that they carry. The VAT, Sir, in our judgement will lead to a fairer system of taxes by bringing people into the net who are not now in the net and it will allow us to be able to share the burden better across all Barbados. That is one of the reasons why we have found VAT to be as appealing as others have found it, because it is a fairer system of taxes.

Those who would want Barbados to continue in a situation where persons on the payroll struggle to pay their taxes to be able to provide public services both for

themselves and others who do not contribute, those who want that system to continue should say so but it is not fair and despite the criticism, despite the hysteria of those who are now instigating public controversy about their new liability to taxes, we will press on because we believe that what we are doing is correct.

Now, Mr. Speaker, I must address directly some of the issues that have been raised by the Opposition because it is a fact, Sir, that we allowed Barbados in general a long period of deliberation on the draft legislation and we have given the public sector and the society at large a long period to get to know what the new VAT was going to be about and to benefit from public education sessions to outline what it purports to introduce.

The draft legislation that was put out by us in 1995 was based largely on the Cabinet decisions that had preceded and reflected in large part the decisions taken in 1994. We wanted to get public reactions to them as well as conduct our own review in the interval that the public was making their representations. A large number of changes have been introduced by the Barbados Labour Party administration to be draft legislation that has been put out to the public. As you might notice, Sir, based upon public input but based also upon policy decision of the Barbados Labour Party, I have said that one of the major decisions that we made was for the proposed status for the hotel accommodation *vis-d-vis* what was proposed by the Democratic Labour Party. But it is also true, Mr. Speaker, that we took decisions subsequent to the draft legislation going before the public of 1995 to, for example, zero-rate crude oil and also to zero-rate the inputs used by B ARTEL, BET because they were covered by existing contracts, also Barbados Light and Power because in the circumstances we knew that we were introducing a new tax on utilities. It seemed to us that we had to find a way of keeping the inputs used by those utilities as low as possible and hence you would notice, Sir, that there is a difference between the draft VAT legislation that was before the public for a year and what the House passed last year August by the fact that we changed the status in tourism and we made important changes to the status of Barbados Light and Power, B ARTEL and others with a view to their being able to keep the cost of the production of utilities down for the benefit of consumers and for the benefit of the productive sectors in general.

Other recommendations were made that were also taken into account. For example we introduced into legislation proposals dealing with second hand vehicles, we took into account recommendations from the Offshore Sector, the Bar Association and the like. Mr. Speaker, subsequent to the legislation passing the House there has been continued representation by various groups to the Ministry of Finance indicating instances where the legislation itself could still benefit from improvements

and I just want to say for the benefit of those who might be confused by the antics of the Opposition that it is not unusual for legislation to be amended by the House when it is brought to the House. This has happened in a large number of instances. 2.45 p.m.

Aside.

Rt. Hon. O. S. ARTHUR: I was about to tell the Member for St. Michael South Central that he brought down in his first Estimates an Appendix sheet that nobody else on his side was aware of and he brought down to this House in his first and only Budget a list of consumption taxes on foods like macaroni, chicken backs, beans and so on that we had to go through and we changed that on the Floor of this House. Now the point that I am coming to is simply this, Sir. Last year when the House met VAT legislation was passed virtually without amendment, but we have had representations indicating where simple amendments would tighten up the Act, give a higher level of clarity and specificity and I will explain some of those. We have had amendments that were proposed to us to remove from the Act as stated clauses that if they were left in the Act would cause undue hardship and unintended hardship as well. For example, Mr. Speaker, it was intended by the legislation to zero-rate the offshore financial sector and the amendments that are being brought to the House are now to define the list of activities and services in the offshore sector for 'the purpose of the Schedule so as to encompass all of the offshore sector. It is not Government's policy to impose the tax for example on lunches served at school canteens. But the legislation as drafted, if left unamended would have caused that to be a reality. We are therefore introducing amendments that would ensure that schools can serve meals without having to charge a VAT. Initially, Mr. Speaker, service charges paid to persons operating in the hotel industry would have been subject to VAT. We have accepted representation that that is really income accruing to the workers and that we should allow service charges to be free of VAT, and the Members of the House will see that that is one of the amendments being undertaken.

We have also received representation from the persons in the entertainment industry that the Act as passed by Parliament would cause hardship in so far as it would require promoters of public entertainment, defined broadly, to make a deposit 44 hours before the carrying out of public entertainment of an amount equal to 15 per cent of the selling price of the tickets printed. We have accepted that that will work a hardship and what we have done therefore is that we have limited the persons to be regarded as promoters of entertainment so as to exclude charities and other non-profit organizations and we have also dropped the 15 per cent to 5 per cent. I am even hearing some Members of my back bench who may feel that we should

drop it to one per cent. But the point is that there are persons in Barbados who promote shows and earn income from shows but have historically not paid the taxes because there was no system of being able to collect from them in advance a proportion of what should have been paid. That has been a loophole that has been routinely abused and we need to address the fact of tax evasion without creating a hardship and the amendment being proposed will deal with that particular issue.

Section 48 of the original Act is also being amended to deal with a specific issue that needs to be addressed. As you know, Mr. Speaker, persons leasing ordinary dwelling houses should not charge a VAT on rent but people who are involved in leasing commercial property are subject to VAT. People for example who refurbish commercial properties are subject to the VAT. What section 48 initially did was that it disallowed persons who are leasing commercial properties from being able to claim the input taxes on the inputs used in the building of those commercial properties. We are satisfied that will work a hardship and we are therefore making the appropriate amendment to allow input tax incurred during the construction, the alteration or the renovation of the building to be claimed against the output tax. This is also intended to help the tourism industry since a lot of renovations go into tourism and it would create undue pressure on the persons involved in the industry if they were not allowed to claim an input tax against the expenses incurred in the construction or the alteration.

Of course, Mr. Speaker, in order to control speculation in the industry, the Act also includes a drawback provision in case the building is sold or leased for 25 years or more or within 10 years of the construction, renovation or the repairs. I am focusing on section 28 because it is one of the most substantial amendments. The amendment also provides for registrants to benefit by not having to apportion tax for input tax purposes if the only type of exempt supplies made for the period are of a financial nature. The House will understand, of course, that we are not treating financial transactions that are being subject to tax.

One of the major amendments to the legislation is the addition of a section 112 which states that the VAT binds the Crown. That simply means in very straight forward English that Government Departments should have to pay the VAT on the purchases and also charge the VAT where there is a commercial transaction being involved. It binds the Crown in that sense, Sir. That was always the intention of our policy.

The new amendments also provide the Comptroller with the authority to be able to make assessment in circumstances where people deliberately register late and that obviously is necessary for us to remove any potential attractiveness of people who should be registered for

the VAT not to register for the VAT. It also for equity and balance makes provision for interest where there are instances where the Comptroller has to make refunds for interest to be charged on the refunds and for each month after the assessment. These things are being dealt with from the point of view of making the Act fairer and easier to administer. There is also a section, Mr. Speaker, dealing with the supply of sugar cane. We do not believe that the supply of sugar cane should be subject to a VAT and sugar cane is being zero-rated. We are also amending the legislation to allow the supply of international cruises to be zero-rated. 2.55 p.m.

The travel trade has made it very clear, Sir, that such tours always originate outside of Barbados and that we would be unable to monitor them in any event and they will be building that into the legislation.

As I said, Sir, we are amending the Schedule for zero-rates to make sure that all specified services to the international financial sector which ordinarily form the largest percentage of the tax that would be paid to this sector are zero-rated and there are two additional amendments, one having to do with the treatment of entities benefiting from the Hotel Aids Act and the other benefiting from the provision of duty free concessions for refurbishing. Amendments circulated to Parliament would allow enterprises benefiting from the Hotel Aids Act to continue to be able to have duty free access to their imports and as well for those enterprises that are refurbishing hotel accommodation to be able, as they would have under the old system, to continue to enjoy that status. It is therefore obviously not Government's intention to disadvantage any sector of the society.

I want to say, Mr. Speaker, that while we have obviously demonstrated our willingness to remove from the legislation documented situations where existing clauses would work a hardship or lead to a policy that is not the intended policy, it is not Government's intention to undertake drastic changes that would lead at present to changes in the way in which the base of the tax is defined or to changes in the rates. The Ministry of Finance is still being bombarded with a large number of representations for persons who would wish to have a zero-rated status. Many people who wish this status are hoping that a form of financial Lotto will obtain and that some remarkable decision will be taken to allow them to be able to reap a harvest. We are not going to yield to the pressure from special interest groups that we must go back and fundamentally change the rate or the base of the tax beyond those areas where there has been a determination as to exemptions and zero-rating. We have taken a decision that we are zero-rating agricultural inputs, that we are zero-rating the offshore sector, that in instances where the

Government has contractual obligations, companies under fiscal incentives, companies under 807 operations, that we will allow those zero-rated to continue. We are also allowing the special concessions to education and to the health sector.

I want, Sir, to speak in relation to the education sector, since this is an area where controversy has arisen. As it presently stands, approved educational institutions are given a zero-rated status in regard to the cost incurred in their operations. This is true at the primary, secondary and tertiary levels. They will not have to pay input taxes on the commodities they are using. In the case of books used by the students, we have taken a decision to exempt persons at the primary and secondary levels from the payment of VAT on books on a list approved by the Ministry of Education. I have required the Minister of Education to adopt a wide and handsome approach to the items that can be included on that list. Obviously, a colouring book that can only be used for a child at pre-school age must qualify. I also feel they should treat books used by students at the Polytechnic and the Community College as qualifying, but there are a large number of books that are used at the tertiary level that would be used not only by tertiary students but by the society in general where there is no determination to allow zero-rating. Again, the best approach would be that if students have a hardship the Ministry already has a system where it administers a grant and it can increase the grant to persons experiencing hardship. We also have the situation of student loans, but a policy of zero-rating on books to be used at the tertiary level would mean that a person, like myself, who buys books that are used by university students would benefit more than the typical university student. We must not so define systems intending to benefit one group so as to result in benefiting groups who can afford to pay. If we were to zero-rate books used by law students as well, lawyers who ought to be in a position can also purchase those books. Therefore, in every instance I am saying where we want to help a group let us target the group and provide a cash grant to them equivalent to or in excess of the hardship they are experiencing rather than putting in systems that can only serve to benefit a wide cross section of the public, and unnecessarily so.

Mr. Speaker, I made the point earlier that this reform process in which we are involved is not without its political risks. No politician likes to be unpopular. We are very mindful of the very weighty decisions we are taking as an administration. No politician likes to have the public quarrelling about decisions they take and it is even less happy when a political party is carrying out a policy which was initiated by another political party and there is the public perception that the party which initiated it now wants to appear as if it is dissociating itself from the policy itself. We have in this matter to deal with the public perception, because there are members of the Democratic

Labour Party who are saying just enough to create the preception that they are supporting the tax but they are equally saying just enough to create the perception that they are opposed to the tax. If it works out well, then they can say they were always in support of it, if it does not work out well they can always say they were never in support of it. That is the politics that is being played in this particular matter.

We also have persons speaking on behalf of the Opposition who are saying that despite what their party is saying this is their personal position. I am speaking now directly about the Member for St. Michael North West. Despite the fact that they had the opportunity when they were paid to do so to render the advice they are now rendering gratuitously but did not render on that occasion, there is a perception that the Democratic Labour Party is not in support of the VAT and the arguments that are being advanced are spurious. The argument that is being advanced by the Leader of the Opposition is that the revenue situation is now different and that because it is now different their approach to the implementation of the VAT would have been different. Positions were taken as a matter of policy. The decision by a DLP Cabinet to treat VAT as something that should be imposed on food was not constrained by a Cabinet comment that this was only going to be a temporary measure based upon the finances of the day. It was based on a clear position of policy and principle that (a) the taxation on food is highly desirable, and (b) if you want to help people to repair any damage suffered from increased food prices, the way to do so was not to zero-rate food or to have a special rate for food, but to pass it back through the social welfare system. That is a matter of policy. That has nothing to do with the state of revenues, and therefore the public discussion is being polluted by people who really support the VAT but want to hedge their bets on it in the belief ...so they are being told by the NDP, that parties that introduce VAT always lose elections. 3.05 p.m.

The legislation that we have introduced into this Parliament was legislation that has been under preparation for some time. Like all legislation it is the manufacture of man subject to all the imperfections of man and the frailty of man. It would be a foolish government which would not have from time to time to agree that legislation has got to be amended. I made a public commitment that I was not going to introduce the VAT until I was satisfied that all of the major concerns pertaining to it had been addressed.

The major concerns as far as I was concerned were the treatment of the tourism industry and the issues that I have today dealt with in Parliament. I am satisfied that those major concerns have been addressed, that we have a system of indirect taxes that suffices to meet the purposes of allowing us to have a system of taxation that has a low

rate, a broad base, is simple to administer, that will be to the net benefit of the consumers, that will be to the net benefit of the productive sectors of this country; and it is because we have the confidence that what we are doing is right, that I now have the pleasure, Sir, to commend these amendments to Parliament. I thank you.

Sir, I would like to move that the Bill as laid be withdrawn and the substitute Bill which has been circulated containing Clauses 1 to 30 be read the second time.

Mr. SPEAKER: If there is no objection, so be it.

The Honourable Member for St. John has unlimited time. The Honourable Member for St. John has equal television time as the former speaker.

Mr. D. J. H. THOMPSON: Mr. Speaker, I thank you very much for those words of assistance but I regret very much to inform you that I need neither. That they are being provided is of no comfort to the Opposition in this particular debate.

Let me begin by saying that I am going to reduce our non-participation in this exercise to saying very few words in this debate. The first point I want to make is that about 4 weeks ago this Opposition sought the opportunity to have the very issues which the public has raised since January 1, 1997 debated before the public and fully discussed before the implementation of the Value Added Tax. Permission for that, based on the rights which Your Honour claims, and rightly so, was refused.

Now, Mr. Speaker, Sir, nothing that has been said in here today by the Honourable Member for St. Peter will ease the pain which Barbadian consumers are facing. There has been no new concession that is going to benefit anybody in Barbados as a result of this debate. The Prime Minister has made it quite clear to Barbados that he is determined, adamant and satisfied. He is not changing anything at this stage. On the one hand, he is on the call-in programme saying he takes full responsibility for the introduction of the VAT and, on the other hand, today he sounds like a man who has either just committed a crime or is about to commit one and is searching around for an accomplice. It sounds like an unsworn statement from the dock only waiting for a plea of mitigation from one of his colleagues on that side who, no doubt, will do it admirably.

Mr. Speaker, Sir, none of that impresses us. None of it impresses the people of Barbados. The opportunity to address the concerns of the people was lost 4 weeks ago. There is nothing new that the Rt. Honourable Member for St. Peter is adding to this debate and to this exercise. We will debate the VAT, Mr. Speaker, Sir, but we will not be debating it here in this Chamber today. We will be taking it to the people and seeking to deal with their concerns

in the way in which we know best, on the streets, trying to assist them with the problems which they face in Barbados. Thank you very much, Mr. Speaker, Sir.

Mr. SPEAKER: Order, please! The Honourable Member for St. Michael South Central.

Dr. R. C. HAYNES: Mr. Speaker, I have listened to the Rt. Honourable Member for St. Peter for roughly 3 hours in which he said nothing new and in which he made no attempt to apologise for the mess that he has inflicted on the country nor for the mess he has inflicted on Parliament itself where we are today addressing 28 amendments to a Bill that was only passed 90 or so days ago in this Honourable House. As a matter of fact, even as I came here today there have been further changes to the amendments that were circulated for debate today. That is the measure of the confusion in the Government's mind and there is clearly considerable confusion throughout the country.

There are one or two areas which I must address because underlying the entire speech of the Rt. Honourable Member for St. Peter there is a serious matter of responsibility which has been raised. I want the people...

Mr. H. deB. FORDE: Mr. Speaker, I want to get it clear. The Honourable Member in his speech has said that the principal Bill was passed 90 days or so ago. It was passed in the month of August and it is not unusual to have amendments to Bills, particularly if they are going to assist in the implementation.

Dr. R. C. HAYNES: One hundred and twenty days then. More than one amendment for every day if you want me to say that. Even today another amendment. I am saying that that is an indication of incompetence and confusion on the part of the Government and that that is the fundamental problem relating to the confusion in the country. More than one amendment for every day since the substantive Act was passed and as I understand it even more than one for today.

Sir, the point that I wish to make is this. Ninety percent of the speech made by the Rt. Honourable Member for St. Peter, the Prime Minister and Minister of Finance of this country, centred on the issue of responsibility and I wish for all Barbadians to understand clearly that we live in a democratic society under a Constitution which functions in a manner where no government can take a decision that binds any other future government.

Indeed, Mr. Speaker, no parliament, even this Parliament itself, cannot take a decision binding any future parliament. This is at the root of democracy because by that fundamental understanding the people of Barbados

derive the power and authority to change directions in policy and to determine their destiny. You either have a democracy in which the Government of the day assumes responsibility for its actions or we have some kind of banana republic or some kind of oligarchical structure where Government after Government can function without reference to the people of Barbados. All this nonsense about what a previous Government discussed, what a previous Government planned, what a previous Government had in mind, all that is totally and completely irrelevant and that is the whole issue of responsibility at ministerial level and responsibility of a Government. This is important, Sir. 3.15 p.m.

It is my clear recollection, for example, that the Democratic Labour Party introduced a sales tax in this country in the 1970s. It is my clear recollection that the Barbados Labour Party made that an issue in an election. It is my clear recollection that even before Parliament was convened the Barbados Labour Party, quite rightly, since they made it an election issue, the people voted against the sales tax and abolished it at a public meeting in Kensington Oval. That is my recollection of the sales tax.

The point I am making, Mr. Speaker, is this, that nothing the Democratic Labour Party may have said, may have done, may have planned, even if the Democratic Labour Party had come to Parliament and passed legislation, this Government is empowered to change all that. I am not dealing with this matter on any basis of the responsibility of other people. The responsibility is a responsibility of the present Minister of Finance, the responsibility of the present Government. They are the people who have cast this burden on the shoulders of the poor people of Barbados. Make no mistake about it, those are the persons responsible and I will be dealing with this at that kind of level and at no other level.

I go further and say this. I know it is a precondition of an IDB loan to bring in the VAT. I know that. But they have said they are not bound by any of those preconditions. I wish to accept their word and if I accept their word in good faith in this Honourable House then I must come to the inescapable conclusion that the Barbados Labour Party is responsible, must be held responsible, solely, completely, *in toto* without sharing responsibility with anybody for what has taken place in this country in relation to a VAT and the injury it is doing to the masses of people of this country.

Let the record be straight. From the point of view of our Constitution, from the point of view of the operations of Government in a democratic state in Barbados, only

one party holds responsibility for the VAT and that is the Barbados Labour Party. Even now today the Minister of Finance can walk in this country and say that he will abolish the VAT. He can do that right now and that is the end of the VAT. He can walk in here and do that right now, this moment. He can do that. He can make a statement and he has the authority as Minister of Finance to say that he is not collecting any money from tomorrow under the VAT. He can do that right here, right now, so make no mistake about it. This is a responsibility of the Barbados Labour Party and it is very dangerous to be telling the people of Barbados that they can do no better but bring in the VAT because some other party in the past had worked on it. That is telling the people of Barbados that they are powerless.

Mr. H. deB. FORDE: The Honourable Member again is misleading the House in a statement made by another Honourable Member. I have a note here. The Prime Minister quite clearly said that he accepts the responsibility, he will live by it, is determined to carry out reforms and is sensitive to those reforms.

The Honourable Member is deliberately misrepresenting the speech of the Honourable Prime Minister in the way he has spoken. The only party I have known to have run away from the concept of collective responsibility is when the Democratic Labour Party dumped the Honourable Member for St. Michael South Central.

Mr. SPEAKER: Okay. You have made your point of order, please.

Dr. R. C. HAYNES: The Prime Minister uses those words but spends over two hours saying the opposite by trying to dilute responsibility for his actions. The point I am making is it is very important that the people of Barbados understand that when they go to the polls they can change things in Barbados. They are in control of their destiny and they must not accept any argument by anyone to say that if they elect a Government that Government is bound by what a previous Government did. It is certainly, completely untrue and contrary to the democratic principles of this country.

Sir, the Honourable Member for St. Peter also sought to link me with the VAT. He referred to my contribution in this Honourable House when the substantive VAT Act was debated.

Mr. Speaker, I have asked the Clerk at the Table to obtain a copy of the speech I made on that day which is part of Hansard and I wish to read what I said so that the public of Barbados will understand that I remain totally, unpolluted and unstained in any way by that situation. Mr. Speaker, I said:

"Mr. Deputy Speaker, this rather large Bill which we have before us today represents a piece of legislation which is going to affect the lives of every single Barbadian. It is my duty that when netted out the majority of Barbadians would be adversely affected by this particular piece of legislation no matter what the Honourable Member for St. Peter says. What he is carefully avoiding is to let the public of Barbados know that whereas there are some goods in Barbados which would attract a lower level of taxation, at the same time and for the first time in Barbados there is a very wide range of services which people require, often in an obligatory manner from day to day, and which for the first time taxation will be payable. So when you take the global effect of the taxation on goods and services, I have serious doubts whether or not the tax at the present level will result in a reduction in indirect taxes.

Now, Sir, I wish to make it clear where I stand philosophically on the issue of taxation. I have taken this position throughout my entire public life and I have no intention of reneging on that position. I believe that it is important to maintain a relatively low level of taxation in any society if we are going to achieve the maximum benefits for all the people and achieve appropriate levels of economic growth.

I also believe that there is a strong case to promote the indirect tax component of taxation. I have no problem with that. I also believe that within that context the regressivity inherent in indirect taxes could be minimized or reduced to some extent.

I am disappointed, quite frankly, and I hope we will have amendments to this particular piece of legislation in the not too distant future where there would be exclusion, exemption and zero-ratings in relation to areas of taxation which affect the poorest in our society.

That is my philosophical position. Yours might be different. I will develop this matter later."

Mr. Speaker, I went on to criticise the impact of this VAT on the lives of poor people. I dealt with the whole question of the impact on the prices of food. I dealt with the whole question of the increase in cost of electricity to poor people. I dealt with the whole issue of the question of whether or not there should be a reduction in the telephone rates - all these matters, we have pleaded with him, we have urged him not to do it, we have begged him not to do it, our words have fallen on deaf ears, and therefore we have taken the other route. 3.25 p.m.

This is the kind of contribution that I made during that debate. I was not here during the vote but there is not a single person who could have listened to what I said that can come to the conclusion that I was supportive of the VAT Bill as brought to this House. So I wish to make it clear and I want to set the record straight that I am not supportive of what the Honourable Prime Minister has done or what the Barbados Labour Party has done because I believe that an indirect tax regime could have been brought in this country in such a way that the burden on the poor would be minimized, whilst we accept that there is always some slight bias in terms of, it would produce some difficulty for poor people in respect of the indirect tax system.

Now, Sir, do you know why I find it particularly obnoxious? This is what the people of Barbados must understand, that the way this VAT Act and the amendments to it as debated today has been constructed, it takes the total burden of indirect taxation off big businesses in this country and puts it on the middle class and the poor people in Barbados predominantly. This is a fact. Whatever the problems were with the consumption taxes and the stamp duties which were in place before, at least, businessmen carried part of the burden. Have you heard a single businessman complain about this Act? You have heard them promoting it. You hear some small businesses complaining because small businesses are going to get hurt in various ways. There is no place in this society that we should be debating an Act, any form of indirect taxation that completely removes the burden of taxation from big businesses and puts it predominantly on the poor people—the mothers, the children, the sick, the weak, the disabled in this society and that is what has happened with this Act.

Now, Sir, I believe that is a very fundamental aspect of this VAT legislation. I believe that the legislation can be improved and I think that the public of Barbados does not realise what is happening. If you own a big supermarket in Barbados today, you will pay VAT on your inputs on the things that you buy. You would put on your mark up, you would carry VAT and then you would subtract the VAT that you collected from consumers - the VAT that you pay. In fact you do not pay one cent in VAT. That is the point that I am making. Your profits go up, you make more money, and in the long run the businesses would benefit in every possible way but the poor people of Barbados are the ones who would suffer.

I am saying this is our position. Either this VAT is substantially modified in order to relieve the burden on the poor and cast part of the burden on those who are better able to bear it, or it should be scrapped altogether - simple and straight forward.

I saw an editorial in a newspaper talking about the NDP supporting the VAT. What we have said all along is

that we believe that there needs to be a form of indirect taxation, but a form of indirect taxation can be devised in such a way as to spread the burden, not what has happened here. What has happened is a total removal of the burden from businesses placing it on poor people, whom I have to represent in this Parliament.

