
THE

House of Assembly Debates

(OFFICIAL REPORT)

FIRST SESSION 1999 – 2004

HOUSE OF ASSEMBLY

Tuesday, May 22, 2001

Pursuant to the adjournment, the House of Assembly met at 11.15 a.m. on Tuesday, May 22, 2001.

PRESENT

His Honour J. M. EDGHILL, J.P. (Deputy Speaker)
Hon. Sir HENRY FORDE, K.A., Q.C., M.A., LL.M.
(Cantab.)

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

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

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

Hon. Sir HAROLD St. JOHN, K.A., Q.C., LL.B.

Mr. L. R. TULL, Q.C., M.A. (Oxon.)

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

Mr. G. W. PAYNE

Hon. R. C. EASTMOND, J.P., B.A. (Hons.), Dip. Ed., LL.B. (Hons.), L.E.C. (Minister of the Environment, Energy and Natural Resources)

Hon. R. N. GREENIDGE, B.A., LL.B. (Minister of Labour, Sports and Public Sector Reform)

Hon. G. A. CLARKE, B.Sc., Dip. Ed., J.P. (Minister of Housing and Lands)

Hon. R. D. MARSHALL (Minister of Public Works and Transport)

Hon. H. F. LASHLEY (Minister of Social Transformation)

Hon. R. St. C. TOPPIN, LL.B. (Minister of Commerce, Consumer Affairs and Business Development)

Mr. D. St. E. KELLMAN

Miss H. E. THOMPSON, LL.B.

Mr. M. Z. WILLIAMS

Rev. J. J. S. ATHERLEY, B.A., B.Sc. (Parliamentary Secretary to the Attorney General and Minister of Home Affairs)

Mr. D. T. GILL, B.Sc.

Hon. N. A. LYNCH, B.Sc., M.B.A. (Minister of Tourism and International Transport)

Hon. A. P. WOOD, J.P., B.Sc., M.Sc., M.Phil.
(Minister of Agriculture and Rural Development)

Hon. R. R. FARLEY, B.Sc. (Minister of Industry and International Business)

Prayers were taken by Canon Father Ivan Harewood.

Mr. DEPUTY SPEAKER: The House is now in session.

MINUTES

Mr. DEPUTY SPEAKER: The Minutes of Tuesday, May 15, 2001.

Hon. D. A. C. SIMMONS: Mr. Deputy Speaker, I beg to move that the Minutes for the Honourable the House of Assembly for its meeting of Tuesday, May 15, 2001, which Minutes have been circulated, be taken as read.

Hon. R. C. EASTMOND: I beg to second that, Sir.

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

ANNOUNCEMENTS

Mr. DEPUTY SPEAKER: I am in receipt of the Accounts and Statements for the month of February 2001 as prepared by the Accountant General.

PAPERS

Rt. Hon. O. S. ARTHUR: Mr. Deputy Speaker, I am commanded to lay the following:

1. Duties, Taxes and Other Payments (Exemption) Order, 2001.
2. Duties, Taxes and Other Payments (Exemption) (Sandy Lane Hotel Company Limited) Order, 2001.

ORDER OF THE DAY

SUSPENSION OF STANDING ORDERS

Hon. D. A. C. SIMMONS: Mr. Deputy Speaker, I beg to move that Standing Orders Nos. 6, 16, 18, 20, 42(5), 43 and 44 be suspended for the rest of this day's Sitting.

Mr. Deputy Speaker: The question is that those Standing Orders so mentioned be suspended for the remainder of this day's Sitting