Mr. H. deB. FORDE: On a point of order, the Honourable Member is misreading this legislation and misunderstands the legislation fundamentally. It is not true in any section of this Act that the burden is removed. Persons are subject to VAT on goods and services and that includes every person except where there is zero-rating or exemption. There is no zero-rating or exemption on the supermarket business or corporate structure, and the Honourable Member must not misunderstand the

Mr. SPEAKER: You have made your point, please.

Asides.

Dr. R. C. HAYNES: We have heard the Honourable Member for Christ Church West on finance and economic matters and we know that he does not understand it.

Even someone in first form in school would understand that if you are going to buy an item for \$100, as a supermarket owner, and pay 15% in taxes in VAT, when you put on \$30 and you collect 15% on that \$130, that the 15% that you collect on \$130 is more than the 15% that you paid on a \$100. You are going to subtract what you paid from what you collected and then send the balance to the VAT office. Quite clearly, you have not paid any VAT. You are only acting as a VAT collector for the Government of Barbados.

Another major complaint, and the people of Barbados have to understand this; all day long we are hearing about 15%, what the people of Barbados must understand is that in respect of imported goods, it is the import duty, it is the environmental levy, it is going to be the first 15% by the first purchaser. That may go on to a second purchaser - another 15%, it may go on to a third purchaser - another 15%, and when the final consumer, an old lady living in Carrington's Village, buys that product she will be the one paying the three times 15% compounded.

Asides.

Mr. SPEAKER: Please, please, order. Order, please, order. Order, please.

Dr. R. C. HAYNES: Mr. Speaker, this is what is going to happen in Barbados - make no mistake about it. That is what is going to happen in this place. I have been around here during the oil crisis and I saw prices go up in Barbados far in excess of the increases in petroleum products in Barbados.

Mr. SPEAKER: Order, please. Could we hear the Honourable Member, please?

Dr. R. C. HAYNES:... join with the merchants in this country to help destroy the Price Control Division during that period. I was around in 1979/1980, I was in Parliament then, when the broad based consumption taxes were introduced in this country and I saw the merchants make a fortune when those taxes were introduced - prices far in excess of what one would have expected from the limited broad based consumption taxes at the time.

In the 1980s I saw exactly what happened when the *ad valorem* taxes and duties were introduced. Again, we saw a price increase far beyond anything that we expected from the taxes. The point...

Asides.

Dr. R. C. HAYNES: I was not Minister of Finance then. The point that I am making, Mr. Speaker, is this. No one should be surprised at the behaviour of the private sector on this occasion. This is expected and historically it has been supported by the Barbados Labour Party especially when they find themselves in a very awkward position now because of what the people in the private sector are doing who are their supporters.

I have called again and again, Sir, for an exclusion of food items - particularly locally grown items from the VAT. I have called again and again, Sir, to look critically at a basket of goods. Even if we cannot exclude all our foods because you do not want to do that to begin with, there are certain items that are used by the poor that can be excluded from the VAT. I am not going to support any kind of amendments, any kind of legislation which cast that burden on poor people.

We take the whole question of electricity bills. What have they done about it to date? I have complained that pensioners and poor people should not be paying any 15% on their electricity bills. I have taken the steps, Sir, already to the Public Utilities Board to ask them to review the situation so that the costs of the telephone company and the electric company might be reduced. And they wrote me back and acknowledged my letter two days later but to date nothing has happened. As a matter of fact I see that the Telephone Company now, not the Government of Barbados, the Telephone Company, is responding to the concerns that I wrote when I sent my letter to the Public Utilities Board and they are making an offer now in terms of certain categories of services, but the Government is silent on that. 3.35 p.m.

Hon. D. A. C. SIMMONS: Mr. Speaker, the Honourable Member is really misleading the House. On December 30, I believe it was, the Prime Minister made a statement, via press conference, that Government had spoken with the Telephone Company and the Telephone Company had developed a package which it was offering to pensioners and indigent persons with a view to mitigating the impact of the VAT for that segment of the population. No reference was made to the Honourable Member for St. Michael South Central relating to his correspondence with BARTEL. The Government and BARTEL were in contact.

Dr. R. C. HAYNES: Mr. Speaker, I never said I spoke to BARTEL. I said I wrote to the Public Utilities Board. Mr. Speaker, I will make this letter a document of the House if it is being brought into doubt. I will read a section of it.

"Dear Sir,

Government's decision to abolish consumption tax and ten other indirect taxes by January 1, 1997 will significantly reduce the operating costs and the revenue requirements of the Barbados Light and Power Company and the Barbados Telephone Company. Hence, the prognosis is that, as from January 1, 1997, these companies will earn additional and excessive profits, generated by tariffs that were predicated on the old tax systems.

In addition, whereas any value added tax paid by these companies will be refundable, the National Democratic Party and all Barbadian householders will be required to pay VAT at the rate of 15 per cent, on the true revenue requirements and on the CXCQSS amounts billed by these companies. In the case of the Barbados Telephone Company, this problem is compounded by the fact that, in its last published audited financial statements, the Company reported profits that were more than four million dollars higher than the amount allowed by the Board, thereby confirming well documented submissions by Wendell McClean, regarding errors made by the Board in its last Decision."

The point I am making, Sir, is that I took the initiative to communicate this problem to the authority, established by this Parliament, that should be looking after the people's interest. To date all I have had, as a Member of this Parliament, is an acknowledgment of that letter. I have seen in the newspapers, the telephone company making a statement that they are going to make certain concessions and I congratulate them on it. They have a conscience quite clearly. What I am saying is that it is a public utilities board that should be taking this matter in hand and it is the responsibility of the Government to

make sure that the agencies that are there to protect the public of Barbados, that they function effectively and not depend on any handouts from any particular company in Barbados.

What are we now? This is a responsible statement. We have a public utilities board established by law in this country and this is the kind of response that we are getting and I am disappointed to see the Attorney General of Barbados getting up to defend that kind of attitude and that kind of contempt towards a parliamentarian in this country defending the poor people that he represents as leader of a political party and as a Member of Parliament.

This is a matter on which you, as Attorney General, my legal adviser in parliamentary matters, you should have been on my side not getting up opposing me on this matter. You know that perfectly well. That is your duty and that is your responsibility.

Sooner or later, Mr. Speaker, water rates are going to go up. Over 50% of the cost of providing water in this country is electricity. 15% added on to that is going to result in increased rates. Already the poor people are being charged VAT for services provided by the Natural Gas Corporation. That is a fact. Do you want to deny it? I will tell you why you cannot deny it and I know you cannot deny it because I called the Natural Gas Corporation to have a service done and when they quoted me the price and the VAT I told them I would do it myself. And what needed to be done was done, Sir, and there has been no VAT. And I can advise several people that if they have to employ certain consultants, certain professionals, then what they should do is do it themselves and get advice from those people and they would not have to pay VAT. I say no more.

Now, Sir, when we could not get the Minister of Finance to agree to make certain concessions in relation to either excluding certain items from the VAT, then we started a campaign to make sure that there was some degree of amelioration for the poor people of this country.

Sir, as late as December 25, 1996, Christmas Day, Mr. Speaker, a day of charity, Mr. Speaker, and it appears to have had some impact on the Prime Minister and Minister of Finance, I specifically raised issues to try to relieve the wicked burden being imposed on the poor people of this country by this VAT by the Barbados Labour Party. I called for a supplementary pension. I called, Sir, for increases in the minimum national insurance pensions, minimum old age pensions. I called for the introduction of a poverty relief fund which would help all parliamentarians including the Back Benchers over there. Mr. Speaker, let me tell you, those Back Benchers over there, they are not supporting the VAT. Not one of them is supporting any VAT. I talk to them from time to time.

Mr. H. deB. FORDE: Whenever the Honourable Member has the benefit of television it is good not to ignore him. It is better to get up and to expose to the public that the Honourable Member is not telling this House the truth. He has not spoken to me on anything on VAT and I am told by other persons nor to them either. The Honourable Member is absolutely incorrect in saying that Honourable Members on the Back Bench are not supporting the VAT. The Bill was passed in here without dissent. I was present in the House. I do not run from public responsibility. I have never ran from it in 25 years. In my twenty-sixth year I have the guts to take decisions that are in the national interest and events have proved me on many occasions to have been correct and to have found that the DLP, including the Honourable Member when he was a member of the Democratic Labour Party, have come over to the points of view that we have taken on matters.

Dr. R. C. HAYNES: Let me congratulate the Honourable Member for Christ Church West for his public position. Everybody knows that all of them are grumbling about the VAT like everybody else in Barbados. What I am saying is that this VAT does not command the support of the Back Bench of the Barbados Labour Party. The Honourable Member for Christ Church West is in a very privileged position. He is a big part of corporate Barbados. I admire him for that. He has made great strides and he is my Member of Parliament. I never criticised him on that ground because I understand him to be on the winning side of VAT. You understand me, Mr. Speaker, Sir? I would not talk to the Honourable Member for Christ Church West about the VAT as it affects poor people because he would not know about that, Sir. 3.45 p.m.

If I may continue, I also call for the introduction of broad-based minimum wages in Barbados to try to contravene this VAT. Sir, let me tell you why the VAT is an evil thing for Barbados. In more developed societies, you have this VAT. You have much better comprehensive social structures in place. But we have a situation in Barbados where listed among the consumers are going to be children, poor people with minimum payments from the Welfare Department, a whole mass of unemployed people, the sick and the disabled. All of these people now find themselves having to pay the VAT. As a matter of fact, Sir, one Honourable Member told me today that there is a gentleman who normally comes to him begging him for money and he gave him a dollar as usual and the guy told him that he must give him a \$1.15 to cope with VAT.

Mr. Speaker, at lunch today an Honourable Member of this Honourable House told me that he had this experience in Oistins, Christ Church so that this House will clearly understand that I am telling the truth.

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

Dr. R. C. HAYNES: Now, Mr. Speaker, what are these amendments all about basically? These amendments are really about a few minor concessions. But the major thrust of these amendments is to tighten the noose tighter on the necks of the people of Barbados. I will not be supporting these amendments. I did not support the VAT Bill. I was not here when the division was taken and I spoke out against it. So it is quite wrong to try to involve me or involve anybody in this VAT Act. This VAT Act and the amendments attendant to it are a creation of the Barbados Labour Party alone. The Barbados Labour Party must take responsibility and that is the message that I will be articulating out there to the people of Barbados. The additional message is that it should be substantially modified in order to protect the poor or be scrapped altogether. Barbadians can be assured that the revenue can be protected with a less regressive form of indirect taxation which places minimum burden on the poor and places the burden on those better off in the society. The fundamental obnoxious nature of this VAT as conceived and passed in law by the Barbados Labour Party is that it removes that total burden from the rich, and the corporate sector of Barbados and takes it and places it on your own constituents, Sir, in Bank Hall.

As I stand here, Sir, I am speaking not only for myself. I am speaking for those who do not have a voice like you, Sir, who have been sent here by the poor people to represent poor people.

Mr. SPEAKER: The Honourable Member, I am glad you are speaking to me but your time is up.

Dr. R. C. HAYNES: Sir, when I spoke on your behalf, I did not intend to buy more time. It was a genuine feeling of fellowship...

Mr. SPEAKER: I thank you.

Dr. R. C. HAYNES:...from me who represent a sister poor constituency.

Mr. SPEAKER: But your time is still up you know. The Honourable Member for St. Michael North East.

Hon. Miss M. A. MOTTLEY: Thank you, Mr. Speaker. I rise to support the amendments which are before this Honourable Chamber today in relation to the Value Added Tax Act in general, Sir, and these amendments are to allow this Government to take decisions in relation to categories of persons where the application of the Act as passed last August might have caused undue hardship or may have been misinterpreted in its application.

It is unfortunate, Sir, that the Opposition has taken the stance which it has taken today and, clearly given the speech of the last Member and given the words of the Honourable Member that he is speaking for a lot of persons in here today, one might want to argue that he is also speaking for them in the hope that he can finally and permanently speak for them in any merger that might take place between the two entities. But it is also clear, Sir, that the opposition Democratic Labour Party through the Leader of the Opposition clearly has said to the people of Barbados today that they prefer to be a pressure group taking to the street, than to represent the interest of the people in Parliament, when they have been elected to do so, and that in future they need not be Members of this Parliament since they are not prepared to debate the most fundamental issues, that face the people of this country in the very Chamber that they asked people to put them in to represent them.

It is significant, Sir, because during the course of the last year the Leader of the Opposition conveniently found himself absent on almost every major financial debate. He was absent for a large part, if not for most of the Estimates. He was absent for a large part of the same Value Added Tax debate and today by stroke of what are conveniently their views not to be broadcast, now opted out of the most fundamental debate that this parliamentary term has seen in relation to the legislation coming before it.

I say that it speaks of a level of irresponsibility that is not befitting of Members of Parliament that were put here to do the people's business. We expect across Barbados that whether you are in Government or in the Opposition that the interest which you represent will be represented properly. But instead, Sir, they choose to go on the streets, according to them, when they can seek to continue to confuse people, curse people and cause people to believe that they are opposing the very thing that they on their own initiative sought to introduce in this country by agreeing, Sir, to the fact that they would also charge VAT on a whole range of services that they are complaining about, from electricity right back to telephone and to food. They never stated then that they would have a lower rate of duty applicable to food and on top of that, Sir, continue to want to fool people and taking technical departures but at the same time giving the general perception that they are against something that cause the hardship. The record stands for examination, Sir, and their actions in the implementation of a VAT except in relation to the tourism sector would have caused the exact same things that they would now want in their mischief to portray to the people of this country. I say that it is the height of irresponsibility on the part of an Opposition.

Sir, I sincerely hope that the people of Barbados will realize that this Barbados Labour Party both in Opposition and in Government has been consistent in its position in

relation to the application and the reform of indirect tax through the application of a value added tax. More importantly, Sir, just as we were consistent in relation to our support for our Prices and Incomes Protocol when we were in Opposition we are equally in Government. I say, Sir, that there must be a time in a political party's life when it should be prepared to stand up for what is right and what they know is in the general interest of the country in terms of long-term sustainable growth. 3.55 p.m.

Now, Sir, I want also to address the question of some other points in relation to those raised by the Honourable Member for St. Michael South Central. His letter that he just quoted starts off by saying:

"Dear Sir,"

[This is to the secretary of the PUB dated 26th May, 1996.]

"Government's decision to abolish consumption tax and 10 other indirect taxes as from January 1st, 1997 will significantly reduce the operating costs and the revenue requirement of the Barbados Light and Power Company and the Barbados Telephone Company."

This is signed by Richard C. Haynes, President of the National Democratic Party. He says, Sir, that it would significantly reduce the operating cost of the Light and Power and BARTEL but yet in here today, Sir, amidst the desire to create confusion, he then turns and says that water rates will go up because electricity costs are going to go up significantly.

Sir, in addition to his letter...

Dr. R. C. HAYNES: Sir, on a point of order. The point I am making is that because the cost of producing electricity will go down the company will make more profits unless the rates are reduced... The rates have to be formally reduced by the PUB. They are set by the PUB so let us be clear about that.

Hon. Miss M. A. MOTTLEY: I am not going to let the Honourable Member for St. Michael South Central further confuse the issue. All of us in here know that when we get an electricity bill there is an element for fuel oil charge. We also know that this legislation makes crude oil zero-rated and therefore the production costs of the Light and Power as well as the basis on which they charge people electricity rates which is shown separately on the Light and Power bill as a fuel oil charge reduces and therefore if that reduces you cannot now come and tell us that the cost of water rates will increase...

Dr. R. C. HAYNES: On a point of order, Sir. The Honourable Member for Christ Church South knows better and he should not be misleading the Honourable Member.

Mr. SPEAKER: The Honourable Member for Christ Church South has not spoken.

Dr. R. C. HAYNES: An adjustment component is not the component that would be affected by the VAT. It is the other charges, the other costs in the Light and Power operations which may not be great but it will add up to something. It is not the fuel adjustment component.

Hon. Miss M. A. MOTTLEY: Everyone knows that the Light and Power does not get the fuel oil as a gift or as a charity. They purchase it. They purchase the crude oil and if the crude oil is zero-rated they must get the benefit therefore and that benefit must reduce the cost to the consumer. That is why the Honourable Member for St. Michael South Central will also make the point that the 15% is going to be charged three and four times and compounded to fool people. Sir, the reality of value added tax is that the tax is charged and payable on the value added. Therefore, it is not a situation where 15% is charged and then another 15% of 15% on the total amount.

It is applicable on the value which is added at that new stage. The reality therefore is that the level of price increase that he is talking about is unreal and would be a prime case of price gouging. I don't know whether it is the same merchants that he knows that he referred to earlier but certainly those who want to apply the laws of Barbados must understand that the tax is applicable on the value added.

Sir, there are a number of other matters that I would wish to deal with here today in relation to this amendment which are fundamental to the portfolio which I hold in relation to Education and Culture. This amendment seeks to rectify the situation that would have applied had the amendment not come in relation to the provision of meals and purchase of food at a school canteen. We have now through this amendment made the purchase of meals and other foods and drinks from a school canteen and an approved educational institution zero-rated so that they would be able to sell the goods to children and staff without the children and staff having to pay the VAT but, at the same time, allowing the canteen operator who in many instances is also the school to be able to claim back the taxes on the inputs used, thereby keeping and controlling the cost of lunches and snacks bought on the school premises.

We believe that this is fundamental, Sir. We also have done it in relation to school meals and in relation to VAT. Therefore, there will be no VAT applied on the purchase of school meals. I want to make that absolutely clear. Sir. The \$1 which the child pays per day for lunch will not

have a value added tax applicable to it and, equally in relation to all other meals and drinks and snacks sold by a canteen on the school premises of an approved educational institution.

For the benefit of the public an approved educational institution includes all of the Government primary and secondary schools. Those private secondary schools which we assist and private primary schools which we assist and any other institution which wants to apply for that status are free to do so. The Ministry has clear criteria for what is an approved educational institution. I believe that Mr. Speaker is well aware of what this criteria is in relation to what can be and will not be an approved educational institution. That information is available to the public because there are some private schools that may not now be registered that they have to seek to become an approved educational institution in order to benefit from zero-rating and exempt status in relation to this new Act.

In relation generally to the provision of education, the provision of education is exempt; but in relation to the provision of books - and this is critical because all of our Government secondary schools do in fact run a textbook loan scheme for which children pay \$75 a year for the provision of textbooks - the supply of any books is zero-rated and therefore VAT is not payable on the \$75 in relation to those books of an educational nature or any other books that we put on the list as approved to be educational, scientific or cultural and purchased in Bridgetown.

What this means is that the schools therefore will be able to benefit from claiming back their inputs in relation to the part of their administration related to the textbook loan scheme and in almost every instance schools operate the textbook loan scheme as a separate entity from the administration of the school. Separate accounts are kept and in many instances even separate staff are used to administer because it is a full time exercise.

The one thing that they will have to pay VAT on as a school are goods or services that are sourced locally. Once they import goods themselves under the Third Schedule to this Act those goods are allowed to be imported free of the Value Added Tax.

We, in fact, will be having a session for all Principals and Secretary/Treasurers of secondary schools within the next 2 weeks with the VAT Unit because we recognise that even though the law is there that because it is a significant departure from what they had to do in the past it takes time for people to become accustomed to what really is going to be required of them. Indeed, the task for the Ministry is mammoth in relation to the preparation of the list for the books which will in fact be free on the application of VAT in the stores in Bridgetown.

I want to say, Sir, that the Ministry has been very meticulous in its preparation for the introduction of VAT. We have not gotten all of the lists from the public secondary school Principals. We have said to them that they must come in as a matter of urgency. We have already completed the list of all primary school texts for Government primary schools. Included in that, we are extending it now to include textbooks or colouring books which are necessary for children in the 2 to 5 year age group which would normally come under early childhood education, to assist them in the development of their cognitive skills and other skills that are necessary, but which on the face of it would not appear to be textbooks in an educational institution. We recognise that the ability of the child to use these books is critical for the child's capacity to learn in the primary school and therefore those books will be included on the list to be published by my Ministry. 4.05 p.m.

Equally, Mr. Speaker, the question of the Samuel Jackman Prescod Polytechnic and the Barbados Community College. We recognise that the thousands of children who go there when the year comes that both of these institutions are really more generally in the nature of post secondary institutions and therefore they should be treated in the same way we are treating secondary schools. A list will be prepared as well of all of the books used in all the courses at the Samuel Jackman Prescod Polytechnic and at the Barbados Community College so that those books will not attract VAT and that, in fact, they will be zero-rated.

The University of the West Indies, the Rt. Honourable Prime Minister has already addressed our views on this. We have been very generous to the University of the West Indies' students and they have not been required to pay any fees. In fact, their position today is more beneficial than it was 5 years ago before the introduction of tuition fees because on that occasion they still had to pay between \$100 and \$200 as a nominal fee. Once tuition fees were introduced and Government took responsibility it meant then that the student entering the University of the West Indies paid absolutely nothing as opposed to the \$100 to \$200.

We believe that in cases of genuine hardship for students who are having difficulty in buying these books as a result of any increase in the cost of the books that we can assist them through the mechanisms that already exist through the Student Revolving Loan Fund to which they are entitled to apply and indeed and through the provision of *ad hoc* grants which the Ministry provides and where certain criterion is applicable. We are, in fact, making the administrative changes necessary in the Ministry to be able to accommodate any increase in hardship that may arise as a result of the decision not to extend the zero-rated status to books from genuine tertiary institutions.

Mr. Speaker, that, in a nutshell covers the application of VAT as it relates to educational institutions. The provision of education itself which is exempt and therefore the general running of the school does not allow the school to claim back its taxable inputs unless it relates to the purchase of books, unless it relates to goods which have been imported for that school.

It also places a greater burden on all educational institutions to ensure, even private ones, that they comply with the very strict criteria of the Ministry so they can be labelled as an approved educational institution to ensure they can have access to the benefits which are provided for in the legislation.

Equally, Sir, as I said, the provision of books. I held extensive meetings with the booksellers. They were a little concerned. We have agreed to the establishment of a standing committee of all the booksellers and the Ministry of Education to ensure that this transition period over the next year can be clearly met with the greatest possible ease. Therefore, Sir, we will have at that committee representations being made of any undue hardship that is being levelled against any category of person or any category of seller as a result of the application of the law or if there are difficulties in the compilation of the list.

We believe, Sir, that mechanism of the Standing Committee will allow us to have the opportunity to deal with things in a systematic way and that we are ensuring that the process is safeguarded rather than going off half-cock or complaining. We also must remember that the legislation itself through the establishment of the VAT Tribunal makes provision for that Tribunal and the Minister of Finance to be able to ease persons where undue hardship is caused and that must always be at the forefront of people's minds where really there are difficulties.

Things, Sir, that are new are very often never implemented without some level of dislocation. We expect there will be some level of dislocation but it is important that the processes and the mechanisms which we put in place are capable of minimising that dislocation and removing the hardship in as swift a time as possible.

Now, in relation, Sir, to the question of culture, there has been some concern there largely because the Public Entertainment Tax Act was abolished and replaced by the Value Added Tax Act. The reality is that the only time in terms of public entertainment genuinely that would not have been applicable was especially during Crop-Over and this is really only in respect of live shows.

While we accept that fact, Sir, representations were made that the charging of an advanced payment of 15 per cent on tickets printed was an undue hardship on many

promoters who simply did not have the cash flow to be able to accommodate that because in many instances the number of tickets printed would not always relate to the number of tickets actually sold.

We believe, Mr. Speaker, that there was merit in that submission and we have therefore in this amendment reduced the amount which will be payable as an advance to 5 per cent. We believe that will allow those persons who are putting on shows and other forms of public entertainment to be able to deal with this in a better way. The amount payable would be payable as an advance 48 hours before.

We must always remember that if the tickets simply do not sell they will get back a refund and that is simply an advance in relation to what they are projecting, 5 percent of the cost of the value in relation to the price of the tickets printed. There may well be an argument for other aspects of it but we believe that in the circumstances it is just and fair in relation to that.

However, Sir, what must also be said is that genuinely in relation to the artists, and this is why all fine artists and musicians and all other practitioners really must register, that most of their input cost will be reduced substantially as a result of the application of a value added tax. Let us take for example musicians. They may argue that the cost of the compact disc because they got it only at Crop-Over for 2 months duty-free that they are now in a disadvantageous position.

When we looked at the legislation, Sir, the pre-recorded compact disc, because this is how their compact disc comes back into Barbados because we do not yet manufacture compact discs in bulk here. Before VAT the applicable rate was 108.05 per cent. Subsequent to VAT, including the same environmental levy, and everything else, it reduced itself now with the import duty, environmental levy and VAT to 67 per cent. So you drop from 108 per cent to 67 per cent on the importation of compact discs. Therefore, we would expect a substantial reduction in the cost of compact discs to consumers. Equally in the ability therefore of musicians what we would like them to do is to be able to generate year-round sales in relation to the music which they produce. As I said, there is no entity producing compact discs for sale on a mass market basis in Barbados.

Aside.

Hon. Miss M. A. MOTTLEY: Unrecorded magnetic discs, Sir, the same thing. They dropped from 56 per cent to 21 per cent. Audio frequency electric amplifiers - these are for the fellows that have the bands - that dropped from 115 per cent to 67 per cent. Being a former owner and

manager of a band, I know, that one of the things that killed them was the high cost of duty in relation to equipment which they had to purchase if we were to sound good and remain competitive. This is therefore going to reduce a large part of the capital cost incurred by bands on something like amplifiers, Sir, which can blow as easily as tonight and you have to buy another one tomorrow, as the ¹ Honourable Member for St. Michael East can tell you from his experience, that is almost a recurring cost in terms of the regularity with which one has to buy amplifiers as opposed to simply a capital cost. 4.15 p.m.

Before we feel that it is just a group of people making noise and making fun, the reality is that Barbados has the highest percentage of live musicians anywhere in the Caribbean per capita, and more importantly there are over 300 people who make their living as a result of the performance of live bands and the capacity of those live bands to be able to have those people, on a weekly basis like anyone else, working in Bridgetown - it pays them. Therefore, Sir, this is a significant point and it has tremendous application.

Equally, Sir, loudspeakers, microphones, electric sound amplifiers, again, the rates of duty have gone from 88.5% to 44%, almost half.

Asides,

Hon. Miss M. A. MOTTLEY: Sir, the Honourable Member would like to suggest that is the only reason the Democratic Labour Party wants us to go on the road because the costs of loudspeakers and microphones have dropped. That may even be too charitable an interpretation for us to have.

Asides.

Hon. Miss M. A. MOTTLEY: It is not only musicians, Sir, and performing artistes and those operating the studios, because those who now have recording studios can also ensure, Sir, that the extent their equipment is available to them cheaper, they can get back the taxes on their inputs, and therefore the cost of production of music in Barbados should drop and the whole cost saving, Sir, should then be carried right through to the end to the consumer.

Now, equally, Sir, the fine artistes that were making noises for a more generous treatment for them, and indeed, Sir, in relation to the consultation of the national policy for culture, many arguments were made. What I can say to you up front once again, Sir, is that the introduction of the Value Added Tax has meant that the cost of their input has also dropped by half or by more than half. In relation, Sir,

to colours for artistes, the tax applicable to them before the introduction of VAT was 48.05%. After January 1, 1997, Sir, the VAT applicable to them is now only 21.9%, more than half, Sir, a reduction of 27% which is more than a 50% reduction. Equally in relation to brushes, to give you another item, the cost has dropped once again from 48.05% to, once again, 21.9%, a reduction, Sir, once again, of about 65% in relation to the cost of the brushes.

The point that I want to make therefore, Sir, is that not only has the rate of tax applicable dropped but these persons who operate, essentially, as businesses, in most instances, now have the opportunity to be able to claim back their input taxes, to be able to further reduce their cost of operation in relation to their works produced. It is therefore in the interest of all artistes performing or fine artistes to ensure that they register with the Value Added Tax Department. I am told by the bands that all of the bands have already registered because they recognise the benefits which they stand to gain in relation to the application of the VAT. One thing that as I said, could happen which could not apply before is the application of the Value Added Tax on local events during Crop Over, largely because with the application of the Public Entertainment Tax, that was observed with the breach rather than the performances. The overall cumulative picture certainly shows (1) where the artist is capable of reducing his production cost and (2) where he is therefore being far more competitive than he would have been prior to the introduction of the Value Added Tax.

One of the other things that this legislation seeks to do, Mr. Speaker, Sir, is to remove the charging of a VAT on the payment for non profit sporting organisations. That clearly would have wreak havoc, Sir, in our society and therefore we have said that persons who are paying dues, the non profit sporting organisations plus whatever, that this would not now attract VAT as the original Act would have led to it doing.

Generally, Sir, in many instances because of what we have so selectively placed as zero-rated in the first schedule and for the zero-rated of imports in the third schedule, even though a VAT is being charged at the end, a lot of the production cost would in fact drop because of the input cost being able to be claimed back, and a fact that the production cost, take food for example, Sir, while local food would now attract VAT in relation to certain items, the reality is that all inputs for the agricultural sector are zero-rated. Therefore, Sir, it allows the production cost on that food to drop. It means, Sir, that then that person would be paying tax in some instances, but instead of paying a 20% consumption tax as they would have had to on food and just not know about it, a higher production cost, Sir, they are paying in some instances on a lower production cost with a rate of 15%.

A part of the difficulty is, Sir, is that once you alert people to their activity or to things that they were not previously aware of, people start, Sir, to get a sense of panic and perhaps wonder what was happening. All of the years, Sir, when taxes were being applied and increased in Budget after Budget in relation to consumption taxes and duties, we were not aware and therefore we did not react. We expect and believe, Sir, that it will take some time for this implementation to become smooth and to be in a manner acceptable to all.

Anything that is new is bound to cause dislocation. * Anything that is new and attaches itself to almost every form of activity must therefore cause human beings dislocation. What we must ensure, Sir, is that the processes of mechanisms are there to be able to deal with the difficulties. With the VAT, an appeal tribunal, Sir, that can deal with instances on an individual basis or on a category wide basis is there. We believe that the changing over of the Price Control Unit into a strong consumer affairs division with policing powers, combined with a strong public education programme, would also be able to be a significant use in ensuring that persons do not deliberately use the VAT as an instrument of oppression where it was never intended to be so, and certainly be guilty of price gouging that the Member for St. Michael South Central adverted to.

We also believe, Sir, that standing committees such as the one that I have set up with the book sellers, are capable of addressing the needs of identifiable groups. We therefore, Sir, would go out of our way to ensure that those processes and mechanisms are there to make sure that the introduction of this legislation causes the least discomfort that it can possibly cause, while ensuring that its ability to succeed would lay the foundation for sustainable growth for this economy, Sir, and not put us in a position where we find you can have Ministers of Finance tarrying and playing with tax redemption and all sorts of increases as we had, Sir, in the last Democratic Labour Party Administration.

Thank you, Sir, and I have support for the amendment before this House. I believe, Sir, that this is the approach that is needed and if we have to come back at any stage in the future, this is the kind of approach that must be used and we must be frank, Sir, with the people whom we represent and not seek to run from debate in this Honourable Chamber simply because we do not know how to put forward the case.

Thank you.

Hon. R. N. GREENIDGE: Mr. Speaker, I rise to lend support to these amendments today, to the Value Added Tax Act I want to say Mr. Speaker, that by way of

introduction, that an independent country such as Barbados can only maintain itself by carrying out its obligations to its citizens if it raises revenue. Mr. Speaker, this is usually done by independent countries by way of taxation which is usually direct or indirect. I would caution Members, especially those on the Other Side, to refrain from giving the Barbadian public the idea that it can be done otherwise.

I believe, Mr. Speaker, that Barbados under successive administrations has done an excellent job in ensuring that its citizens maintain a certain standard of living. We have actually reached the stage, Mr. Speaker, where in the Caribbean we are virtually envied by our neighbours because of our educational system, because of our network of roads and because of our social services. These are the areas in which we are definitely the envy of the Caribbean. 4.25 p.m.

Mr. Speaker, with the introduction of VAT what we are actually trying to do is to maintain the standard of living to which Barbadians have become accustomed. We do not want the standard of living in Barbados to drop and at the same time, Sir, we are going the route of VAT because we think that at this time in our history it is the best way forward.

For a long time, Mr. Speaker, the responsibility for paying taxes in Barbados has been shouldered by a few people. A few people have always had that responsibility and in particular, Sir, the civil servants of this country because they were the ones that Government could easily identify and they really bear the brunt of taxation.

One of the primary aims of the VAT system, Mr. Speaker, is to make the net wider and more equitable. It is envisaged, Mr. Speaker, that persons who work for more than \$60 000 annually will all have to pay VAT. This will obviously include, Mr. Speaker, a number of self-employed people who for one reason or other, whether it is keeping poor records or whether it is for some other reason best known to them, who did not actually pay taxes in the past. We hope to get as many people as possible within that tax net. Even, Mr. Speaker, as we try to bring them within the net and even as we try to bring a more equitable system to the country, we are facing some criticisms and some opposition because, believe it or not, Mr. Speaker, there are a number of people now outside the net who would want to remain there, who would want not to pay taxes but who would still want to drive on our roads and who would still want to go and get free medical attention at our hospital and this is unfair, Sir.

I understand, Mr. Speaker, that there are a number of professionals who have, even at this stage, understated their income to the VAT office. They have stated that they

are not working for more than \$60 000. Mr. Speaker, it is known to a lot of us that these persons have genuinely and clearly understated their annual income. I appreciate the dilemma which some of them face, Mr. Speaker, because I believe that over the years some of them have actually understated their income on their income tax returns and now they are faced with the situation where they now have to reveal a second time what their income is, and they are somewhat concerned because if they pay VAT on every transaction then it will expose them and it will make it crystal clear that what they work for actually bears no relationship whatsoever to what they have actually submitted on their income tax returns. Some of them are faced with this dilemma.

Mr. Speaker, in every country in which VAT is implemented the VAT legislation is always under review and it is an ongoing process. I do not think that we have anything to be ashamed about as the Honourable Member for St. Michael South Central would want us to believe for bringing amendments early to the VAT Act. Like most Acts, Mr. Speaker, there will be some deficiencies. The draftsman, Mr. Speaker, cannot foresee every possible eventuality when he is actually in the process of drafting. We have to wait and see how these things work before we come with amendments. In Barbados there is hardly a piece of legislation which at some point did not have to come for some refinement or some amendment to it and there is nothing strange with the VAT Act being amended or being refined as we go on. There are amendments today, and I am positive, Mr. Speaker, that as we go on from day to day, week to week and year to year we are going to have to amend and amend again.

Here in this Honourable Chamber, Mr. Speaker, since I was a Member, I can think offhand of our having to do amendments to the Vagrancy Act, I think we did one to the Tenancies Freehold Purchase Act, to the Education Act. There is one coming for the Evidence Act. We have done amendments to the Shops Act and so on. These Acts we always have to have before Parliament because from time to time we want to refine them. The question which people usually ask is, what is the best thing for us to do now? As soon as that question is asked very often we have to go back to the drawing board and we have to refine and change as we go ahead. It is no different with the VAT Act, Mr. Speaker.

Mr. Speaker, I am responsible for the area of community development which embraces the majority of the social services in Barbados and I must say that at its very conception when you looked at (he Act you did not really see any blatant insensitivity to the plight of the poor as the Honourable Member for St. Michael South Central would have wanted us to believe.

All of us, Mr. Speaker, must appreciate that the exemptions and the zero-ratings in the schedules, they are really designated to prevent people from actually falling through the cracks. That is why they are there. A lot of the zero-ratings are there to stop people from falling through the cracks and the Act in a way is making it quite clear that social services must reach certain sections of our community and that is why they have the schedules, the zero-ratings and the exemptions. I think it pays attention to the areas of weakness of our most vulnerable citizens.

We do not want to lose our ratings in the region, Mr. Speaker. At a recent conference it was said that Barbados has put more measures in place for the poor people of the country than any other country in this region and we are proud of that rating and we do not want to lose it. Therefore we are going to be paying attention to all of these areas which the Honourable Member for St. Michael South Central has mentioned.

It is not that the Government has not done anything about it. If you look at the Schedules, Mr. Speaker, the services of doctors, dentists, hospitals, prescribed drugs and so on, they are zero-rated. Mr. Speaker, these things already cost money and we think that to burden the disabled, the indigent, the poor, the infirm and those who are in need of on-going care would create a genuine hardship and therefore that is the reason for having them in the schedule. Even doctors visits, Mr. Speaker, are zero-rated. These are things that people need to look at. Water supplies and the sewerage supplies by the Barbados Water Authority are exempt. Transportation by commuters, Mr. Speaker, generally that is exempt so bus fares and so on are exempt.

Mr. Speaker, you do not have to pay VAT on rent so persons who live in Government houses will not have to pay because all of us know, Mr. Speaker that if the rent is too high and people think that it is a primary obligation, when they have to take out a high rent it leaves less disposable income for them to do other things. Clearly, as the Act was conceptualised, it was done in a way that it would not create undue hardship on that particular section of our population and so we must not limit our appraisal of the Act to simply a matter of what you are purchasing in the supermarket. Yes that is going to attract a lot of debate and perhaps the most of the debate but in the end we have to look at the Act in total and we have to see what the Act is trying to do. From a lot of the things which I have outlined it is quite clear that the draftsmen, as they were doing their job, they were saying to themselves, we do not want to create any undue hardships on the people of Barbados. So we have to look at what is happening, Mr. Speaker, with the social services because almost every area of life impacts in some way on our social services.

For instance the point made by the Honourable Member for St. Michael North East, the whole question of books and education. 4.35 p.m

It is realized that if young mothers have to pay for their books and pay more now because of VAT, then it is going to mean that perhaps 2 or 3 will find themselves at the Welfare Department or somewhere like that. Because, as I said, even in the area of education we can see that there is going to be some impact on our social services.

Even more important than what I have been saying about the Schedule and the zero-rating and so on is the whole question of Government's policy now. What is Government's policy to this as distinct from what the Act say? I think in a very matter of fact manner Government has indicated that it will create some kind of policy to tackle all cases of perceived hardship. It was realized, Mr. Speaker, that because of the fact that certain vulnerable sections in the Barbadian population will now be faced with a higher food bill as well as increases in telephone and electricity services it will be necessary to have some cushion to the application of the VAT system. The phone and electricity are considered to be basic necessities and Government is presently considering a supplementary to go before the House because we are considering an increase in the non-contributory as well as the minimum contributory pensions. We think that this is an obligation that we have to the poor people of this country and the pensioners of the country. Also, Mr. Speaker, every year there is going to be an annual grant as well to the pensioners. It is really a projected cost on VAT on the electricity. That is what we have projected that they will pay this amount on their electricity bills and there is going to be an annual grant for them to take care of this.

Now in terms of the telephone service, Mr. Speaker, as the Honourable Member for St. Michael South Central has said, yes the telephone company did explain to us what it was going to do. He claims that he is the person who actually approached them, but I see it otherwise. I know, Mr. Speaker, that there was discussion between the Government and the Barbados Telephone Company and that the company has pledged to ensure that old age pensioners as well as poor Barbadians generally will not be denied access to their telephone service because of the impact of VAT and that the telephone company will ensure that the price of telephone services to the poor Barbadians will remain unchanged. It was a matter of the Government and the telephone company coming to this decision.

There are now, Mr. Speaker, almost 9,000 people on welfare, as you would say in Barbados. They receive cash grants from the Welfare Department and coincidental with

the introduction of VAT, Mr. Speaker, each of those persons will now receive an additional amount. I do not want to call it an increment because it is not really an increment, but it is a way of putting them in a pre-VAT position because what you are saying is that what you get if you had to purchase goods with your grant, what we are actually giving to you is not so much an increment but it is a way to put you back in your pre-VAT position. We realize that you are going to have to pay VAT on certain items and this is what we are doing for you.

It is going to cost the Treasury, Mr. Speaker, when you give relief to these 9,000 people in the vicinity of \$6 million a year. Clearly, as we come now to the end of the financial year what we will have to do is to come with supplementary measures as mentioned in order for us to obtain the money which will give us the leeway to reach the end of the financial year so that we can accommodate this particular measure. I believe it is going to cost between now and March 1, some \$1.5 million.

Right now, Mr. Speaker, the Welfare Department pays the electricity bills for a number of poor old people in Barbados and the Welfare Department will continue to perform that function of paying the electricity bill. It is proposed that in addition to that the Welfare Department will now shoulder the responsibility for the payment of VAT on the electricity bills. So we are going to be shouldering the portion of VAT as well. We have to be like this at this point in our history. In the United States they are taking the opposite view where they are trying to get as many people off the Welfare as possible. It is not that we are trying to get people on Welfare, but it is because we are sensitive to this particular issue and we realize that at this stage we have to do something to assist those people.

At this stage, Mr. Speaker, I want to appeal to the Departments who deal with the VAT issue to live up to their responsibilities and I mean responsibilities in terms of the service rendered as well as speed because this is going to be an issue as well. I believe that if the Departments do not live up to their obligations, then they will be doing a disservice to the system. I am not speaking so much of the Welfare Department, because we all know that they have the responsibility. But I am thinking in terms of places like the Legal Aid for instance. As we know, Mr. Speaker, lawyers will be required to collect and pay VAT and we must remember that the legal aid service which is rendered is actually rendered not to the person. It is rendered to the Legal Aid Department because the collector, that is the lawyer who actually collects, will have to pay the VAT because the lawyer is rendering the service. The entry will show that the lawyer did this work and therefore he is responsible for paying in the VAT. Now the client is very poor when he goes to Legal Aid and, as I am saying, the Department is left now to pay the VAT. If the lawyers are asked to pay their VAT up front, it is going to be unfair.

If they have to wait a long while before they pay it by the Legal Aid Department, it is going to be unfair and what will even happen is that it will take the enthusiasm out of the lawyers to do legal aid and we do not want to have this particular arising at all.

There are a lot of people who leave the Welfare Department and go to the Legal Aid Clinic and they go there for various family matters. They go for the support of children. They go for paternity matters and so on. Therefore, they are actually people that you would call welfare clients anyhow. They are already destitute and these may very well be the people who will suffer in the long run if the lawyers say that because of the system we are not interested in legal aid anymore. So what I am actually doing is calling on the respective departments to render a much better service and a much quicker service where the whole question of collecting and paying VAT is concerned.

I believe, Mr. Speaker, as was said earlier that the Opposition has taken a very partisan and selfish approach to this particular debate. They seem to think that they have a responsibility unto themselves and I differ, because I believe that they have a responsibility to the country. I do not think that it is sufficient for them to be moaning and groaning day after day that if they have to implement the VAT they would have done it differently. I believe that anyone can say that. They are also saying that they would have done it differently, but I do not see how their implementation could be any different from what we are doing. 4.45 p.m.

They have no magicians, no houdinis on that side who would be able to do anything different to what we are doing. We have taken their views, their submissions on VAT. We have studied them. We have made a lot more legislative input and a lot more policy input into what we came and found. We realised that they were very short-sighted in many respects.

I believe that at the end of the day both sides would have to sit and grapple with the particular issues and come to some conclusion on them. I think that Barbadians should be the beneficiaries of their ideas and they have robbed Barbados from hearing their views today on the whole question of VAT. I believe that it is a real snub to their constituents. I feel it is a snub to the people of Barbados and I abhor the stance taken by the Leader of the Opposition and the Other Members of the Opposition party on this particular matter.

I don't know if it is a matter of waiting to hear what the Prime Minister has said and then to take what he has said to someone who knows more about what is going on

than they do and then to take that person's views and go public with them and parade those views as their own. Certainly, what they have done this evening is a real embarrassment to the country.

It is a matter too, Mr. Speaker, of their being very predictable these days. I think that a lot of the posturing which the Opposition is making should stop. They cannot really oppose the VAT. They find themselves in a situation where they themselves were the persons who conceptualised the move with the VAT so they cannot really oppose it. At times, they wish that they had not considered it at all so that they could distance themselves from it but they find themselves in a situation where this cannot be done.

I believe that if VAT works to the benefit of Barbados, I believe that if because of VAT we have a real increase in prices in the supermarkets and so on that we are going to hear, as usually comes from the Honourable Member for St. Michael East, "Give us some of the credit for it, too. It was our idea." That will be then. At this time what they are doing is trying to distance themselves from the whole idea of the implementation of the VAT.

Mr. Speaker, I have actually heard some of them but I wouldn't say which ones claim that there is some remote comparison between what was done with the 8% cut and what is happening now to the VAT. I really and truly do not see how anyone could even think of making such a comparison. I believe that they feel very guilty about what they did around 1991 and, in their own words, they are now looking for someone to share their guilt. They are looking for, as they say, their accomplice or their co-accused.

Mr. Speaker, they derailed the economy of this country and they clearly derailed the country itself and they were the people who punctured the confidence of Barbadians. The 8% cut, Mr. Speaker, was unconstitutional. It originated because of bad housekeeping. They made public servants pay *far* their bad management. That is exactly what they did and persons with mortgages and other liabilities had absolutely no choice. They had to see their incomes butchered by the former administration.

Mr. Speaker, the VAT takes the place of other impositions of taxes. The VAT is a legal thing which we are doing. We are removing a lot of taxes and we are applying one tax in place of all of the others which we have removed. People are free to exercise their choice. This is a situation where if a person does not want to purchase from a supermarket and they want to purchase vegetables they can go and purchase the vegetables from the wayside vendor where they will not have to pay the VAT. So the people at least have a choice.

Mr. Speaker, I therefore have absolutely no problem at all in supporting the amendments to the VAT Act. I think that at this time of our history that it is the way to go and the amendments have my support

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, the Leader of the Opposition has chosen not to speak in this debate. He is paid a handsome salary by the taxpayers to do the people's business. On three occasions last year he absented himself from major debates not the least of which was the Estimates Debate, one of the most important debates that is held in this House on an annual basis. He absented himself from the debate on the VAT, Education Amendment and I think he even absented himself from the Special Development Areas legislation and now he says that he does not want to debate the VAT Amendment

He may find a way of telling us whether this means that he is not going to support the relief which these amendments are meant to bring to people. That would be for him to say but it is not surprising as the Rt Honourable Prime Minister has told us that it is not surprising that the Honourable Member for St. John would not wish to speak in this debate. After all, it was his signature as a former Minister of Finance which committed the Democratic Labour Party to VAT, including VAT on food.

He may well hold down his head in his place where he is now. It is entirely possible that the Leader of the Opposition has been hoisted up on his own petard in this connection.

I would wish to say that people in Barbados are no different from people anywhere else in the world. We are given to crisis intervention. Barbados is one of the last countries in this hemisphere, in this region, to implement the VAT. Our VAT, Sir, whatever the Opposition may say is more generous to our citizens than you will find anywhere else in the Caribbean. Show me where else in the Caribbean where VAT exists where it is more generous in the overall than it is in Barbados!

Part of the imperfect understanding of the VAT in Barbados again goes to the human condition where people wait until the last minute to give their attention to matters of all kinds including very important matters. There has been public information offered for over a year. I know because I have asked people from the VAT Unit to come and address all kinds of groups, including the PTA. Constituency groups, church groups, youth groups have all been addressed by members of the VAT Unit who worked extraordinarily hard to get across to Barbadians some understanding of how it is meant to work. It has been on the radio, television, the print media but too many of us have waited until the actual time of implementation to give our attention to it. 4.55 p.m.

I would like to appeal to the Minister of Finance and Rt Honourable Prime Minister that the public relations in respect of VAT must now again go into high gear now that we have people's attention so that people will get to understand more about how it truly works and we will not hear some of the half-cocked statements we are getting especially from Members on the Other Side who should know better. There have been occasions today on hearing Members on the Other Side that I begin to wonder if they are not setting out to deliberately mislead the public because they must know better and you do not have to be a Solomon to understand about the VAT.

Mr. Speaker, in respect of tourism. Whereas, generally speaking, in Barbados the VAT will be levied at 15 per cent, the Minister of Finance has wisely, in my judgment, made a magnificent concession to the tourism industry which, as we know, is the leading industry in Barbados. He has already today stated the fact that it is the second largest employer after the Government in this country, the largest owner of foreign exchange and everybody knows that tourism is the leading sector in our economy. The largest concession that has been made in respect of VAT is that in respect of hotel accommodation the VAT will be applied to the room rate at 7.5 per cent.

There are some people who suggest that in that connection our hotel services should be exempt. This would have meant that hotels would not pay the VAT but, at the same time, they would not be able to recover the VAT on goods and services which they had as they purchased inputs. So the Minister of Finance, as I have said, in my judgment, quite wisely has decided to levy VAT at 7.5 per cent on hotel room rates rather than making this exempt. Many hoteliers have been crying out, and I think very unfairly, and I am not the only one who thinks that this is unfair.

I was very pleased to see a letter in one of our newspapers yesterday signed by Mr. Levere Richards and I thank him for his letter because he is pointing out that the hoteliers knew well in advance what the implications of the VAT were going to be. They too had their seminars like so many other people had and if their accountants and tax advisors had given them good advice, or if they had chosen to listen to that advice, they would have been far more prepared for January 1 and the implications and implementation of the VAT than they are claiming to be today.

The VAT Implementation Unit, I know, has done more than its fair share of work in attempting to communicate to the tourism sector what the implications of the VAT would be. Now, in this sector I am hearing a lot of talk about the fact that the VAT will be levied on

food and drink which is served in hotels at 15 per cent. We are already seeing letters to the Press going off half-cocked about this, but this will enable the hotels to recover the VAT that they had paid on the food and drink they purchased.

The rise in the cost of food and drink purchased in hotels in my judgment need not rise considerably since most of the food items that you will find there are imported from abroad, from outside the Caribbean and they are going to be lower on account of VAT. We have heard the Right Honourable Prime Minister made the point earlier today in respect of the local agricultural produce. The VAT will be recovered when a meal is sold or a drink is sold.

Barbadians are accustomed to being selective. I do not do all of my shopping in the supermarket. If I see prices in my local supermarket - which is Jordans, and it is a good supermarket. I was with it from the time it was a one door shop until it is a big supermarket today - and the price is right; but the day I do not think the price is right I go at the side of the road and I will "argy bargy" until I find the price I want. If I do not find the price that I want, I buy something else or I do without. Barbadians are accustomed to doing that.

I see hoards of people down in Cheapside. I see hoards of people in Fairchild Street, even in the dilapidated Eagle Hall...

Aside.

Hon. Miss B. A. MILLER: The Honourable Member for St. Michael South Central will not see me down there. He does not move in those circles, Mr. Speaker.

Mr. Speaker, if I want okras, if I want tomatoes, green peppers or whatever and I do not see the price that I like in the supermarket, I buy them outside. Sometimes I will buy them deliberately outside because I feel I can get fresher farm-gate produce. The hotels do this too. The service charge paid on goods and drinks in restaurants will be exempt from VAT. That is one of the important amendments that the Leader of the Opposition does not want to speak to today, does not want to support today. This is one of the very important amendments in this legislation.

Sometime in the latter part of last year Ernst and Young did a study for the Barbados Hotel and Tourism Association and that study disclosed many things. It found, Sir, that there were a large number of input costs which changed by virtue of the imposition of VAT on them for the first time but do not result in an additional cost for the industry because the VAT can be offset against output VAT. I believe other persons have made this point.

Also, that report states that in most cases the combined duty on VAT is considerably less than the previous tax imposition, and people know that. Where people were paying 21 per cent, when people who were paying 40 per cent in some cases with certain commodities 70 per cent they are now paying 15 per cent.

Driving from one meeting to another earlier this week I heard a fnan on the call-in programme making the point that he went to a certain gas station and bought a quart can of oil and that the price was jacked up. He did not name the gas station. The moderator of that particular programme I think was Mr. Audain took his point and explained it to him. There are some people who are already going back where they know they have been gouged to get their refund. Barbadians are not fools. Barbadians do not spend money foolishly and people are getting to understand. 5.05 p.m.

Saturday morning in Roebuck Street, I stopped to buy some figs and okras and the old lady said to me, "Miss Miller, I am a St. Joseph woman, I have been voting for the Labour Party since 1948". We started to talk about the VAT. That old lady understood perfectly. Of course I was buying from her, because it did not apply there but she understood. In her own simple way she understood.

Aside.

Hon. Miss B. A. MILLER: No, I am not ducking the VAT. I am doing what I always do. I always buy my fruit and vegetables fresh at the trays of hawkers if I can.

Asides.

Hon. Miss B. A. MILLER: I pay my taxes even now as a Minister of Government. I pay my National Insurance contributions as a self-employed person. I have always paid. I know what my civic duty is and what my civic responsibility is. The Honourable Member for St. Philip North is correct that there are too many people in this country who have been living off the backs of those of us who pay taxes, even simple, humble people who pay taxes. There are other people who feel that they can tag on and live off other people in this way but they want nice roads to walk and drive on, they want when they turn on the tap there is clean water, they want when they turn electricity on the electricity comes on, they want when they go to the hospital that they will welcome them, take them in and heal them. But somebody has to pay. There is no free lunch, Mr. Speaker, Sir, somebody pays, and the bottom line usually, in a country like this, is that it is the taxpayer who pays.

I do not know how people can find any quarrel with a situation where you were paying more taxes and now you are paying less. Do you know what is the basic problem

here in Barbados, Sir? Barbadians never properly understood what they were paying before VAT. There is no proper understanding of what people were paying before VAT.

Asides.

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, let me go back to the report because I found it very instructive. This report also goes on to make the point, and in a report that is a report - I see the Honourable Member for St. Michael South Central is running away. I told him that he would do that. That is his custom. He finds himself now ineffective. At his stage and age in 1997 he is singing a descant to the DLP main choir. That is what is going on here.

Asides.

Hon. Miss B. A. MILLER: Now let me get back to the report. In this report, remember that it is a report designed for the Barbados Hotel and Tourism Association, the point is being made, additionally, that where repairs or maintenance - and there is quite a lot of that, plumbing, for instance - are done for a hotel and VAT is charged on the cost, an invoice from the supplier of the service will enable the hotel to recover the VAT. What is so difficult in that for people to understand?

It is being suggested that hotels will have to raise their rates. I hear all sorts of uninformed comment on this between 1% and 1Y₄% to maintain profitability. Mr. Speaker, even if that were so, I do not believe that it is necessary for it to be so, even if that were to be so. In any language that would have to be regarded as the most moderate of increases, the most marginal of increases. We must not forget other assistance that has come by the Government, at the hand of the Minister of Finance, directly to the hotel sector. Under the Hotel Aids Act people who are building new hotels or extensions to hotels, and I am pleased that there is quite a bit of that going on at this time, are allowed to import building materials, furniture, fittings and equipment free of duty for the first 10 years, writing off the capital cost against revenue for income tax purposes and then to carry forward any losses for up to 9 years.

There is also a list of well over 100 items of equipment normally used in hotels which they are allowed to import free of duty and consumption tax and with a reduced rate of stamp duty for doing their refurbishing, upgrading and so on. There is a lot of that now going on and particularly so on the South coast - I am pleased to see. These items will not now only be subject to import duty which will be waived. The point I am seeking to make here, Sir, is that it is entirely possible that they should

become cheaper and this Hotel Aids Act Assistance and Refurbishment Scheme represents quite significant and considerable assistance to hotels which they must not overlook.

There has been comment too about transportation particularly to do with the industry. VAT will not be paid on taxis. It will be paid on hired cars and, the Prime Minister, I have heard him, has gone to a lot of trouble to try to point out to the hired car owners that the VAT will be recoverable. What is charged on the hire car rental is going to be recoverable. Tour coaches are imported free of duty and consumption tax but they are going to be subject to the full 15%. Operators of coaches are not expected to pass on the cost of VAT to tourists using the coaches since transportation is an exempt service. So that particular service should not become any more expensive to tourists than it was before.

There are other things which impinged on the Honourable Minister of Education, the Honourable Member for St. Michael North East, mention of matters to do with the entertainment industry. There is the question of admission fees to attractions which will normally be visited by tourists during the course of their stay in Barbados that will attract 15%. But Mr. Speaker, do not let us forget, these people are coming from countries where VAT has been in existence for many years. Again, I think it was this morning, there was another letter to the Press. These people understand that any attempt by Barbadians in the tourism industry to gouge them are not going to be well received.

Barbadians leave here and go to New York, Miami, Puerto Rico, London and so on and pay all kinds of taxes. In New York you go into a hotel room and you pay a total of 17.5% - four separate taxes. The same thing in London. Almost everywhere else in the world the sale of duty free goods to tourists - this point has been made - is zero-rated, which means that there really ought not to be any price increases there and operators of duty free shops can also recover any VAT that they paid. I think, Mr. Speaker, that, as I said earlier, perhaps the public relations process has to go into high gear again. It has to become more intensive because people are now sitting up and they are looking now to ask what are the implications for me or for my business, or for particular goods or services that I would buy.

Mr. Speaker, Sir, the Minister of Finance has promised to review the operations of the Value Added Tax by September. There is, the point has been made already today, an appeal tribunal in place to which people can have recourse. The Prime Minister has made the point time and time again, because a small group of people or a particular organisation would want a special kind of amendment or a special kind of exemption it cannot always mean that

you are going to amend the entire legislation to accommodate that. That is part of the reason why the tribunal is there. People will learn in time to go and make their case and in many instances a case can be made but it is very wrong of Honourable Members on the Other Side to give the impression to Barbadians that this is something new and different and wicked that this Government is seeking to impose upon them. 5.15 p.m.

The Government's files are there. The handwriting and the signature of the Honourable Leader of the Opposition is known. Never mind that from time to time he would deface Government files by tearing out pages or tearing out pieces of pages. And I have seen that with my eyes, these two eyes.

Mr. D. J. H. THOMPSON: Mr. Speaker, on a point of order. I have never been in the same room or present with the Honourable Member for the City in which she or I have been either pouring over or involved in the inspection of any Government files. She never visited my office or my home when I was a Minister of Government and I am therefore saying that the Honourable Member for the City is misleading the House if she says she was present and saw with her eyes that I defaced or tore up any files. Further to that I am also saying that the Honourable Member is deliberately misleading the House by saying that I conducted any of those kinds of acts.

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, I never said that I was present when it was done. I saw the files with my two eyes and it can be brought here and then the Leader of the Opposition would appear like a liar. It would appear to be so if that were true.

Mr. D. J. H. THOMPSON: On a point of order, the Honourable Member is misleading the House. It is one of the most silly allegations to make against a Member about defacing or tearing up a Government file. These kinds of things, Mr. Speaker, I do not think have any place in a serious debate.

Mr. SPEAKER: The Honourable Member, I think that your suggestion is contravening Rule 28.7 and imputing improper motives to another Member and I am asking you to withdraw those remarks please.

Hon. Miss B. A. MILLER: Mr. Speaker, I have seen this with my two eyes. I am not imputing any improper motive. I am saying what I saw. A government file that was defaced, a very serious thing to do.

Mr. SPEAKER: Are you saying that the Honourable Member for St. John is any way responsible for what you saw?

Hon. Miss B. A. MILLER: I am saying that I saw the handwriting and I saw his signature and I saw it on a page in a Government file that was defaced by tearing. I saw that with these two eyes. And I cannot pretend that I did not see it.

Mr. SPEAKER: My conclusion about that Honourable Member is that you are imputing improper motives to the Member and I am asking you to withdraw those remarks, please.

Hon. Miss B. A. MILLER: I am prepared to withdraw them, Sir, but it does not mean that I did not see it.

Mr. SPEAKER: Let us proceed, please.

Hon. Miss B. A. MILLER: The Honourable Member does not want to hear that but I will bring the file to this House on another occasion. What I am saying, Sir, is that it is very wrong of Members on the Other Side to give the impression that this is something different and wicked that this Government is doing. This Government is doing no more than other Governments in this region and outside of this region and everywhere else in the world have been doing. Barbados will be brought kicking and screaming into the twenty-first century whether they like it or not. The day of the old consumption taxes have long gone. Whether we like it or not we have to face the facts. This is the way of modern business. This is the way of modern commerce. This is the way that modern Governments conduct their business and this was something that the Democratic Labour Party committed itself to.

I said at the beginning this is why the Honourable Leader of the Opposition does not want to speak in this debate because it was his signature, as Minister of Finance, that committed the DLP to this and he cannot gainsay that. I do not know what strategy they are employing for this debate because one minute you read in the papers that they were not speaking. Then some were speaking, some not speaking and others singing a descant at the back. The spokesman for economic affairs grinning all the time. We are so pleased to see him in here, Sir. Four meetings of the House and he has contrived to miss two of those. As the new representative for St. Michael North West, I have not heard him yet. I suppose he is waiting for what might be thought to be prime time but he said in here he is going to lock off horns and so on. We are still waiting to hear him because we know that he was the chief adviser.

Mr. Speaker, Sir, I am very pleased to lend my support to this. I think that these amendments are well considered and are well brought before this House. I have no doubt that from time to time there will be other amendments. Members on the Other Side are getting on as though this is something new. This is the process of this House. It is entirely possible that in any given year in

this House we may be dealing with more amendments than you are dealing with written legislation. This is nothing new but I am really surprised that the relief which the amendments are addressing would be something that Members on the Other Side would want to oppose. You are speaking with forked tongue. They are trying to reprobate and approbate at one and the same time and everyone knows that you cannot do that.

Mr. SPEAKER: The Honourable Member has one minute.

Hon. Miss B. A. MILLER: Members on the Other Side are not fooling anybody. Barbadians understand clearly that both the major parties and the one singing descant are committed to the principle of a value added tax as the way to go in modern Barbados. Mr. Speaker, Sir, I am much obliged to you.

Hon. Miss H. E. THOMPSON: The issue of tax reform has been much discussed on the national level for some considerable time. The Value Added Tax was one of the methods by which a former administration committed Barbadians to tax reform and this Administration has accepted the challenge of implementing tax reform by way of the Value Added Tax.

We have developed over time a taxation structure and methodology to which we have become accustomed but as we go into the twenty-first century and the systems of international business finance and the way international business is done we too have to think in terms of moving forward with the times. We too have to think in terms of coming to reform our taxation system and our taxation structures. What falls for us as Barbadians to do with the Government having taken the decision and actually implementing a Value Added Tax system is to ourselves as individuals to come to grips with what the system is about and how it will impact on our lives. 5.25 p.m.

So far there has been a lot of argument and agitation against the tax partly because a lot of people have not taken the time to understand what the tax means, to understand how it will impact on them and, therefore, their opinion of the tax has been fashioned by those who have commanded the PR, the view of the Opposition which is anti the VAT, of those who have committed us to it, the view of the private sector that has been saying come now, buy now and protect yourself from the VAT hurricane. But once VAT was introduced they then changed the tenor of their advertising and said that things are cheaper and buy now that VAT is here and it has made it cheaper. But as individuals we have the responsibility ourselves in order that we will know and we can protect ourselves from those who would seek to exploit us from the commercial sector and those who are in control of businesses, and those who

see an opportunity in the existing confusion and uncertainty to make a big killing as a profit.

So over the last few months the Government through GIS and through independent agencies mounted a PR campaign to sensitize the public of what VAT was about, and though almost every constituency branch of the Barbados Labour Party held seminars and workshops and held public discussions inviting people to learn of VAT. In my own constituency we had a VAT seminar with a wide cross-section of experts, people who could make the thing simple and people from the VAT Unit and we invited everybody who we knew that lived in the constituency and owned a business whether it was inside the constituency or not, such as shopkeepers, hairdressers and people selling as wayside vendors. I have people in my constituency who sell on Swan Street. We invited rum-shopkeepers and we invited all of those businesses situated within the constituency but owned by people who lived outside. The large response before October, November and December was indifferent. People believed that VAT was something far in the future, that somehow it was not going to affect them and that they did not have to equip themselves. It is only when they realized that the deadline for the implementation of the tax was upon them that people started to get into a frenzy. They wanted to know how it would affect them. Because they waited until the last minute, a lot of what they have learned about VAT was in fact influenced by the people who were putting their own messages out there which were not necessarily accurate or which did not necessarily serve the interests of the broader society but served their narrow interests, whatever those interests were, whether partisan politics, whether it was crash commercialism so that they could empty their storehouses and their storerooms or whatever the interests that propelled that group that the public, who chose to be uninformed had to adopt the only message that was out there or, in fact, the strongest message that was out there[^] That was the anti-VAT message.

So that we have come to VAT from a position of lack of knowledge and therefore a tremendous uncertainty and we have come to VAT with the natural fear of the unknown which characterizes all human endeavour. It is a fact that that which we do not know about, that which we are unsure of, that which we may not be fully informed about, always has the ability to frighten us and to make us want to say that I want to resist this change. I do not want to see change. Let me deal with what I understand. Let me deal with what I am familiar. Let me deal with that which I know. But VAT is here and we must therefore as individuals see all of the information going and seize this opportunity to understand that which is confronting us.

In my view, one of the things that will come out of this experience of VAT is a strong national consumer organization. For years fledgling consumer organizations have been given birth to at various times and have died.

There was one that was even started I recall by a former Member of the Democratic Labour Party. It lasted for sometime and then went into abeyance. But the point is that all of us as individuals and some public organizations as well as the Government organizations will have the duty of examining price control and inspecting properties to ensure that there is no gouging or that the degree of gouging is reduced to a minimum.

Some consumer organization is also going to emerge to help to protect the interest of individuals and the public. In countries outside of Barbados consumer organizations have not only become very common but very vigilant and very effective. They do things such as protesting the premises of properties and businesses that are known to sell inferior goods or in any way to exploit the interest of the consumer. It seems to me that because of the emergence of VAT and the public sentiment about it, that as part of our coming to grips with this new tax that some public consumer organizations are going to emerge or going to have to emerge as a public watch-dog as a means of fighting the merchants who are going to attempt to price gouge.

Mr. Speaker, let us be frank that there are those merchants and property business owners who are already taking advantage of the confusion created to raise their prices far in excess of any impact which VAT could have had on their businesses. I have had the experience, Mr. Speaker, within the last week of going into a restaurant where I like to eat. The starter that previously cost \$10.00 had moved to \$18.00. Now that could not be VAT and there are other examples in the supermarkets where people were seen already increasing their prices in anticipation that VAT would come. So in some cases where they knew that VAT would create a lower price on the product, the price of the product was put up several times so that even with VAT it either remained at the level where it had been previously or was slightly above. This is what I mean when I talk about the need for some public watchdog, not only in the form of a Government agency but in the form of consumers themselves understanding how VAT will impact on them and protecting themselves from people who seek to use this opportunity to be a profiteer.

On the other hand, there have been some agencies and some commercial houses which have sought already to pass on to consumers the reduction in prices occasioned by VAT. Already there are private sector houses and commercial houses telling us that the cost of refrigerators has gone down. That the cost of video machines has gone down and that the cost of televisions has gone down.

I was at the hairdresser, Mr. Speaker, Sir, January 2, and while I was there hairdressing products were delivered to her. She stopped to check her bill when

the delivery man left and explained that something had to be wrong. She then started to go through her order item by item. In one case, I do not remember all of the prices because I did not write them down but at least 3 of them stuck with me. Chemicals for hair straightening which is used by many women all across Barbados have gone from \$55.00 a container, I do not know what weight, to \$38.00. That is a considerable drop in price. There were other products that had gone from \$13.00 to \$8.00. I sat there and watched her go through the list of the difference in prices that she was immediately seeing as a result of VAT. Now we have been saying for the longest time on this side that hair-dressing products like hair grease and toiletries are going to be significantly reduced in price because of the degree of duty previously payable on those items as compared to what is now payable.

But I want, Mr. Speaker, to frame these comments in the general context of how VAT is going to impact on health services and drugs, Pharmaceuticals and related things within the health services because I know there is some high degree of uncertainty in this area and that people are keen to find out if vulnerable groups are going to be disadvantaged because of the implementation of the VAT. 5.35 p.m.

Let me just say, Sir, that a wide range of drugs have been zero-rated under the new VAT system. These are drugs which exist on the formulary which formulates medications and Pharmaceuticals for use by Barbadians. Drugs relating to the special benefit service for people 65 years and over and under 16 have all been zero-rated. Specially authorised drugs relating to cancer and other illnesses have been zero-rated. Drugs relating to the chronic non-communicable diseases - diabetes which affects 20 000 Barbadians, hypertension, all of those - are zero-rated.

That means, Sir, that all of those drugs attract no VAT. In the simplest possible terms, it is not quite that simplistic but it means that they attract more drugs. Similarly, if you have a prescription written by a doctor or a dentist, drugs on that prescription will not attract any VAT. They are zero-rated. Drugs going to a doctor or a dentist for use in that person's medical practice will not attract VAT. Drugs used by a hospital will not attract VAT. Drugs used in pharmacies which are in an arrangement with the Barbados Drug Service will not attract VAT. So the vast number of people and the vast number of Pharmaceuticals and drugs in Barbados will not attract VAT at all.

There are some drugs or medications, medicinal preparations, which will attract VAT. These would be vitamins, cough medicines and antacids. Those are

the kinds of items which are sold largely in the pharmacy over the counter which would attract VAT. These products would still be cheaper than they were pre-VAT because prior to VAT those products attracted other taxes, stamp duty, consumption tax, import duty, the sum total of which were far higher than the 15% VAT which they would now attract so that the taxes on those items will be significantly reduced. That is a fact.

Vulnerable groups in the society are not going to be adversely affected. Old people and children who will have to be using medicinal preparations for arthritis and coughs and colds, as children catch coughs and colds fairly easily; and vitamin tablets, those things are all going to be much cheaper, even though they have not been zero-rated. The fact is that with VAT the rate of VAT is far less than the taxes which previously existed on these items.

I want to give the House and the public a very clear idea of the kinds of things which are zero-rated and do not attract any VAT. Diagnostic testing kits for testing glucose in blood and urine are the kits used by diabetics and those will not attract VAT. Hearing aids, artificial teeth and eyes and artificial limbs and other body parts will not attract VAT. Glasses and contact lenses are now zero-rated. Previously, they attracted a 49% tax - 29% consumption tax and 20% stamp duty. These have now been zero-rated so they will attract no tax at all. People complain all the time about the high price of eye glasses and we see therefore that they have gone from 49% to zero.

Wheel chairs, prosthesis, dialysis, all of these are now zero-rated. In addition to that there are a large number of medical services which are tax exempt and again because of the status and because of the reduction in taxes occasioned by this status they too will not experience any rise in prices. I could go on to give the list of these services: ambulance services and services at the public hospital, medical services and nursing services, paramedical services and so on.

Finally, Sir, by way of explanation those persons going for private medical care from private practitioners and private hospitals do not have to pay VAT. Hair care products and deodorants have gone down.

Mr. Speaker, Sir, I have only had enough time to give this Chamber and the public some idea of the kind of medical services and Pharmaceuticals in particular which are going to be affected by VAT and the extent to which they will be affected and the impact on the public. You will see, Sir, from the explanations preferred and detailed that that really provides a fairer system of taxation and a cheaper system of taxes in relation to Pharmaceuticals and health care services. Essentially, Mr. Speaker, that captures what VAT is about, that it is a new taxation system which

is cheaper, fairer, less complicated and in fact will cause, if we are vigilant and do not allow people to exploit us, a reduction in prices overall in relation to Pharmaceuticals, personal care items, toiletries and other consumer products.

j We are moving into the 21st century with a system that if given the opportunity to work will cause us tremendous benefit because it will be a much lower system of taxes for all of us. I therefore am happy to support this measure.

Rt. Hon. O. S. ARTHUR: Mr. Speaker, since no other member of the House has indicated a willingness to speak, I rise to wind up this debate and to say that we felt strongly the need to have a televised debate because of the public interest. This is a new tax, Sir, a new system of taxing as well because essential in all of this is that we are not just introducing a new tax but we are abolishing 11 existing taxes.

Never before in the financial history of this country has such an undertaking been carried out. The House therefore is the best place in which these various matters should be addressed. The Leader of the Opposition chose to speak only in the most cursory way to the issues raised by the introduction of a value added tax and that is the prerogative of the Opposition, Sir. I do not feel myself competent to tell the Democratic Labour Party how it should administer its affairs but I feel competent to tell the House that in August when we were proposing to introduce the legislation initially to Parliament, I did consult with the Leader of the Opposition and I brought to his attention all the various ways in which the proposed legislation would be essentially different from that proposed by the Democratic Labour Party. He did mention to me, Sir, that he was not going to be present for the debate but that fundamentally he did not have any serious disagreement with what was being proposed.

I brought to his attention as well - we consulted behind that Chair - that one of the most important areas in which there was going to be a change was in relation to the treatment of the tourism industry and he said then - this is a matter of fact, Sir, - that he had no fundamental differences with it, and that the Democratic Labour Party had also seen advice to the effect that the tourism industry should not have been exempted but that one man, and one man was adamant, and that is the reality. 5.45 p.m.

One of the fundamental differences between the 2 parties is the treatment of tourism. We are now being told that we are treating tourism in a special way because of our love for big white businesses whereas the Honourable Member for St. Michael North West, who has not spoken in this debate, has gone as far as to represent that

the tourism sector could benefit from zero-rating. But the Honourable Member for St. John was very careful to point out that they would have loved to do something for tourism but that one man, and one man was adamant. I say that the future of this Barbados economy should not be put on the determination of one man and one man who was adamant and that is what this foolishness which is now to overtake the country is about.

I commend these amendments to the House, Sir, and I beg to move that this Bill be now read a second time.

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

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

On the motion of Rt. Hon. O. S. ARTHUR seconded by Hon. Miss B. A. MILLER the House resolved itself into Committee on the Bill Mr. W. C. C. CALLENDER in the Chair.

COMMITTEE Mr. CHAIRMAN:

The House is now in Committee.

Hon. D. A. C. SIMMONS: Mr. Chairman, I beg to move that we do the committee stage of this Bill by taking the clauses in groups of 10.

Hon. Miss B. A. MILLER: I beg to second that.

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

Clauses 1-30 inclusive were called and passed.

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

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

Order No. 3 - 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. Miss B. A. MILLER seconded by Hon. D. A. C. SIMMONS the House resolved itself into Committee of Supply, Mr. W. C. C. CALLENDER in the Chair.

COMMITTEE OF SUPPLY

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

ORDER NO. 3 - (a) RESOLUTION TO APPROVE THE GRANT OF \$1 627 352 FROM THE CONSOLIDATED FUND IN ACCORDANCE WITH SUPPLEMENTARY ESTIMATES NO. 8 OF 1996/97

HEAD 30 - ATTORNEY GENERAL - \$110 576

Hon. D. A. C. SIMMONS: Mr. Chairman, in moving that Head 30 stand part in the sum of \$110 576,1 would like to explain to the Committee that this supplementary has arisen *ex improviso* because at the time of preparation of the Estimates it was not known that the Royal Barbados Police Force Band would have been invited to participate in a festival in Germany.

Sir, the Honorary Consul for Barbados in Germany, Dr. Alex Shultze Petzold was instrumental in moving that the Police Band participate in the 33rd Music Show being held in Bremen, Germany. The invitation was sent to the Band. The Band indicated in principle that it would like to participate. Arrangements were made in Germany for the Band's participation. There are brochures which have been prepared and published all through Germany and parts of Europe.

Among other things there will be 8 military bands on parade. It is expected that our Band will make 4 appearances. They anticipate that at least 30 000 people will attend the show. In addition to that, the Band will be appearing on German television. I even embellish for the committee the potentiality that that kind of exposure will portend for Barbados. Honourable Members know that we do get a lot of tourists from Germany and it is important that Barbados¹ image from a marketing point of view be maintained in that particular market. 5.55 p.m.

We are getting contributions towards the band's participation, Sir. The German organisers have agreed to make a contribution of US\$10 000 when the band arrives in Germany. They would provide the band with warm clothing and full meals and accommodation in Germany. In addition the Barbados Tourism Authority is contributing BDS\$10 000 to ensure the participation of the band. Of course the big bulk of the expense is the air fare associated with the band attending. We have got a special deal from British Airways. The band leaves on the 20th.

Asides.

Hon. D. A. C. SIMMONS: The air fare is still \$81 600. There are 40 members. They had asked for 35 and then they asked for 40. The 40 members who are going, Sir, include the Director, Dr. Atherley who recently attended a briefing session in London with other conductors of bands. All the arrangements are in place for the band to travel. In so far as no provision had been made in April for this event, we are obliged to committing your support for these funds in terms of \$110 576.

That really is the gravamen of this Resolution, and I commend it to Honourable Members. I think that the band will do us proud in Germany and will also, hopefully, contribute to the tourism marketing efforts, Sir, and this kind of money, I think, will be very well spent in a venture whose benefits, hopefully, we will reap in a year or two, Sir.

I am obliged to you, Sir, and I beg to move that Head 30 in the sum of \$110 576 stand part.

Hon. Miss B. A. MILLER: I beg to second that, Sir.

Rt. Hon. L. E. SANDIFORD: Mr. Chairman, I rise to support this request for a supplementary which I do not think will attract any criticisms or comments on this particular item, Sir. I believe that the band is one of which all members and all Barbadians could be proud. It has a very intensive programme at the national level as well as at the community level. It is a very hard working band, Sir, and I would like to take this opportunity from the Floor of the House to commend the Director, Dr. Atherley and the members of the band for their work in the cultural and social development of Barbados.

I, myself, Sir, have had occasions to work with the band and to participate in their choral activity, Sir. The last occasion was on Christmas morning in Queen's Park where we were part of the annual and traditional festivities, Sir, and I can tell you that it was a very good event. So it is not only the music coming from the blend of the instruments but the band reaches out, Sir, into the choral areas and incorporates in special areas some of the choirs of Barbados and some of the singers of Barbados into their programme, Sir. I do not know about the civilian trumpeters or so, Sir, but certainly...

Asides.

Hon. D. A. C. SIMMONS: On a point of order, Sir. I just want it to be known that the last occasion that I played with the Police Band was, unfortunately, December 18, 1995, the night when Dame Nita collapsed at the Grand Barbados Hotel. They had their annual officers' party. I played about 10 tunes with them.

Rt. Hon. L. E. SANDIFORD: Also, I do not know why the Honourable Member for St. Thomas jumped up, Sir, because I did not even remember that he played a trumpet, Sir.

Asides.

Rt. Hon. L. E. SANDIFORD: Anyhow, Sir, that is about all that I wish to say to commend this vote to the Honourable Members which I certainly will support.

Hon. Sir Harold St. JOHN: Mr. Chairman, I just wish to support this supplementary and I would like to commend all of those who have worked very hard to ensure that this trip by the Police Band would become a reality. The effort by the Honorary Consul is a very praiseworthy effort. It is not the first occasion that a band from Barbados has participated in this very important festival in the port city of Bremen in northern Germany.

Years ago when I was Minister of Tourism, together with the then Permanent Secretary of the Ministry of Foreign Affairs, we attended one of these fairs. At that time there was a steel band which was chosen to represent Barbados in the festival. It will be a good opportunity for the Police Band to participate in an activity in which there would be bands from other countries in the world.

As part of the festivities, a certain amount of Barbadian material does take pride of place, particularly rum, pepper sauce and some other products which Barbados has become famous for in that city. So all of us would be heartened, and I am sure that the band would itself feel very encouraged by the fact that this Resolution has received bipartisan support in this House.

Hon. Miss B. A. MILLER: Mr. Chairman, Sir, I would like to lend my support to this. As the Honourable Member for Christ Church South has said it is not the first time that the Police Band will be participating in this sort of thing. In an earlier Barbados Labour Party administration, we encouraged the Police Band. Our Police Band, in the past, has gone to the Welsh Eisteddfodd. It has gone to the Edinburgh Festival and to some very highly rated musical events. This one at Bremen, I think, will do a great deal to both Barbados in Germany and in other countries in Europe, particularly northern Europe surroundings.

I am very happy that this supplementary has come before the House to enable them to do that. The Germans who have issued the invitation are going to be very hospitable. I believe that they are looking after all of the accommodation for the Police Band and all of the ground transport. 6.05 p.m.

I believe that the Honorary Consul, he is one of 2 Honorary Consuls in Germany who will do everything in his power to use the occasion to promote Barbados as a tourist destination, as a place to do business, as a place to come to festivals. He is one of our Honorary Consuls who comes home every year, brings a group of people with him. He is out there promoting Barbados. When I was in Berlin he felt it necessary to present me with a bottle of hot sauce and a bottle of tiger malt. I think this was just to show how enthusiastic he was about promoting Barbados. But he does this on an annual basis and I am pleased that we are now embarked again upon the business of using the police band as ambassadors for Barbados. They are tremendous in their musical appeal. The uniform that they wear, especially when they take some of their members wearing the Zouave uniform is really very attractive to non Barbadians and helps to make them stand out there, even as they will do in Bremen where they are playing with other police bands and other military and para military bands, so that the colour and the exotic look of our Royal Barbados Police Force will go a long way in that connection.

Mr. Chairman, Sir, I am pleased to support this supplementary Resolution.

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

HEAD 39 - MINISTRY OF LABOUR, COMMUNITY DEVELOPMENT AND SPORTS - \$1 516 776

Hon. R. N. GREENIDGE: Mr. Chairman, I am asking that Head 39 stand part. You would recall that earlier today I said that Government is cognizant of the impact which will accompany VAT and we have sought to put in place a cushion to counteract the negative impact which VAT will have. The majority of the supplementary is really to the Welfare Department under grants to individuals, the individuals that I spoke about earlier.

Mr. Chairman there were some 8 828 persons who received cash grants from the Welfare Department and what we are proposing with this sum of money, Mr. Chairman, is to increase their grants by \$13.00 each. This is going to mean that we will have \$1 496 432 to disburse to the Welfare Department. The projection shows, Mr. Chairman, that that sum of money would address the situation which is spoken about. As I said it is really to restore them to their preVAT position so that they would indeed be no real erosion in terms of what they receive and what they can do. Therefore what we have done is to factor in the VAT into the grants which they will receive. It is really like counteracting inflation and this is exactly what they are trying to do in this instance. As I said it is not really designed or should not even be considered to be an increment to them.

Mr. Chairman, that really is the position. The money is to the Welfare Department and will take us to March 31, the end of the Financial Year because it is something which we plan to implement as of now.

Mr. D. J. H. THOMPSON: Mr. Chairman, I will be very brief on this but I must say that I was very troubled by the way in which the policy announcement which was the precursor to this particular measure was undertaken. I believe it bordered on a sadistic act, a politically sadistic act, Mr. Chairman, Sir, visited on the vulnerable people in this country. Old age pensioners, the disabled, the people receiving pensions of one sort or another, children, people receiving welfare grants, that less than 12 hours before the VAT came into effect in this country they were finally told in a last minute gambit to salvage the complete mess which the Government had found itself in, what kind of relief they would be given. When you measure the relief that they were finally given of about \$17 million as against the announcement that it would only have been \$35 million that it would have cost the Treasury, if that can be believed, to have given a substantial measure of relief on basic food items, it demonstrates the paltriness, the meanness of the Government and an act of political sadism inflicted on the vulnerable that at the eleventh hour they were told.

Meanwhile, Mr. Chairman, Sir, and these are the kinds of things that the Democratic Labour Party has to speak out against, because the first persons who knew that they would be given some level of protection by the Democratic Labour Party when we were introducing the value added tax were vulnerable people. At the ground breaking ceremony for the Julie-N complex, the Cabinet gave me the instruction to announce publicly, even before we told the offshore sector, before we told the agricultural sector, before we told the private sector, the first announcement that the Democratic Labour Party made, and I am dealing now with that question of the people who eke out an existence in this country every day. They have no where to go because if they go down at the US Embassy they cannot get a visa, not that that is something they should spend their ambitions. They have to eke out an existence in this country every day and people who have never visited this country, who may wish to make an investment in Barbados, could stay as far away as England and Europe and New York and Chicago and all parts of the world and know what concessions they would get from the Government of Barbados in relation to the VAT if they were investing in agriculture. If they were investing in a special development area, no VAT. If they were investing in the offshore sector, no VAT. 6.15 p.m.

They knew before they even set foot in this country what concessions they would be getting. But this callous Government in an act, as I said, of political sadism kept

the vulnerable in this country waiting until 4.30 p.m. on December 31, 1996 to tell them that they will be getting \$17.5 million of relief.

I was appalled and sickened to my stomach, Mr. Chairman, Sir and that is why I say that this Parliament is no longer an institution and the people who are elected to this Parliament, different from what happened in the fifties and sixties and the forties and thirties, do not seem to see it as their principal responsibility to defend the interest of the vulnerable. If we continue on this trend, Mr. Chairman, where everybody else other than those people who are functioning in that environment who know what concessions they will get, but the vulnerable do not know.

Mr. Chairman, imagine this is the 14th of January and we exempted the people who invested in development areas since August 13, 1996 when the legislation was passed in here. The Honourable Member for the City misled the House earlier but I do not allow her comments nor yours, particularly if you are making allegations which are wickedly, untruthfully as you did today...

Aside.

Mr. D. J. H. THOMPSON: I am speaking to the Honourable Member for St. Peter. So Mr. Chairman by the time that I had finished speaking and although I was not here all of this represent what I said in this debate for somebody who was not here. I must thank the shorthand writer for being skilful enough to produce all of this as what I said of the Special Development Area debate when according to the Minister I was not even in the island and that I spoke longer than the Honourable Member for the City. That is the kind of foolishness, Mr. Chairman, that we are hearing in this Chamber.

But I am not speaking on that. What I am speaking on is that by August 14th a man who wanted to invest in the Speightstown/Scotland District knew that he would not be paying VAT. But a pensioner did not know what relief he or she would be getting from the VAT until 4:30 p.m. on December 31, 1996. The supplementary is now coming for some comfort to them.

Aside.

Mr. D. J. H. THOMPSON: Because a pensioner has to plan his or her life too and that is the problem that you all have because you believe that poor people do not have to plan their lives, that the only people who have to plan their lives and the only people you are going to allow to plan their lives carefully in this country are wealthy people and people who are foreign investors. They can stand outside of the shores of this country and plan for the next 10 years. So it was not necessary to tell a pensioner,

according to the Member for the City. It may not be necessary even now to tell a pensioner that they are getting a \$7.00 increase. They do not need to plan their lives. The only people that this Government believes need to plan their lives, Mr. Chairman, Sir, is the corporate sector - the sector that have the Government in their back pocket, Mr. Chairman, the one who sits in the Cabinet every week and dictates the pay and the men who have to sit down next to the Prime Minister with their arm up his back telling him what to say when he is announcing that he is not going to change anything in Barbados because they are telling him that it is not necessary to change it. That is what Barbados has come to in 1997. I never had to put anybody to sit next to me to tell me what to tell the public on any issue. I say thank goodness that I know of no Prime Minister in Barbados under the Democratic Labour Party that had to demean the public before...

Rt. Hon. O. S. ARTHUR: Mr. Chairman, Sir, I rise on a point of order. The man at the helm does not sit in Cabinet and he does not direct the affairs of the Barbados Labour Party.

Mr. D. J. H. THOMPSON: Demean public discourse, Mr. Chairman, to the extent that it is necessary for anybody to be brought into the Cabinet Room to prompt the Leader of this sovereign nation pertaining to what he must say.

Rt. Hon. O. S. ARTHUR: On a point of order, Sir. The deliberations of the Cabinet of Barbados are conducted between members of the Cabinet of Barbados. There have been no occasion in which people have been brought into the Cabinet to prompt anybody or to direct the affairs of the Cabinet. For that to be put into the records of this House is mischievous information that is a discredit even to the standards that we have come to accept from the Honourable Member for St. John. It is untruthful. It is false, Mr. Chairman. It is designed entirely to be mischievous and I ask that it be struck from the records. The deliberations of Cabinet are between members of Cabinet and for that nonsense to enter the records of Parliament reflect more, I think, on this Parliament and perhaps more on the person who made this remark. I ask that the remarks, untruthful as they are, be struck from the records. I am asking you to rule.

Mr. CHAIRMAN: I do not think we can strike the remarks from the record, but I believe that your comments will respond to the Honourable Member for St. John.

Mr. D. J. H. THOMPSON: I am surprised to think that the Prime Minister would think that, but maybe there is reason why he does think that. I said into the Cabinet Room not at the Cabinet meeting. There is a Conference Room at Government Headquarters where Press

Conferences have been held. Mr. Chairman, there are those from the private sector who sit and prompt the speaker because I saw one last Friday on my television screen.

Rt. Hon. O. S. ARTHUR: Mr. Chairman, the same people who represented the private sector at the meeting between the private sector and the Government of Barbados last week were the same people who represented the private sector when the Democratic Labour Party was in office. They are the same people that the Honourable Member for St. John asked for their views on VAT. They are the same people who responded to the Honourable Member for St. John in his capacity as Minister of Finance. It is the leaders of the private sector and, if the Member is now to say that the Government is not to have discussions with the private sector and if the private sector is not to choose who they want to send to those deliberations, he should enter that foolishness into the records of this House. But last week the Government held a meeting with the leaders of the private sector and that is what all of this foolishness is about.

Mr. D. J. H. THOMPSON: Mr. Chairman, what we have in Barbados in 1997 is a philosophy which says that a private sector investor is to be told how he will benefit from concessions so that he can plan his life, he can plan his investments, he can plan his future and he can dictate to the Government. I know of nobody who was able to get into the Cabinet Room to represent those interests in Barbados which most need representation - the vulnerable, the poor and groups like that...

Rt. Hon. O. S. ARTHUR: Sir, I am rising on a point of order. All of the proposals pertaining to the poor and the needy were fully discussed with the representatives of the trade unions and all of the social partners, and the measures that the Honourable Member for St. John is maligning in this Parliament, Sir, were agreed to with representatives of all of the institutions drawn across every section of this Barbados society. It is inaccurate, misleading and mischievous for the Member to say that nobody representing any poor people in Barbados were allowed to discuss these measures. Because they were fully discussed with the leaders of the social partners and they concurred in the position where this is concerned.

Mr. D. J. H. THOMPSON: The Honourable Member for Christ Church South just made the point for people do not need social partners to represent them. The Government must be more creative in finding ways and means of factoring in the views of vulnerable groups into their deliberations. What social partners what? Who represented the pensioners? Who was it that was able to come forward and put the case for the poor pensioners in St. John and the poor pensioners in other constituencies? 6.25 p.m.

Rt. Hon. O. S. ARTHUR: On a point of order. There is an association of pensioners and the President of the association was represented at the meeting. If the Member for St. John does not have the facts, Sir, he should desist from maligning a process he does not understand. Foolishness!

Mr. D. J. H. THOMPSON: Mr. Speaker, Sir, this Parliament has become as I see it a special interest facilitator. The Cabinet is a special interest facilitator.

Hon. Sir Harold St. JOHN: Mr. Chairman, on a point of order. I submit that it is out of order for the Honourable Member to say that a Member of Parliament is a special interest facilitator. He is accusing Members of Parliament. He said this Parliament and the Cabinet. He said both. It is improper for the Honourable Member to impute improper motives and to suggest that Honourable Members do not represent their constituents in an independent manner.

From the days of Burke, the Honourable Member would know, if he remembers his political history, it was said that a member who goes to Parliament does not represent any special interest. He represents what his conscience tells him is correct. That is a fact, and to accuse any Honourable Member of this side of that, I submit that it is out of order.

Mr. CHAIRMAN: The House is asked to note that the Honourable Member for St. John made some reference to Cabinet but he did not make a reference to a specific member.

Hon. Sir Harold St. JOHN: I distinctly heard him say Parliament and then he went on to say Cabinet. You must listen to what the Honourable Member is saying.

Mr. CHAIRMAN: Order, please! The Standing Orders state that no member may impute improper motives to another member. If the Honourable Member for Christ Church South is saying that he considers the remark of the Honourable Member for St. John to be imputing improper motives to him, the Honourable Member for Christ Church South, then I am asking the Honourable Member for St. John to withdraw his comment.

Mr. D. J. H. THOMPSON: Mr. Chairman, I am not imputing improper motives to the Honourable Member for Christ Church South. I am saying that every piece of legislation which was passed in this Chamber that has anything to do with taxation in this country in the past 2 years has been to facilitate special interests. I am saying that the special interest that is not being facilitated is the interest of the poor and the interest of pensioners.

Mr. Chairman, it is well nigh unbelievable that in 1997 in a modern parliament like this, introducing legislation as significant as value added tax, that everybody else in Barbados, every special interest, understood how that tax would affect them, except the poor and the vulnerable, until 4.30. p.m.

Mr. Chairman, I am not the only person saying so. The Government's biggest supporters, including the writers of the most successful corporate journal, are saying that they cannot conceive that such a major political blunder was made. The private sector published an advertisement in which they, themselves said that they were embarrassed, without using those words, that up until then the Government had not yet announced what relief measures it would be giving to the vulnerable in the society.

That advertisement said that the Government needs to pay urgent attention and announce to the public what measures it would be giving to relieve the impact of the value added tax on the vulnerable in Barbados. Not even that at that time moved the Rt. Honourable Member for St. Peter. Until 4.30 p.m. on December 31, I could not tell a pensioner in St. John whether his pension would be going up, whether he would be getting any kind of assistance to mitigate the impact of the VAT, because until then all we had was general remarks from the Rt. Honourable Member for St. Peter that he set up a consultancy costing \$150 000 to investigate issues such as VAT arising out of the Budget and that he would be giving some form of relief.

We did not know what the increase would be. We did not know whether they would be exempt from anything. Nothing, Mr. Chairman, so I have to call that a sadistic act. The Democratic Labour Party will not be part of that kind of thinking. We are dealing now with assistance to the vulnerable in Barbados and we are saying that consumers need to be protected but in addition to that that there is a class of Barbadians - suddenly the Prime Minister has found them, sometime prior to December 4th he discovered that there were some pockets of poverty in Barbados that he didn't know existed before. Then he found them again on December 31 at 4.30 p.m. hours before the VAT was introduced and they finally knew, as I said, Mr. Chairman, how we would be protected from the harsh impact of the value added tax.

Mr. Chairman, the Honourable Members on that side were at pains to point out today, as was the Rt. Honourable Member for St. Peter at his press conference that the exercise he was engaged in was principally an exercise to mitigate the impact of the VAT after a major study had been undertaken. That study, Mr. Chairman, Sir, had been commissioned sometime after the Budget last year and it took from May last year to December 31, 1996 for the

Honourable Member for St. Peter to say to the vulnerable how they would be given either concessions or how the impact of the VAT would be.

Mr. CHAIRMAN: The Honourable Member is asked to wind up his speech.

Mr. D. J. H. THOMPSON: So, Mr. Chairman, Sir, this is, as I say, an unbelievable act, uncharitable, mean, and sadistic.

Hon. D. A. C. SIMMONS: This debate is continuing out of the folly that we have heard from the Democratic Labour Party earlier and last year on VAT. It is politically sad, not politically sadistic, that the Leader of the Democratic Labour Party could criticise a government for offering to the vulnerable in this society cash increases to cushion some of the adverse effects of value added tax in certain limited areas.

If we are to be accused of political, sadistic conduct for giving poor people and indigent people money, I wonder how one would characterise the cutting of severance pay for the working class of this country, cutting their salaries by 8%. Those were 2 of the acts done by the Democratic Labour Party when the Honourable Member for St. John was a Minister in the Cabinet and supported those policies.

Sir, the Honourable Prime Minister made it clear that during the by-election and before that Government was looking at a package of measures aimed at the alleviation of poverty, not only physical redevelopment and putting in roads and water and repairing houses, but addressing the financial needs of the poor people of this country. He made it clear that a study was being undertaken. One obviously could not report the results of the study until that had been completed. I do not recall anytime prior to December 31, 1996 any member of the Democratic Labour Party calling on the Government to put together a package such as was announced on December 31, by the Rt. Honourable Prime Minister. I want to hear from them when they said that we should increase the old age pensions. 6.35 p.m.

Mr. D. J. H. THOMPSON: Mr. Chairman, on a point of order. In the *Sunday Sun* of the week...

Aside.

Mr. D. J. H. THOMPSON: In the *Sunday Sun* on the front page in the week before the Honourable Member for St. Peter announced his package, the Democratic Labour Party called for a substantial increase in pensions in Barbados to mitigate the impact of the VAT. Prior to that in the Special Development Areas Bill debate we called

on the Government to deal with the problems which would affect the small people and how they have given people investing in special development areas concessions from the VAT but the poor do not yet even know what concessions they will get.

Mr. CHAIRMAN: Okay. You have made your point of order.

Hon. D. A. C. SIMMONS: ... After the Prime Minister had announced that Government would do it. Way in advance of that it was said in here and elsewhere that Government was studying a package for poverty alleviation.

Mr. D. St. E. KELLMAN: Mr. Chairman, the Honourable Member is misleading the House. He has stated that no member on this side has put forward a proposal on behalf of the poor in this country. I want to remind the Honourable Member that during the VAT debate between August 13 - 16, 1 said these words.

Aside.

Mr. D. St. E. KELLMAN: I said that we must ask ourselves if this Bill is not regressive on the small man in this country because whenever a Bill like this...

Aside.

Mr. D. St. E. KELLMAN: I am not quoting a speech. I said, Mr. Chairman, at the point in time that it was regressive on the poor in this country and it was progressive for the rich. I said to the Prime Minister at the point in time that a VAT would bring in over \$100 000 and that I wanted to know from him how much of that money would have been spent on the poor man in this country. I will not tolerate anyone saying that the interest of the poor was not represented in this House because I have always represented the interest of the poor in this House.

Hon. D. A. C. SIMMONS: Mr. Chairman, after the VAT debate there was discussion in the country about the best way of dealing with the problem of food which was liable to VAT. The Prime Minister himself explained to the country that members of his Government had represented to him, we who represent constituencies, had represented to him that perhaps a basket of goods should have been zero-rated from VAT. He explained to the country that when the analyses were done in the Ministry of Finance it was found to have acceded to what we proposed and other people would have caused a leakage from the revenue of the order of \$35 million. He therefore explained on December 31 that rather than do that, Cabinet had agreed that the package that was offered to the old age pensioners and the indigent ought to be done in lieu of zero-rating a basket of goods.

On the same afternoon the Director of the VAT Unit, Mr. Moore, was on the call-in programme on VOB and I heard Mr. Moore himself say to this country that he thought, and he was of the view that a basket should have been exempted, but what the Prime Minister did earlier that afternoon, December 31, was far better than anything that was being proposed before that. Mr. Moore said those words on the call-in programme. Having regard to the representations made by the representatives of the people, and the decisions of this Government, it now is really pathetic to hear the comments of the Leader of the Opposition when we have provided a package better than anything that was suggested before for relief of the worst effects of the VAT.

Speaking about the worst effects of the VAT, Sir, there has been an attempt made to profiteer because of the introduction of the VAT on January 1. This has had widespread comment and it appears as though those who are profiteering feel that the law is powerless to deal with that. I think it is disgusting that certain members of the business sector should have taken the advantage to increase their prices on or about January 1 to an unreasonable degree.

A packet of Benson and Hedges Menthol could be bought for \$4.84 at one automart in this country. Last Monday I went to a pharmacy and was charged \$5.60.

Aside.

Hon. D. A. C. SIMMONS: Do not mind the smoke. Do not mind my smoking. I am dealing with a different principle. I understand all the health concerns and I am grateful to all of you who are concerned about my health and so on.

Last Tuesday I went to an automart in St. Michael and that same packet of Benson and Hedges was selling for \$6.90. Now, I have heard all the talk today for weeks. Today, indeed for weeks, I have heard nobody draw to these people's attention section 97 of the Value Added Tax Act. I am going to draw it to the people's attention now.

"Any person who falsely represents to the recipient of a supply that an amount of tax is payable by the person in respect of the supply when no tax is payable or that an amount of tax is payable by that person in respect of the supply which exceed the amount of tax that is actually payable is guilty of an offence." 6.45 p.m.

Asides.

Hon. D. A. C. SIMMONS: I am not speaking about any particular person. I gave you an example of the auto-mart. What I am saying is that there is provision in

the law to deal with people who increase their prices unreasonably and purport that increase is attributable to VAT. If section 97 does not imply that I would like to argue it sometime.

Asides.

Hon. D. A. C. SIMMONS: I am not saying that it is easy. It is a question of proof and it is a question of documentary evidence. I am sure that section 97 is wide enough to cover the situation where somebody abuses an opportunity and purports to impose VAT where VAT has been excessively imposed, where VAT ought not to have been imposed.

Sir, the problem of VAT has been distorted to the extent that we have forgotten the history of VAT, Sir. The Democratic Labour Party's 1994 Manifesto did not say one word about VAT. In the Minister of Finance's Budget Speech for that year he did speak about the introduction of VAT. In his Budget Speech earlier in the year he spoke about the introduction of VAT. Nothing appeared in the Manifesto. In the NDP's Manifesto there is a hidden reference, very vague reference, that you could not know if they were talking about VAT or not.

Asides.

Hon. D. A. C. SIMMONS: What the NDP said, Sir, was they will reduce the general level of indirect taxation to less than 20% and exempt from taxation a basket of basic need items. That was a vague reference to VAT, general indirect taxation.

The Barbados Labour Party, Sir, - we were quite bold about what we were going to do. On Page 11 we said that we will

"re-examine the planned introduction of the VAT to ensure that any such system meets the needs for Barbados in reducing the level of indirect taxation and its cost of collection. Indirect taxes such as consumption tax and stamp duties will be reduced or eliminated so that the total tax take is decreased."

We made it very clear. People could have voted for that. That was one of the issues in our Manifesto, it was out there before the public. Put that against the DLP and the NDP...

Asides.

Hon. D. A. C. SIMMONS: It is a clear policy position on VAT, Sir. What has happened is that the Democratic Labour Party forgot that in 1993 they took to the Cabinet 41 proposals constituting the basic areas for

consideration by the Cabinet in relation to VAT, Sir. Those 41 policy areas were agreed to by the Cabinet as early as 1993. I read it out in here on August 16th so that the content the principle of VAT and the content of VAT were agreed by both parties with 1 or 2 variations.

The Honourable Prime Minister spoke earlier about...

Asides.

Hon. D. A. C. SIMMONS: The Barbados Labour Party said in 1994 how it stood on VAT, the Democratic Labour Party had said from 1993, when that Cabinet paper went to Cabinet to approve those 41 measures, how it stood on VAT. As I said the only area of difference, really, was how to treat tourism. We decided, because other countries have reduced the rate for accommodation, they were Greece, Jamaica, - Jamaica which has I think, a 6.25% for accommodation in hotels, Sir - Ireland which has, I think, 12V₂% and Barbados decided to do it at 7V₂%. That was really the area of difference between us. For the Democratic Labour Party to pretend now that there is an issue, it is that they are trying to create an issue. What is the issue? About implementation?

On May 21, 1996, Sir, the Prime Minister announced in his Budget that VAT would take effect from January 1, 1997. We explained then that prior to May, 1996, almost a year, legislation had been out there in draft. I will say that the Democratic Labour Party made an attempt to educate the public about VAT, but they realised that at the time when they started their rounds of meetings the legislation had not been settled and perhaps it would have been premature to do too much by way of public education since we would not have known a year before what would have been the final form and content of the legislation. Therefore the Democratic Labour...

Asides.

Mr. D. J. H. THOMPSON: Mr. Chairman, on a point of order. The Honourable Member is misleading the House. The principal reason why we thought of postponing it, was because the Government itself up until then did not know what it was doing, and the Government came in here and accused the Democratic Labour Party of seeking to create confusion in Barbados, and that we were trying to pull back from a position which we had previously adopted.

Mr. CHAIRMAN: You have made your point.

Mr. D. J. H. THOMPSON: We had to wait until the Government itself made some kind of decision on the way forward. They said that we were speculating, we were putting information in the public domain which was wrong, and therefore we held back.

Hon. D. A. C. SIMMONS: Mr. Chairman, Sir, a first draft of legislation which is circulated for public comment and consultation can never be the final document. That is all we are saying. We had a document out there for circulation which formed the basis of discussion. What we were saying, is...

Mr. CHAIRMAN: The Honourable Member is asked to wind up.

Hon. D. A. C. SIMMONS: ... this is going to happen or that is going to happen because the consultative process had not been completed, Sir.

I am going to wind up, Sir, I will come back later on, by saying that I support this Bill, of course, but I had to be critical of the stance adopted by the Democratic Labour Party, Sir. In August when the VAT Bill passed in here there was no criticism about the date scheduled for implementation. Everybody agreed January 1, Sir. Now we are hearing, last month, from the Leader of the Opposition that we should defer until later on.

Asides.

Rt. Hon. O. S. ARTHUR: The Leader of the Opposition is obviously, an unhappy man because he has to face the public, with the position that he spent most of the time that he was Minister of Finance engrossed deeply in the planning for the implementation of the Value Added Tax, but his enormous burden is now to convince the public about the hardship arising from the tax that he spent most of the time that he was Minister of Finance seeking to bring to Barbados. His unhappiness, Sir, spreads into the way in which he is addressing all issues pertaining to the VAT. 6.55 p.m.

Sir, as regards the relief for pensioners and needy people there is a background and a history which the House and the country, because we can go to the street corners too, Sir, will be told of. The only occasion on which the DLP decision-making process addressed the question of relief for pensioners was in the September 1993 version when it was estimated that the VAT together with, and I stress the point, Sir, that the VAT together with a 3% turnover tax on businesses with a turnover of less than \$60 000 that the \$21 million arising from such excess revenue should be put to social welfare programmes.

In the interval between 1993 and the Democratic Labour Party leaving office no effort whatsoever was made to give any definition of the mechanisms by which any relief could be brought to any poor person in Barbados and that is despite, Mr. Chairman, the same Cabinet, with the same Minister of Finance having various different occasions on which to discuss the VAT.

It was discussed again, Mr. Speaker, in April of 1994 when a special separate regime was presented for tourism and a decision taken to drop the 3% turnover tax and then in June of 1994, Sir, the Member for St John went back to Cabinet again and he asked Cabinet to agree to zero-rate the offshore sector. He is coming to this House now to criticise us for telling the offshore sector in advance what relief they were going to get when, even before we came to office, Mr. Chairman, he had told them that they were going to get a zero-rated status in relation to the VAT.

Mr. D. J. H. THOMPSON: Mr. Chairman, the Honourable Member is misleading the House because prior to demitting office the only public statement the Democratic Labour Party had made about relief from VAT was the statement made at the ground breaking ceremony for the Julie-N complex in which we dealt with the vulnerable. There are no public statements which the Honourable Member can refer to in which I indicated who would be exempt from the applicability of value added tax. Before a fund of \$22 million was announced at the ground breaking ceremony, that fund was for the benefit of the poor and social welfare programmes in Barbados. So Mr. Chairman, Sir, the Honourable Member is deliberately misleading the House.

Mr. CHAIRMAN: The Honourable Member is asked to withdraw the words "deliberately misleading".

Mr. D. J. H. THOMPSON: Well, Sir, misleading the House.

Rt. Hon. O. S. ARTHUR: Mr. Chairman, Sir, I am glad that the Honourable Member for St. John is continuing to speak of his social welfare programme. There was never any social welfare programme. In September 1993 the DLP Cabinet decided that if the VAT, together with a 3% turnover tax, gave rise to revenues greater than the revenue realised by the taxes given up that the excess would have been put to social welfare programmes. Thereafter it decided, Sir, not to introduce the 3% turnover tax but there was never any social welfare programme set up by the Democratic Labour Party, Sir. That is an untruth. It is a lie, known to be a lie by the Honourable Member for St. John and I say that, Sir, without fear of contradiction.

Mr. D. J. H. THOMPSON: The Honourable Member has to withdraw all of those words as you well know. He cannot accuse a Member of lying.

Rt. Hon. O. S. ARTHUR: Mr. Chairman, Sir, Estimates came to this House...

Mr. D. J. H. THOMPSON: Mr. Chairman, I am on a point of order.

Mr. CHAIRMAN: Honourable Member for St. Peter, you cannot refer to Honourable Members as telling a lie.

Rt. Hon. O. S. ARTHUR: Sir, I withdraw the remark. Sir, the only way in which a social welfare fund could have been established in this country would be by way of an Act of Parliament. It would have to be reflected in the Estimates of Expenditure. Estimates of Expenditure were brought to this House in 1993. No social welfare fund was in those Estimates. Estimates were brought to this House in 1994 when he was the Minister of Finance. There was no social welfare fund.

Mr. D. J. H. THOMPSON: The Honourable Member is misleading the House. The Social Welfare Fund which the Democratic Labour Party was setting up was to mitigate against the VAT. There was no VAT in place when the Democratic Labour Party left office so this is nonsense, complete nonsense.

Rt. Hon. O. S. ARTHUR: I thank the Member, Sir, for putting it in that form because he had two years to plan the VAT. If you were to ask him to get to his feet to tell you one feature of the social welfare fund he said he was setting up he could not tell you a feature at all. He was concerned with every other thing, Mr. Chairman, but the Democratic Labour Party did not even go to the extent of carrying out a study to decide who should benefit and the reason why we had to do a study was because nothing had been done when the Honourable Member for St. John was Minister of Finance. So if he had the idea for 2 years to have a fund and he did not commission, not even a penny of the taxpayers funds to decide how that fund should be administered, I say, Sir, it is an act of mischief. It is an act of great mischief for him, having been a Minister of Finance for two years, to think about a fund, did nothing about it and now we have introduced measures to help the poor, he is criticizing them, not on the basis of what they stand for but because we brought them at the eleventh hour.

Mr. Chairman, Sir, if the Honourable Member for St. John had defined a fund and then we had changed the nature of the fund I could say that a reasonable stricture was being levied against this administration. If we had taken decisions to reverse any measure that he was proposing in relation to the poor, his argument, Sir, would have some weight but he did nothing whatsoever about defining a fund and then we had, Sir, to define the structure of the VAT and then when that was sure and we knew how it would affect people we then said let us do a comprehensive study of how it would affect people precisely, decide who should benefit and put in place a system, before the VAT came into existence, to benefit the poor. We did that, Sir, and I feel that I have discharged my responsibility and I have told the poor people of Barbados that we are going to study precisely how the VAT is going

to affect them. We are going to study all of the various options that could be used in bringing relief and then we are going to take decisions upon¹ the basis of all the best information possible.

The Honourable Member for St. John cannot tell this House that he ever commissioned any such study, that he ever studied any option and that all we are hearing about, Sir, is his love for the poor. In the interval between his starting to plan a VAT, Sir, and his leaving office he found time to create special concessions for golf courses. Where was the concern with the poor? He spent time, Sir, dealing with K-Mart. He spent time, Sir, with the cruise terminal. Mr. Chairman, Sir, he assumed responsibility for the same offshore sector and the white people that he is now maligning. The offshore financial unit was put in the Ministry of Finance and the extension of additional benefits were provided to them when he was Minister of Finance. The only thing that he did not do was to follow up a Cabinet decision of the Democratic Labour Party to define how poor people could benefit from measures brought to bear. I say, Sir, that it is a sad thing against such a background that this Member for St. John now wants to be the person to come to castigate an administration that has put....

Asides.

Rt. Hon. O. S. ARTHUR: A heckler - that is all he is reduced to and the unhappy look of the Members on his side, Sir, reflect the view of his sad and pathetic performance, Sir. 7.05 p.m.

Mr. Chairman, Sir, if we are seriously going to discuss systems of relief, let us put alternatives on the table and deal with them in a structured way. But to come and say that they were dealt with and that a system of relief intended to apply in January 1997 was dealt with in December 1996 is a folly when you are not questioning the substance of the relief. You are not putting forward any alternatives of your own. Your only concern is that they were dealt with at the eleventh hour. Well, Sir, he is a man who does not support capital punishment and I suppose he would criticize the Privy Council if in its mercy it was, as it has done from time to time, given relief to persons facing the gallows at the eleventh hour. The point is that you spent 2 years as Minister of Finance. I am dealing with the notion of relief being granted at the eleventh hour. What is wrong with relief being granted at the eleventh hour if the relief is granted? That is the point. It is a sad thing, Mr. Chairman, that a whole country could now be embroiled not about discussing the substance of the relief but nonsense about the eleventh hour or the tenth hour or whenever. The fact is that the relief has been granted and the Democratic Labour Party does not have an alternative although they had 2 years to put it in place.

Sir, nobody in Barbados given the record of the Honourable Member for St John and the way that he has treated the poor people as representative for St. John believes that he has the interest of any poor people at heart. He has been reduced to a heckler. Nobody in Barbados believes that the then Minister of Finance of the day who agreed to the 8 per cent pay cut has to be continually a heckler. He cannot help it. Nobody believes, Sir, that the man who is in the back pocket of the man at the helm who is here today acquiring a reputation in this country as being an employee and an advocate on behalf of one of the biggest land owning companies in the country and one of the biggest financial institutions. Nobody believes that this man who is under the thumb of the man at the helm and is under the armpit of the man at the helm when he talks in terms of special interests. People know, Sir, of the deals that are being cut in so many ways and they will be exposed in due course.

Sir, this is therefore a sad, sad day when we are dealing with something as fundamental as ...

Aside.

Rt. Hon. O. S. ARTHUR: I have never yet seen such a fretful person. He is the most unhappiest man in this House now, Sir. I have the responsibility to carry what are tough policies and I am as cool and easy with myself. The Honourable Member for St. John, poor fellow, I am sorry for him.

Aside.

Mr. CHAIRMAN: Order, please. I am hearing these asides too loudly. Order please.

Rt. Hon. O. S. ARTHUR: But I know that the man at the helm cannot tell me how to run anything and I will never be beholden to the man at the helm.

Aside.

Rt. Hon. O. S. ARTHUR: That is what you are reduced to, Sir. The man who when he tells them and the Democratic Labour Party to jump, they must jump including the Honourable Member for St. John and that is what this House has come to.

Mr. Chairman, the man has come into this country in the name of a person who is working in the employee of the Government of Barbados. Mr. Chairman, it came in as the personal effects of a person who was formerly employed by the Government of Barbados to be used as a personal effect for that former officer. That former officer is not in Barbados. He is living in Canada, working in Canada and it is a very serious matter. Now he wants to

equate that situation with a Prime Minister having access to an official car. But the fact is that the Mercedes was brought in ostensibly under an arrangement whereby somebody working for the Government of Barbados is allowed to bring in a car duty free. That person comes back temporarily and goes back out and the car is being driven by somebody else. I am glad that the man at the helm is driving a car which was brought into this country duty free. It is a serious matter because persons by that mechanism seek to defraud the Treasury. It is nothing to be laughed at because that is the character of certain people in Barbados that, even though they are drawing handsome incomes, they look for every means to defraud the Treasury. You can have a Leader of the Opposition knowing that and seeking to condone it by his applause and equating it to a Prime Minister having a duty free car. Foolishness!

Mr. D. J. H. THOMPSON: On a point of order, Sir. The Honourable Member is not entitled to say that I will go along with anybody in an act of fraud or defraud anybody. Those words therefore must be withdrawn and I say struck from the record.

Mr. CHAIRMAN: Any imputations of improper motives with reference to a fraudulent act should be withdrawn.

Rt. Hon. O. S. ARTHUR: I am very pleased that the Honourable Member for St. John has been able to confirm that the Mercedes brought into this country ostensibly as the personal effects of a former employee of the Government of Barbados entitled by reason of the repatriation of that officer on a duty basis is now being used by somebody else has a precise meaning. The circumstances under which somebody's personal effects now are entirely being enjoyed is worthy of investigation and it is a serious matter because, if we turn a blind eye to it, it is the admit of a very serious fraud.

I want to say, Mr. Chairman, that nothing that has been said by the Opposition in any way diminishes my confidence that what the Government is doing is just and fair. I only regret that the studies that we had to pay for in 1996 had been done in 1993 and 1994 so that we could have had the opportunity well in advance, Sir, rather than at the eleventh hour to put these measures in place. I am obliged to you, Sir.

On the motion of Hon. Miss B. A. MILLER, seconded by Hon. D. A. C. SIMMONS, Mr. CHAIRMAN reported progress to His Honour The SPEAKER and asked for leave to sit again, and Mr. SPEAKER resumed the Chair and reported accordingly.

SUSPENSION OF SITTING

On the motion of Hon. Miss B. A. MILLER, seconded by Hon. D. A. C. SIMMONS, the House was suspended until 8.15 p.m. and Mr. SPEAKER suspended the Sitting accordingly. 7.15 p.m.

RESUMPTION

Mr. SPEAKER: This Sitting is resumed. When the suspension was taken the House was in Committee of Supply. To that, it should revert.

COMMITTEE OF SUPPLY

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

Mr. C. A. MASCOLL: Mr. Chairman, I rise in this debate to make a couple of observations and to shift the debate away from concerns surrounding this welfare issue to more concerns about the source of the financing. It is very apparent from the public debates that the Prime Minister has made a few errors in trying to market VAT to the people of Barbados and this stems from his desire to distance himself from the so-called DLP VAT. In doing so, he has made quite a few errors.

The whole notion of his treatment of the tourism sector that he has given back \$35 million to the tourism industry as a result is certainly a very misguided thing and it is misguided because it is too simple for me not to understand why the Government does not understand, why it is making the errors that it is making. To suggest that you are putting a 7V₂% VAT on the cost of accommodation and that it is going to translate into a savings for the hotel sector is really to be misguided either at the policy level or by your own state of confusion.

The simple mathematics of it suggests that unless more than 50% of the vatable inputs are non-labour inputs, then you do not stand to benefit as a hotelier from any tax credit, that is, 50% of 15% results in the same 7V₂% and, as a consequence, your labour inputs are critical. It is well known that labour inputs will not be vatted and therefore I am suggesting that in the hotel sector that the smaller hotels would be disadvantaged by this measure because again the evidence is there to show that labour inputs constitute more than 50% of the raw cost of operation in small hotels. So that measure will in no way translate to \$35 million savings for the hotel sector and it has to be looked at again.

From that standpoint, I am saying that for the Prime Minister to say that the difference between the BLP VAT and the DLP VAT is that the BLP VAT is going to result

in \$35 million less and therefore he is seeking to recover less revenue by way of the VAT than the abolition of the 11 taxes is again an error. It is an error in judgment. It is an error which has been provided by apparently the technocrats but they are making errors in this regard. He has also made errors in relation to food and in fact the most startling revelation so far is that were he to zero-rate foods it would translate into a loss of \$35 million.

Now, perhaps, he has recognised that I would have started after the session and therefore he is not in his seat but just let me tell him that \$35 million is equal to 15% of X which is an unknown. It applies that the base of the food consumption would only be of the order of \$235 million and therefore 15% of \$235 million is almost \$35 million. So he is saying in fact that in the entirety of Barbados food consumption is a mere \$235 million throughout the entire year when it is well known...

Mr. CHAIRMAN: Honourable Member, I have been trying to give you a little latitude but I think you should stick to the principle related to this grant to the Ministry of Labour. Whereas it does have some implication for VAT, I think you are spreading yourself a little bit too far. Could you please bring yourself back a little bit more?

Mr. C. A. MASCOLL: Mr. Chairman, it shows, because this VAT debate is about welfare and I am saying that this is as a consequence of the overall design of the VAT. The reason why we are having a debate on welfare of \$1.4 million is precisely because of the structure of the VAT which has given rise to some need to give welfare to these individuals that will get input in this particular Schedule. So I cannot understand why it is that my interpretation of the base of the VAT does not have implications for this particular debate.

This particular debate revolves around a thorough understanding of the VAT, and that is perhaps the missing link in this entire issue. There has not been a thorough understanding of the VAT.

I make the point that the import food bill of Barbados is in itself \$250 million and that is the C.LF value. So when you add through the distribution chain, that has to be in excess of \$250 million. In addition to that, we have to add the local component of food, so it therefore means that the Prime Minister is failing to recognise the fact that he has played right into my hands.

Mr. CHAIRMAN: Honourable Member, please. The Chair wishes to draw the Honourable Member's attention to Standing Order 66(7) which says:

"On the motion "That the sum ... for Head ... stands part," the debate shall be confined to the policy of the service for which the money is to be provided".

Mr. C. A. MASCOLL: It is incredible that I sat and listened in this debate to all and sundry. In fact, they went so far as to talk about imported cars and whether or not this body is driving about a car... I cannot believe it.

Asides.

Mr. C. A. MASCOLL: I am not arguing with the Chair. I am simply stating that I recognise and witness a certain attitude in this debate.

Mr. CHAIRMAN: Order, please! The Chair will give latitude at times but the Chair is saying that you are going a little wide. So just come in a little bit.

Mr. C. A. MASCOLL: Indeed, let me say that my concern in this whole debate is not the question of the welfare being provided but from where will it be funded. The major difference between the two parties is that whereas the welfare programme as identified under the DLP was included in the base for VAT and would have been funded directly from VAT, the welfare programme being proposed by the Barbados Labour Party was not going to be funded by VAT. Indeed, that is the way to do it.

There has to be a source of funding and I am suggesting to you that the unemployment contributions which have now reached massive surpluses are going to be used to finance this welfare programme. What I am suggesting is that this welfare programme, while I have no difficulty, because any attempt to assist the poor must be understood to be good policy by way of granting them the assistance they require, this funding, will come out of the unemployment surplus levy and I am inviting the Government of Barbados to ease the workers of Barbados by reducing or reverting part of the rate from the unemployment levy as of 1991 because it is now the case that this surplus has been blown completely out because we all know that unemployment has abated in Barbados.

I am saying to you that the time has come for reduction in the unemployment levy because we no longer have any problems as it relates to unemployment in Barbados. We have had a situation where in one year you had 10 000 jobs being created and I am saying to you that it is no longer necessary to impose an unemployment levy of the magnitude which we have in Barbados today because it does not compare with that that existed in 1991.

I am therefore asking the Government of Barbados to reduce the unemployment levy and thereby increase the disposable income of workers in this country. This is a

necessary requirement. This welfare programme could also have been averted in another way. Since the Prime Minister is saying that it is only going to cost the Government of Barbados \$35 million to fund from the pool to have a zero-rating of food in Barbados, I am saying that my call which predates the 1994 September election for a 10 per cent VAT on food can be easily realized. Two years down the road you can come down to 5 per cent but I am saying that my call for a 10 per cent VAT on food can be easily realized because that will imply a loss of only \$11 million to the Treasury of Barbados. Since the welfare programme exceeds the \$121 million, it is simple. Reduce the VAT on food. It is excessive. It is burdensome. We all are agreed that there will be as a result of a 15 per cent VAT on food higher costs of local food. We are agreed that a VAT of 15 per cent on food coming out of CARICOM will mean higher costs. What we are not agreed on, because the Prime Minister of Barbados does not understand it, is that food coming out of non-CARICOM sources which attracted a 20 per cent stamp duty before January 1997 will, indeed, be higher in cost as well. 8.30 p.m.

What the Prime Minister is failing to recognise is that even though you are abolishing a 20 per cent stamp duty and replacing it with a 15 per cent VAT you cannot simply infer that constitutes a reduction in taxation because the stamp duty was imposed on the C.I.F. value. The VAT will be imposed on the C.I.F. value plus the Common External Tariff, or the import duty plus the environmental levy, plus Port charges. I am saying to you that 15 per cent VAT on food at the port of entry will constitute an almost neutral situation when you compare a 20 per cent stamp duty. All it requires is for the environmental levy, the import duty and the Port charges to be 33% per cent. That is all it requires.

I am saying that therefore will translate even at the Port of entry into a cost but what the Prime Minister of Barbados is not recognising is that every time value is added to that imported food there will be a tax of 15 per cent. Therefore the more chains that food goes through the greater will be the imposition of taxation. That has to translate into a higher cost of food even from North America. So to mislead the people of Barbados that food coming out of non CARICOM sources will recognise a reduction in cost is to misunderstand the concept of VAT.

VAT could be misleading because VAT does not indicate by its name that it is both a tax on the import value as well as the local value added. The Prime Minister of Barbados has been using the case that to move a stamp duty of 20 per cent and reduce it by 15 per cent implies a reduction in the overall cost of food. It is because he does not fully understand the issue as it relates to VAT.

In fact, this whole thing about locking horns - I have to lock horns with people who are well prepared and I am not convinced that the Prime Minister is well prepared for a VAT debate. He is not well prepared so how am I going to lock horns with a man who is not well prepared? How could I? I cannot lock horns with the Prime Minister. He has to be well prepared for a debate for me to lock horns and certainly he is not well prepared for this debate because he does not understand many of the issues as they pertain to this day.

The Prime Minister boasting of a welfare programme and that he is now coming for a sum of \$1.5 million is really because he should have structured the VAT to suit the needs of the poor people of Barbados. What that simply implies is that there should have been a starting point of the order of 10 per cent on food and it does not matter. Are you going to tell me that because an upper income or middle income person when he picks up food as a result of a lower VAT that would constitute a reason for not introducing a 10 per cent on food? Are you going to tell me that to give relief to the middle class as a consequence of a reduction on the VAT on food is a bad policy stance? Are you suggesting to me that because you are giving to someone else a benefit that there is not a benefit that you can pass on to the lower income people of Barbados? Well, I am saying that in itself is folly.

Furthermore I am saying this. Since it is known that food costs constitute a major cost of the tourism product there will have been a benefit as well to the tourism product as a result of reducing the VAT on food from 15 per cent to 10 per cent. It is very simple and I am really surprised that after all this time it took the Prime Minister two years to come up with VAT, to come up with a welfare programme, to have 4 individuals at the Ministry of Finance who, in fact, wasted time and paper to produce a so-called Impact Study on VAT that yielded nothing because they did not have the information, and they could not do an effective job at all. That explains also why at the end of 2 years the Prime Minister of Barbados still had to retain a 15 per cent VAT overall because it is not that simple. Finding the information to make those kinds of estimations is not simple. Therefore, I am saying that 2 years were spent wasting time when, in fact, we could have had a proper welfare programme put in place which would have been to treat the structure of the VAT the right way.

Mr. CHAIRMAN: The Honourable Member has one more minute to wind up.

Mr. C. A. MASCOLL: In treating the VAT the right way I am saying to you that there should have been simply a 10 per cent. I am saying to you that to come now and provide the welfare programme is somewhat, to my mind,

unnecessary because all you need to do is to structure the Value Added programme the right way to effect the kind of impact you want for the low income people.

I am saying to you that what is most important in this debate is not necessarily the welfare programme but how and where will it be funded? I am suggesting that it will be funded predominantly, not just this portion but the larger of the welfare programme, out of the unemployment proceeds which have reached unprecedented levels in terms of surplus. I am reiterating my call for a reduction of the unemployment levy. I am reiterating my call for the reimposition of exemption on tourism.

I understand fully well that the Minister of Tourism is out to sea on these issues. That is very clear that once it relates to financial matters or anything near it you have no clue when it comes to issues relating to numbers. What you should look at is a reduction in tourist arrivals which has resulted from July until December. You do not have the capacity to deal with issues pertaining to numbers and you do not understand the implication of the taxes on tourism.

I am suggesting to you that the time is not at the end. You can make adjustment to that to improve the competitiveness in the tourism sector. You do not have the ability. You do not have the capability.

Asides.

Mr. CHAIRMAN: Order, please.

Asides.

Mr. H. deB. FORDE: Mr. Chairman, Sir J craved the privilege of speaking to this House without this cross-talking and the sort of behaviour we are witnessing at the moment. 8.40 p.m.

Mr. CHAIRMAN: Order, please, order.

Mr. H. deB. FORDE: I believe that we have to set an example to the younger members who have come in with enthusiasm. There must be more to the House than merely shouting across the table at each other if we are to be able to set some sort of standard in the House.

Asides.

Mr. H. deB. FORDE: I am very glad that the Press is not here because, I think, that we would not be doing ourselves any justice. Whatever virtue is in any of the suggestions made by the Honourable Member who has just spoken, I think that they have destroyed it. We are lost in debate when we get all of this cross-talk.

I intervene in the debate in order to deal with something the Honourable Member for St. Michael North West believes that he has hit on some point that is so refreshing and so new. Had the Honourable Member listened from the Other Place to the debate that took place in this House last year on the National Insurance Fund, I believe that he would have approached the matter in a more or less partisan manner, and in a more creative fashion. For the benefit of the Honourable Member, the state of the unemployment fund was fully revealed in this House in the last significant debate that we had in the House. Not only that, but I would have the Honourable Member read the actuarial report which came at the end of 1993.

I am speaking in this because I believe that there are certain things that we have to get in Barbados above partisan politics. The sooner we do it the better it is going to be for the future of the younger people. Like the Honourable Member who has just left the House, St. Michael South, and like the Honourable Member for Christ Church South, I have been in politics in this country long enough to recognise that each side wishes at some stage to be in power, but we also want to get to the stage where we recognise matters that are of a truly national nature.

Now, Sir, the Honourable Member's argument is this, that he would have funded from VAT the welfare fund and that the welfare fund can be funded by reducing the unemployment levy, we are taking it out of the unemployment levy. The first thing that I want to tell the Honourable Member is that there are a certain number of civil servants, about 20 000 or so, who do not pay unemployment levy. The Honourable Member said nobody can tell him anything.

Asides.

MR. H. deB. FORDE: I am sorry that you know all but I have come across many types like you who have to learn something. I am speaking to the House, Sir, about it. If he does not want to listen he can get up and go outside. That is why he has to understand I am not seeking to tell him anything, but if he learns a few things he might get a bit wiser. The unemployment levy is paid basically by self-employed persons and employees, some temporary Government employees but not permanent civil servants. So there are about 20 000 civil servants who do not pay the unemployment levy.

Sir, the Honourable Member also should know that the last actuarial study was done in circumstances of structural adjustment and recommended that if the unemployment levy was going to be reduced, at the same time it recommended an increase in the National Insurance contributions if you are to keep balancing the fund. If the Honourable Member is prepared to tell the House at this

stage that the correct decision for the National Insurance Board, on which both the private and public sector unions are represented, is that ahead of the actuarial study which would have to be done in respect of the triennial survey of December 1996, we should increase the National Insurance contribution....

Asides.

Mr. H. deB. FORDE: This House took the decision, Sir, on the basis of what we said, that we would transfer from the unemployment fund into the keep of the National Insurance Fund \$100 000 000 and await the outcome of the study, which is now being done and which we hope to have by June, in order to lessen the increase in the workers contributions that we are talking about.

Sir, the Honourable Member must know that. If he does not know that then he was not following what has been happening in the DLP, because the point is you cannot have the fund getting into an imbalance. You have therefore to use the fund in such a way that you minimise the cost on those people who are in the work force and who carry a lot of it, Sir. Now VAT is a fairer tax. Whether he likes it or not, it is a fairer tax.

I am appalled just as the former Chairman was appalled, who is a strong member of the Democratic Labour Party but has balance when it comes to these matters.

Asides.

Mr. H. deB. FORDE: When I see the position where there are people who are drawing contributions from the National Insurance Fund who have worked all their lives as self-employed persons, some of them are at the level of professionals...

Asides.

Mr. H. deB. FORDE: Mr. Chairman, Sir, I really want to finish my speech.

Some of them are ...

Asides.

Mr. H. deB. FORDE: It is wrong that this should happen. The poor civil servants must carry the bulk, and they are employed themselves and carrying the bulk of contributions.

The Board took the decision, Sir, that until we have had the actuarial study in 1996, we will disagree with the actuary - it is in here and it is nothing new. We disagreed with the actuary's assessment that you should reduce

the employer's part of the unemployment levy and increase the levy for national insurance contributions. So if the Honourable Member believes that you are going to reduce the unemployment levy and ease the employers but put it all on the civil servants, he can follow that policy. That is not the policy the National Union of Public Workers' representative agreed to, that is not the policy that the Barbados Workers¹ Union representative on the Board agreed to, and that is not a right policy at the moment.

Asides.

Mr. H. deB. FORDE: It was an unanimous Board decision.

We will look at the matter when we have got the triennial report, which will be made available to this House...

Asides.

Mr. H. deB. FORDE: The unemployment fund at the moment stands at \$50 million to carry two and a half years of possible unemployment.

I was astounded to hear the Honourable Member saying that the conditions have changed because there have been 10 000 jobs created in a year and that today is nothing to compare with what was happening in 1991. I am very pleased to see that the Honourable Member recognises that unemployment is falling under this Government, and it is falling in circumstances where we are following policies that we believe are correct for the country. 8.50 p.m.

Now, Sir, nobody wants to build up a fund unless the fund is being used and useful. That is why I said, when I came to Parliament, we had very useful suggestions coming from the Leader of the Opposition and the Leader of the minority Party. I do not like to call him the Leader of the minority opposition. We had very useful suggestions coming from them and useful suggestions from all Members of the House in relation to what to do with the Social Security Scheme.

Now, Sir, we believe that the Social Security Scheme, and it is not the unemployment levy, can at the moment afford the over \$8 million which is being used from the National Insurance Fund in order to fund part of the welfare fund. That is why there has been an increase. There has been an increase in the pension and as a matter of fact, Sir, the Fund itself has been generating a surplus but when you look at the long-term liabilities for the Fund and the projections, there are dangers ahead for the social security scheme and that is one of the reasons why we have to be

very careful as to how we deal with the Scheme and not go in such a manner that we destroy the very fabric of what we are seeking to do.

I can promise the Honourable Member, Sir, this House will get on the Table of the House, as soon as it is available, the latest actuarial study. I believe that this is one Board whose reports are timely. We have laid the 1995 Reports and the 1996 Reports will be before the House shortly. This is an open book for us and the Honourable Member will also have the benefit of the actuarial study but to go around to use the position for short-term political gain is a waste of time and a disservice, in my opinion, to the long-term benefit of the Social Security Fund.

I want to repeat for the Honourable Member, a decision was taken as a result of the change in the legislation by this Fund to transfer \$100 million to the National Insurance Fund in order to take up the problems that have occurred in the Fund to keep 2V₂ years cover on the Unemployment Fund to review at the end of June when we had the actuarial report, the recommendations and then to deal with the problem but we hope to get away from the need to increase the levy of contribution that must be paid by employees, particularly people who are employed other than the self-employed, because part of the problem that we have in this Fund, and the Honourable Member must know that, is that self-employed persons have not been contributing in any great measure to these funds.

Now the Honourable Member would be surprised, I believe, if he sat on the Board, to see who are the first to run at age 65 in order to get a non-contributory pension and I am talking about professionals. I am talking about people who are not among the poor. What I am saying to both political parties and to the Honourable Member for St. Michael South Central, who says he speaks on behalf of a political party, is that we must find a system in Barbados where the measures which we bring to the House are targetted at benefitting the poor and not lumping everyone together. We have moved away from means tests because means tests have various disadvantages but if you have a system that you are taking the effect and giving it in such a way that those people who ought not to benefit are benefitting then something has to be wrong with the philosophy

Mr. CHAIRMAN: Honourable Member for Christ Church West you have two more minutes, and I think you are veering a bit wide on this topic.

Mr. H. deB. FORDE: I am going to finish now, Sir. Something must be wrong with the philosophy on both sides and I do not believe that the Honourable Member for St. Philip South, or the Honourable Member for St. Michael South East would believe in a policy that

would take money immediately or a system that would be so administered that the rich would benefit equally with the poor. We have to move away from that system. I have said it outside the House and I can say it inside the House as well, Sir. When you get \$100, for instance it was part of the Labour Party policy, that goes towards purchasing of secondary school books, it goes to my child as it goes to the child of the poor but there are children in my constituency who cannot afford \$100 for the primary school and what the political parties have got to move into is recognising that it is that target of people at the lower end whom our policies must go to and therefore to say to just reduce the unemployment levy and deal with it that way, is not a well thought out policy, with due respect to the Honourable Member and therefore we must begin to look for policies that whereas we are not penalising people who are high income earners or well-off, we are certainly rewarding those at the lower end of the ladder and our policies are not so based that they go to benefit anybody under the sun as one column says that the sun shines on the just and the unjust. This Barbados now has to look at those who are worst off first, tailor the policies that way regardless of the political consequences for us and make sure therefore that we bring balance into our country.

I was born poor, Sir, and had the opportunity and I would hate to think that there are people out there that have the opportunity and would not get the opportunity because we are following wrong policies. I hope I have explained the position of the Fund. Let me say that any Honourable Member who wants to get any document at all from the National Insurance, there is no problem about that. The Board is very open because this is not a Fund that belongs to me, belongs to the Prime Minister, belongs to the Leader of the Opposition, or any of us. It belongs to the whole country of Barbados. Therefore there are no secrets about this Fund but my appeal to Honourable Members is to take a broad approach on the issue of social security because we cannot afford to play partisan politics with it.

Mr. D. St. E. KELLMAN: Mr. Chairman, I enter this debate this afternoon, Sir, a very hurt and sorrowful man. The reason for this, Sir, is today when I listened to the Prime Minister I listened to him speaking about corned beef, that the price of corned beef would be cheaper and when I look at this supplementary Resolution I realise that we are dealing with the Welfare Department and when we think about welfare we think about old people. Here it is, Sir, that we have a Government that is supposed to be a caring Government and this Government is looking after the welfare of the old people and telling them, Sir, that corned beef would be cheaper but when I look at my costings, Sir, I realise that important things that old people will have to use, vegetables, will be entitled to a 15% tax which they were never entitled to and the cost of vegetables for those poor old people will be increased.

Vegetables grown in Barbados will be subject to a 15% tax, and I challenge anyone over there to tell me I am wrong. I will produce the figures and facts to prove that whenever you buy vegetables you are subject to a 15% tax.

Hon. Sir Harold St. JOHN: On a point of order, Sir, I accept the challenge of the Honourable Member but I would like him to produce to me any bills of a St. Lucy farmer at Spring Hall on which 15% has been added since January this year. 9.00 p.m.

Mr. D. St. E. KELLMAN: Sir, I will produce that bill anytime that he wants it. I cannot produce it now but I will produce it anytime that vegetables to the poor old people in this country are subject to 15 per cent tax and the Prime Minister is telling me about corned beef. I object to that. It is an insult to old people to tell them that corned beef will be cheaper. It is insulting. I want to hear about the cost of vegetables that the old people have to use. I want to hear about that. They are talking about welfare. We have to look after the old people in this country and then you are going to come and tell me about corned beef. The most hurtful thing is the VAT to pay. Every time they open their mouth they are talking about a shirt that is made extra-regionally will be cheaper. How disgraceful and distasteful that is to me, Mr. Chairman, when my poor brothers and sisters who work in the manufacturing plants in Barbados are being told that they should wear extra-regional shirts and forget about the shirts produced in Barbados. Am I supposed to be happy about that, Mr. Chairman? If you are, I am not. I am not, Mr. Chairman, and this foolishness about they are giving them \$7.75 is a bare joke. I am saying to the Prime Minister tonight that they were entitled to that increase since March last year, because there has always been the policy that whenever the civil servants and the Government pensioners get an increase that the pensioners get an increase. It was deliberately misheld from those people because of the impact of VAT. You owe the people back pay and I feel that they should be given their back pay. I personally feel so because they were due that increase since March last year.

Aside.

Mr. D. St. E. KELLMAN: I do not care what the DLP gave them, but the point is that there was a policy. I feel that it is disgraceful for any Government to withhold something from old people and then give them because of VAT. It is disgraceful.

Mr. Chairman, let me get back to this foolishness about the \$35 million that food will cost if food was zero rated. I want to deal with that. Mr. Chairman, it cannot be \$35 million and I am going to tell you why. If the zero-rated for food is \$35 million and the Prime Minister only

claimed that he had given back \$17 million, the effect will only be \$18 million. I want to know why a Government at this stage cannot give people \$18 million. It is only \$18 million - nothing to do with \$35 million because the total cost, according to the Prime Minister, is \$35 million. You have already given \$17 million. So \$17 million from \$35 million is \$18 million. Am I to believe that a Prime Minister cannot give \$18 million on food? I want to know why. It is clear to me, Mr. Chairman, that the Prime Minister's hands are tied, that the IADB and IMF have said to him that you cannot touch the VAT funds and the evidence is right here in this supplementary. He could not give the citizens of Barbados a zero-rate on food neither can he give the pensioners money out of the VAT funds either. He is now going to the Consolidated Fund to pay for VAT effects. I am saying that his hands are tied and he cannot touch the VAT funds because the IADB and IMF have said to him that he cannot touch those funds if he wants to make a draw down. The evidence is here.

Mr. Chairman, if you look at the supplementary, this supplementary for \$1,496,432 is not coming from the VAT funds. It is coming out of the Consolidated Fund. Tell me, Sir, why a Prime Minister that has charged 15 per cent on top of other taxes in general and he is getting an additional set of money for a VAT fund cannot pay \$1 million out of that fund? Tell me why? The evidence is here. His hands are tied by the IADB and IMF and he cannot even give the pensioners \$1.4 million out of the VAT funds. They said to him that those funds cannot be touched by him if he wants to have a draw down. It is clear and the evidence is here. In the same way the whole country is calling for zero-rating and they cannot get it, it is the same reason why the pensioners cannot be paid from the VAT funds.

Mr. Chairman, in August, I was told by the Prime Minister that he could not give the poor people any money. I was told on the Floor of this House. But now on December 31st he was saying that he can give \$17 million. I want to know why he has changed his policy. In August, he was telling me that he could not do it but by December 31st when pressure was applied he said now he can do it. My friend, the Honourable Member for St. Philip North, is not blaming us either. I want to know how come you can pay money out of the Welfare Fund because of the VAT impact and you cannot pay the people at the Child Care Board their increases. I want you to issue an Order tomorrow to pay the back pay to the pensioners at the Child Care Board. If it is the blame of the Prime Minister, I want you to come on the Floor of the House and state that it has to do with the Prime Minister and it has nothing to do with you because the poor pensioners are complaining bitterly. They have asked me to speak to you on the Floor of the House and ask you for their back pay and I know you will do it. So I will give you until tomorrow to do it.

Mr. Chairman, I still want to know why would a Government charge poor people in this country and everybody in Barbados knows that the hardest month for anybody happens to be January, and those people had to pay their past taxes and they had to pay 15 per cent more on top of those prices? The Honourable Member for St. George North is telling me that is nonsense and does not have any impact on poor and that they deserve to be priced higher.

Mr. Chairman, I am saying that any Government that can tax people an additional 15 per cent in January is not a caring Government and that whole back bench should not support it because they know the month of January after Christmas is the begging month where people do not have money to buy things.

Aside.

Mr. D. St. E. KELLMAN: I am saying, Mr. Chairman, that the 15 per cent imposition in January is distasteful and it is the first Government that is charging a tax on top of a tax that has been replaced. This myth that 11 taxes have been abolished is a lie, Sir. I am making a charge on the Floor of this House that 11 taxes have been abolished is a myth. Because I am aware, Sir, that there is still an imposition on certain foods at the Port and I challenge any one of them over there to tell me that I am lying. They have not abolished any 11 taxes because the surtax is still on some items. If I am telling a lie, tell me now. So this myth that they have abolished 11 taxes on everything January 1, will subject only to environmental tax, regular stamp duty and a VAT is a myth. Let me tell you something now. I am saying, Mr. Chairman, that myth that they can do anything and get away with it will not happen because the poor people out there are suffering and they are begging the politicians for ease. That whole Back Bench could tell you the pressures they are under from their constituents. 9.10 p.m.

Mr. Chairman, can you imagine that sugar cane is not vatable but freight is vatable? Anybody that knows anything about the sugar industry will tell you that freighting is a service and the biggest impact as a cane grower is the freight. Those farmers beyond the Judge Gap will be hit the same way as the farmers throughout Barbados. I can tell you something, there is a lovely sugar crop in St. Lucy but they will not be able to reap it, because the trucks are not going to travel on the bad roads in St. Lucy to bring out the canes, because they would break axles.

Can you imagine that you have encouraged Broomefield, Husbands, Harrison, Crab Hill, Pickering, all of those plantations, to come back into sugar production

and the roads in St. Lucy are so deplorable that the truck owners do not want to bring canes out of St. Lucy.

I am calling on the Minister to give the Honourable Member for St. Andrew some money to fix the road beyond the Judge Gap and stop letting the service be done up to the Judge Gap. We want some of the VAT money beyond the Judge Gap and let me tell you something. The same way that investors up to the Judge Gap could get a private beach we want some of the money from VAT to repair the road to the beaches in St. Lucy because we now cannot go to the private beach. So some of the welfare that went to St. Peter we want to go to St. Lucy, Sir.

You see, Mr. Chairman, I am saying that when the candidate for St. Michael North West said he didn't care anything about the VAT, cat or rat, he knew full well what he was saying. We thought it was a joke. I never thought I would have seen a linkage between VAT, cat and rat, because what has been done in January, soon from now, Bajans will have to deal with VAT, cat and rat. Thank you, Sir.

Mr. C. A. MASCOLL: Mr. Chairman, I need to clarify a few things because it is believed that it is right for the NIS to contribute to a welfare programme across the sectors but in the process taking funds from a source, the Unemployment Levy Fund, to shore up the NIS contributions, when the two things are separate and distinct. In fact, if you are going to increase the benefits of pensioners, the non-contributory funds and the rest, I am saying to you that you need to look at the source of that funding. You should increase the contributions commensurate with the benefits derived under the NIS programme. To tell me that it is a straightforward matter of taking surpluses from the Unemployment Levy and transferring them to the NIS as a short-term measure is to miss the boat.

Mr. H. deB. FORDE: Mr. Chairman, on a point of order. Although for administrative purposes the contributions that were made either under the Unemployment Levy Fund or the National Insurance Fund were treated as unemployment fund and national insurance fund, I am advised, and all boards were advised, that it was one fund and that therefore that is why we brought an amendment to the Act last year in order to set up an unemployment fund and \$50 million of what was contributions coming in by way of the unemployment levy we now placed in an unemployment fund. There is now a statutory unemployment fund in law for the first time as from January 1, 1997.

Mr. C. A. MASCOLL: I am saying that it is an accident that if indeed you were to lower the rate of the unemployment levy and if unemployment did not decline

over the last couple of years as a direct consequence of the Democratic Labour Party's administration measures, then there would have been increases in demands on the Unemployment Fund and there would have been no surpluses to transfer to the NIS contribution. I am, therefore, suggesting that the NIS contributions need to be looked at separately because they constitute a distinct and separate concern for the NIS and its management thereof. It is simply a matter of history or a matter of prudence on the part of the Democratic Labour Party to have doubled the unemployment levy in 1991 and the consequent increases in the Fund to exorbitant levels of surpluses and that we have now had at the NIS the opportunity to transfer resources from one fund to the other.

I am saying that in terms of policy, that the policy decision to increase the Unemployment Levy Fund was the direct consequence of the high level of unemployment in 1991 and that the NIS contributions are separate and distinct. So therefore, in terms of policy and in management of the NIS, you need to look at what is in fact the underlying cause of the contributions being run down. I am saying to you that though there has been an actuarial study way back in 1993 that this Government seems to be unwilling to take the decision, which would of course be unpopular to the people of Barbados to further increase the NIS funds in consort with the benefits that would be derived.

They are separate and distinct so there is no need to tell me that an unemployment levy fund can be easily transferred to shore up the NIS contributions because they exist. I am saying that they are two distinct and separate issues and that the political will needs to accompany the management of the NIS in pursuit of what is definitely required and that is to increase the NIS contributions as you see fit. But don't tell me that you are going to take the unemployment fund because the people of Barbados deserve better.

I am well aware that prominent people, staff in Government, do not pay unemployment because they are so difficult to make unemployed that it would be unreasonable to ask them to pay unemployment levy. How could you make a prominent member of staff in Government unemployed? Why charge them an unemployment levy? I am well aware of that. That is simplistic. So don't try to get up to suggest that 20 000 members of staff in the public service do not pay the unemployment levy and therefore it would be a benefit, that is to try to talk as if I don't understand that. That is simplistic and I cannot be drawn into that kind of discussion.

I am saying that the issue is that this welfare programme conceptualised by this Administration should have taken into consideration the structure of the

Value Added Tax System and that is the argument. The Government of Barbados should have sought ways of easing the burden of the tax by reducing the VAT on food to a far more meaningful...

Aside.

Mr. C. A. MASCOLL: ... I am saying that the Government has the right and the only difficulty in fact with reducing the VAT on food to 10% is administration. In the supermarkets some fellow may take the opportunity to put 10% on other appliances, but that is not an issue. The thing is that it has been well established and documented and, unfortunately, the Prime Minister has not been able to put his hands on my memo and the reason why that is so is because I was denied the opportunity at the Ministry of Finance to make inputs through the system into policy. There was an individual who thought that indeed I was not right for the Ministry of Finance because I exude confidence, and once you exude confidence in Barbados, people begin to call you arrogant and conceited. Why should I not feel competent enough to speak on these issues? I am saying I have every right to come and address certain issues. I remain committed to that cause. I am convinced that the Government of the day is making errors in relation to tourism because I know that Sandy Lane and some others have had to adjust their product by way of reducing certain amenities which they had because of the imposition of VAT. A VAT of 15 per cent or 7V₂ per cent will constitute an increase in the cost to the tourism sector. 9.20 p.m.

Unfortunately, they do not understand that but they tried to coerce the Government into putting a VAT on the final and the end so that they are entitled to tax credits without understanding that VAT by its nature is passed directly on to the consumer. Why should a whole sector, because of selfish needs, ask Government to impose a tax to permit them to get tax credits when, in fact, that imposition has translated into an increased cost to tourists at a time when tourism has been doing badly.

Anyone who understands tourism would know that in 1995 as a result of the hurricane in Antigua and through the Caribbean that we benefitted substantially. Therefore, you could not factor in the 15 per cent of the last half of 1995 into any meaningful marketing plan on the part of the Three Wise Men. You had to take it out. It just would not make sense to give them that credit. Therefore, since there was an unusual or irregular occurrence in 1995 it meant that the figures in 1996 had to be adjusted and the only way they can go is down. It is not surprising to know that tourism is not performing well and we have had a situation where the fellow decided to bail out. He had to go.

Aside.

Mr. C. A. MASCOLL: He had to be fired. I am saying it constitutes part of the overall structure of VAT and the implications that VAT would have had for the welfare. That is all I am saying so do not come down this line with me. This is a VAT debate. It is very, very important.

Just let me say this, and I repeat for the benefit of those who did not hear me before, that the substantial difference, what has been implemented by this administration and the last administration's attempt is that the welfare programme would have been funded out of the proceeds of VAT under a Democratic Labour Party administration whereas the welfare programme here is being funded out of the other proceeds. There is substantial evidence in this document.

There is no evidence that there was a clearly defined and decided version for the welfare programme because it would have taken time to introduce and implement such a policy. It is extremely clear evidence that there would have been such a programme under a Democratic Labour Party administration. That is the major difference between the VAT which we have now and the VAT which the Prime Minister has introduced. I repeat. The welfare programme under a Democratic Labour Party administration would have been funded out of the proceeds of VAT. The welfare programme as designed by this administration is being funded out of other sources of revenue which happens predominantly to be the NIS contributions. That should not be the case but it has to be the case because there has been considerable deceit in terms of selling this VAT.

There have been implications that this VAT will differ to the Democratic Labour Party's VAT because the revenue collected from this VAT would be lower than what you are abolishing and that is not true. Let me say, in the event that this VAT which we have introduced does not yield more revenue than the old tax system, we would have failed in reforming the indirect tax system. It does not make sense to build a new house and expect that new house is going to leak to the same extent as the old house. It does not make sense. It does not make sense to have a new tax system and expect that the administrative cost...

Mr. CHAIRMAN: The Honourable Member has 2 more minutes and is asked to lift himself a little bit more.

Mr. C. A. MASCOLL: I am coming in. Therefore, all I am saying to you is that there is no way that this VAT system cannot yield substantially more than it has been designed to yield. In fact, it has to yield that and in the event that it does not do so, we can talk until the cows come home. A welfare programme would not mean very much to the people of Barbados because what will happen is that those who are not under the welfare programme

will still suffer severely as a result of the VAT system which we are seeking to implement. The structure has to be different. There has to be a change in the rate, and I know that. This Government will have to reduce the VAT on food as a matter of course. It has to be done. I am saying to you that unless you do it, you are going to create severe hardship in Barbados. There has to be a reduction in the VAT on food. There has to be a changing of the VAT on tourism. I am saying that soon from now the industry will recognise that what they have in the form of a tax will be to their detriment and it will mean less competitiveness for them and further reduce and erode the tourism product in Barbados such that there will be a reduction in tourist arrivals in 1997.

The dream team? I would not like to say it. I am looking forward to inheriting a good economy in 1999. I look forward to inheriting a good VAT system which I will manage along with the rest of the Democratic Labour Party administration, so I do not look forward to any mismanagement of the VAT system. I do not look forward to any decline in tourism.

Asides.

Mr. CHAIRMAN: Order, please. The Honourable Member is asked to wind up.

Mr. C. A. MASCOLL: Do not accuse me of not being Barbadian. I am saying to you that this is going to have implications for the collective bargaining process in Barbados. The VAT system will mean that trade unions will have to push for higher wages as a result of the inflation that will result. That is all I am saying. There has to be an increase commensurate with the increase in prices which will be erased as a result of VAT.

Mr. CHAIRMAN: The Honourable Member is asked to wind up, please.

Mr. C. A. MASCOLL: I am a supporter of VAT. I support the Value Added Tax system. I do not support the present structure of VAT on food. I do not support the present structure of VAT on tourism. I do not support the present welfare programme because of the source of funding, not a structured welfare programme, but the source of funding. I am saying that the Government has a right to revisit these concerns.

Mr. CHAIRMAN: The Honourable Member your time has gone.

Mr. C. A. MASCOLL: These are genuine concerns which I expect the Government of Barbados to address in the Budget of 1997. I expect that.

Hon. Sir Harold St. JOHN: Sir, I just want to say a few words. I really do not intend to participate at any great length in this debate. I just want to say that in all that has been said today, few members have mentioned a number of very valid points in relation to this matter. The fact of the matter is that the Government, by bringing this Resolution to the House, is providing additional funding to people who are in need to the extent that they are on welfare. This funding, as I understand it, is supplementary to funding that is provided by the National Insurance Board either by way of contributory pension or non contributory pensions. Sir, both the contributory and the non-contributory pensions have been increased recently. So we are dealing here with strictly welfare cases. 9.30 p.m.

The second point that I would like to make is, Sir, that from the very outset when tax reform was first mentioned in the then Minister of Finance's speech in 1993, the expectation and understanding was that the Value Added Tax scheme was designed to be revenue neutral.

Asides.

Hon. Sir Harold St. JOHN: Anything that an economist says is theoretical - you know that too.

With the bringing in of the Value Added Tax there was a corresponding reduction in a number of other indirect taxes which have become cumbersome, difficult to administer and were inefficient. We are operating upon the basis that the Value Added Tax will be revenue neutral.

Asides.

Hon. Sir Harold St. JOHN: It could either be less revenue or it could be greater revenue. If it is greater revenue the Government of the day will be in a position, at Budget time or whatever it is, to be able to mitigate the impact and to redistribute the additional revenue.

Sir, in every country in the world in which Value Added Tax is introduced, there are always arguments as to what items should be zero-rated and what items should be exempted.

Mr. CHAIRMAN: Honourable Member for Christ Church South, I know we are dealing with welfare.

Hon. Sir Harold St. JOHN: I am only trying to point out, Sir, I know, Sir, that no small farmer in Gibbons, Enterprise, no fish hawker in Oistins, I know that no seller of vegetables, whether they come from St. John, and there are plenty of them every Saturday over in Oistins, they would not keep out of there, Sir, they like out there very much, Sir, but we welcome them. We know that you cannot make a good living in the neglected place.

Asides.

Hon. Sk Harold St. JOHN: The fact of the matter is that in respect of food that is locally produced there will be little likelihood of the tax system being able to capture Value Added Tax at that level except it goes through a recognised and registered provider of food, like a supermarket and things of that kind. While we are talking here about the impact of food, we really have to appreciate that to some extent, the Value Added Tax is irrelevant to the purchasers of food who buy from the small distributors in Barbados.

Someone asked a question about vegetables. My understanding of my constituents' shopping habits is very clear. The vast majority of vegetables that are purchased in my constituency are purchased from vegetable sellers who sell either in the market or near to supermarkets.

Asides.

Hon. Sir Harold St. JOHN: As far as the hotels are concerned, Sir, nobody else is able to predict with any great degree of accuracy the impact of VAT in the hotel industry because the hotel was subject to a large extent, particularly in food purchases, to very high consumption taxes, and the consumption taxes that they paid were not recoverable in any way at all. I am not talking about beverages. In this case the argument is very clear and I have seen many studies of it. In respect of food purchases and beverages purchases, the Value Added Tax will lead to a reduction of the tax burden on the hotels, for the very simple reason that you recapture it as an output tax and you are able to claim, against the output tax, the input tax that you made from your supply. With respect to those supplies....

Asides.

Hon. Sir Harold St. JOHN: The point is, Sk, that with respect to the part of the hotel purchases that were duty free before and are now the subject of VAT, then a different situation arises and these amendments that we had today dealt with that.

Sir, I just want us to appreciate and understand that in truth and in fact while many of us can have different opinions as to the effect of VAT, the Government has taken a very clear and distinct stand and the Government's position, in my opinion, is quite consistent with how the Barbados Labour Party operates. It has always looked after the poor people in this country far better than any other Government in Barbados, and I look forward, Sk - I have already spoken and we on the back bench on this side have already said - we look forward to increased welfare grants, we look forward to increase home helpers, first of all by

increasing the number of days per week that the existing home helpers work, we look forward to increased grants for housing.

When I review the shocking record of the Democratic Labour Party in respect of welfare housing, it is something! Any Honourable Member, even those on the Other Side are ashamed, I know that Honourable Members on that side are ashamed of the performance of the Government in the last 8 years in respect of welfare grants for housing. I know that they are ashamed because they say that they went through a crisis, they say all of those things but the Barbados Labour Party will see to it that the level of grants for improvement to old age pensioners' houses will increase and we will spread it out more. That is our philosophy.

Before I sit, Sk, I only want to say this. Whatever the source of funding the Honourable Member for St. Michael North West would like to use, I want it to be clearly understood that we are going to bitterly oppose the utilisation of the National Insurance Fund for purposes other than those for which it was collected in law. The decision was taken by successive Governments from the time National Insurance was introduced in this country, that it would be a funded scheme, that it would not be part of general revenue. I see a danger looming and facing us for if the Honourable Member is going to come now with the philosophy of saying that we can raise National Insurance Funds to fund welfare payments, that is a very serious thing.

Asides.

Mr. C. A. MASCOLL: On a point of order. The Honourable Member for Christ Church South is misleading the House. The fact that you are putting on unemployment levy to the NIS and you are saying that there is no difference implies that when you take 8 or 10 million dollars from that fund, you are more or less taking it from the NIS. I am therefore saying that the difference between the Democratic Labour Party's plan is that included in the VAT base was \$22 million from the proceeds of the VAT for welfare... I think the member for Christ Church South is misleading the House by suggesting that I am saying to use the funds from the NIS. In fact I am saying precisely the opposite.

Hon. Sk Harold St. JOHN: I want to make it clear that I am not mixing up welfare payments that are funded by the national treasury which are very distinct from the contributory and the non-contributory, and the unemployment insurance. That decision was taken by successive Governments. I do not want anybody to come in here with any philosophy saying that is by some statistical method or anything like that. Our position is clear. Welfare payments are a charge on the Treasury

of Barbados. The source of funding for the Treasury is tax based - income tax, custom duties, import duties, Value Added Tax. That is the source of that and other sources of funds and we are not mixing up. Welfare is an addition to, it is a supplementary to, it is nothing to do with what is funded, so let us get that straight. I am shocked to hear that there is a new philosophy now on the other side that all is in one pot and they can take it out and do what they want to do with it. That is a very serious thing. What is also very serious is that the Honourable Member can get up in here and advocate an increase in national insurance contributions. That is a very serious thing. 9.40 p.m.

Mr. C. A. MASCOLL: This is the power of youth. You cannot mix me up. I am too young for that. I am saying that because you are taking the unemployment levy and transferring it to the NIS you are making an error because the increased benefits out of the NIS contributions should come as the result of the same actuarial study and that you should have the power now since you have gone ahead of the actuarial study. It was said that you had waited on the actuarial study to increase the NIS contribution yet still you have increased the benefits without waiting on the study so there is a contradiction. Benefits have to be related to contributions and if you are not going to increase contributions because you are waiting on the actuarial study you cannot increase the benefits and as a consequence, to pull from the unemployment fund to put into the NIS is an error.

You must have the political will, if you do go the other side, to do the next thing. That is all I am saying. It is not in my court to do that and you cannot say that I am advocating an increase. I am not advocating an increase in NIS contributions.

Hon. Sir HAROLD ST. JOHN: I am asking you, Sir, to remind the Honourable Member that the rules of the House do not permit him to make a second speech on a point of order but the basic position is, Sir, I want to make it very clear that welfare is separate and distinct. The people that this money is intended to help are people who are not the recipients of any unemployment insurance. Many of them are too old to have unemployment insurance. They are not the recipients of any contributory or non contributory pension so do not let us have any national insurance and errors. We would deal with that when we are dealing with the question of whether national insurance contributions should be increased or not. We do not advocate it. We would like to see it properly invested, greater income and bigger benefits.

I have a stake in it, Sir. I am one of those who have a direct interest in the receipt of national insurance. I paid all my contributions, Sir. That is all I have to say.

Mr. CHAIRMAN: The Honourable Member is asked to wind up. This debate finishes at 9.54.

Hon. R. N. GREENIDGE: Mr. Chairman, I rise to wind up this debate and there seems to be some confusion as to exactly who these persons are that this particular supplementary is referring to. I said originally, Mr. Chairman, that we were speaking of 8 828 persons who were on welfare. Of those 8 828 persons, Sir, 5 023 are children under 16 years old. Three hundred and fifty-eight are children over 16 years old. Five hundred and eighty-one are able bodied persons. Five hundred and ninety-four are persons in low disability. One thousand, four hundred and eleven are persons with high disability and 861 are persons who are 55 years and over but who are not in receipt of a pension from the NIS Department and that makes up the total of 8 828 persons on welfare. The measures which we are speaking about would have nothing to do with other measures which are put in place by the National Insurance Department for the pensions and there are 13 780 persons who are recipients of non-contributory pension and 8151 persons who are recipients of the minimum contributory pension and while there are 1 679 who are recipients of invalidity disablement and other benefits from the National Insurance Department and separate provision is being made for those categories. I just wanted to make it clear exactly what I was speaking about. What we are talking about would be from the Welfare Department.

This evening, Sir, we went far and wide in this debate and I want to thank Honourable Members who spoke on it. They spoke, Mr. Chairman, Sir, from the sugar cane crop in St. Lucy, the roads beyond the Judge Gap, who was at the helm, everything this evening, Mr. Chairman. Mr. Chairman, even the ones who were muzzled earlier in the day found an opportunity to tell us what they should have been telling the public earlier today. We went far and wide. We spoke on everything. The very measure that we were implementing, Mr. Chairman, I heard referred to by the Honourable Member for St. John as being sadistic. The Member for St. Michael North West said it was a good policy and even now we are still very confused as to what the real position is on the Opposition side.

I know, Mr. Chairman, that there is yet another Head that we have to deal with and, Mr. Chairman, I therefore beg to move that Head 39 stand part.

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

On the motion of Hon. Miss B. A. MILLER, second by Hon. D. A. C. SIMMONS, Mr. CHAIRMAN reported the passing of one money Resolution in Committee of Supply to Mr. SPEAKER who resumed the Chair and reported accordingly.

On the separate motions of Hon. Miss B. A. MILLER, seconded by Hon. D. A. C. SIMMONS the Resolution was read a first and second time and agreed to. 9.50 p.m.

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, with your indulgence I would wish to ask that the item on the Order Paper of Government Notices be recommitted.

Mr. SPEAKER: If there are no objections, so be it.

GOVERNMENT NOTICES

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, I beg to give notice of a Resolution to approve the guarantee by the Minister responsible for Finance of the payment of the principal and interest on the borrowing of the sum of \$12 million by the Caribbean Broadcasting Corporation from the Bank of Nova Scotia.

QUESTION TIME

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, I beg to lay the reply to Question No. 44.

ADJOURNMENT

Hon. Miss B. A. MILLER: Mr. Speaker, Sir, that is the end of Government Business for this day and I would beg to move that this House be adjourned until Wednesday, January 22, 1997 at 11 o'clock in the morning, bearing in mind that Tuesday, January 21st is a public holiday in Barbados. So we will meet on Wednesday, January 22, 1997 at 11 o'clock in the morning.

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

The question that the House be adjourned until Wednesday, January 22, 1997 at 11 o'clock in the morning was put and resolved in the affirmative without division and Mr. SPEAKER adjourned the Sitting accordingly. 9.55 p.m.

CONTENTS

MINUTES

Hon. Miss B. A. MILLER.....

Confirmation of Minutes of Friday, December 20, 1996.

ANNOUNCEMENTS BY HIS HONOUR

THE SPEAKER

Announcement re televising of debate on the Value Added Tax (Amendment) Bill, 1997.

PAPERS

Hon. Miss B. A. MILLER

Annual Report and Statements of Accounts of Barbados Investment and Development Corporation for the year 1994.

GOVERNMENT NOTICES

Hon. Miss B. A. MILLER 2

1. Limitation of Actions Bill, 1997.
2. Criminal Records (Rehabilitation of Offenders) Bill, 1997.
3. Minor Offences Bill, 1997.
4. Resolution to approve the sale to Cynthia Griffith of a parcel of land at Cheapside in the parish of St. Michael.
5. Resolution to approve the sale to Victor Bovell of a parcel of land together with the building thereon at Rose Hill, St. Peter.
6. Resolution to approve the lease to the Prison Fellowship of Barbados of a parcel of land together with the building thereon at Country Road, St. Michael.

Resolution to approve the lease to the Barbados Telephone Company Ltd. of a parcel of land at the Garrison, St. Michael.

Resolution to approve the lease to the Barbados Hockey Federation of a

parcel of land at Wildey, Christ Church.

9. Resolution to approve the lease to the Barbados Shotokan Karate Club of a parcel of land at Marine House, Christ Church.
10. Resolution to authorise the Government of Barbados to enter into a swap agreement with Citibank, N.A. in order to limit the Government's costs and currency exposure in respect of the loan stock issued in relation to a loan of thirty million pounds sterling to the Government by the Barclays de Zoete WEDD on December 14, 1990.

FIRST READING OF BILLS

Hon. Miss. B. A. MILLER 2

1. Limitation of Actions Bill, 1997.
2. Criminal Records (Rehabilitation of Offenders) Bill, 1997.
- 3o Minor Offences Bill, 1997.
4. The Finance (Miscellaneous) (Amendment) Bill, 1997.
5. The Evidence (Amendment) Bill, 1997.

STATEMENTS BY MINISTERS

Hon. Miss B. A. MILLER.....

2

Statement re Government-owned Properties overseas.

PERSONAL EXPLANATIONS

Rt. Hon. O. S. ARTHUR:.....

7

Explanation re telecast of the VAT Debate.

ORAL REPLIES TO QUESTIONS

Hon. Miss B. A. MILLER:

8

That Oral Reply to Question No. 44 was
ready.

SUSPENSION OF STANDING ORDERS

Hon. Miss B. A. MILLER: .. ____ 8

Suspension of Standing Orders Nos. 6, 16, 18, 20, 42(5), 43 and 44 for the remainder of the Sitting.

GOVERNMENT BUSINESS

Hon. Miss B. A. MILLER:..... 8

ORDER NO. 2 - VALUE ADDED TAX (AMENDMENT) BILL, 1996 8

^t. Hon. O. S. Arthur, 8, 43; Mr. D. J. H. Thompson, 22; Dr. R. C. Haynes, 23; Hon. Miss M. A. Mottley, 28; Hon. R. N. Greenidge, 33; Hon. Miss B. A. Miller, 37; Hon. Miss H. E. Thompson, 41.

ORDER NO. 3 - (a) RESOLUTION TO APPROVE THE GRANT OF \$1 627 352 FROM THE CONSOLIDATED FUND IN ACCORDANCE WITH SUPPLEMENTARY ESTIMATES NO. 8 OF 1996/97 44

HEAD 30 - ATTORNEY GENERAL 44

Hon. D. A. C. Simmons, 44; %. Hon: L. E. Sandiford, 45; Hon. Sir Harold St. John, 45; Hon, Miss B. A. Miller, 45.

HEAD 39 - MINISTRY OF LABOUR, COMMUNITY DEVELOPMENT & SPORTS ____ ... 46

Hon. R N. Greenidge, 46, 66; Thompson^ 46, 49; Hon. Sir Harold St. John, 48, 64; Hon. DrA. €. Simmons, 49; «fc~Han. JX^ . Arthur, 52; Mr. C. A. Mascoll, 55, 62; Hon. H. deB. Forde, 57; Mr. D. St. E. Kellman, 60.

GOVERNMENT NOTICES (recommitted)

Hon. Miss. B. A. MILLER 67

Resolution to approve the guarantee by the Minister responsible for Finance of the payment of Principal and Interest on the borrowing of the sum of \$12 000 000 by the Caribbean Broadcasting Corporation from the Bank of Nova Scotia.

QUESTION TIME

Hon. Miss B. A. MILLER ...

Question No. 44 was laid.

SUSPENSION o 15, 55

ADJOURNMENT_____ 67

Hon. Miss B. A. Miller, 67.

SPEAKERS IN THIS ISSUE

ARTHUR, Rt. Hon. O. S. (St. Peter) **FORDE, Mr. H. deB.** (Christ Church West) **GREENIDGE, Hon. R. N.** (St. Philip North) **HAYNES, Dr. R. C.** (St. Michael South Central) **KELLMAN, Mr. D. St. E.** (St. Lucy) **MASCOLL, Mr. C. A.** (St. Michael North West) **MILLER, Hon. Miss B. A.** (City of Bridgetown) **MOTTLEY, Hon. Miss M. A.** (St. Michael North East) **St. JOHN, Hon. Sir HAROLD** (Christ Church South) **SANDIFORD, Rt. Hon. L. E.** (St. Michael South) **THOMPSON, Mr. D. J. H.** (St. John) **THOMPSON, Hon. Miss H. E.** (St. James South)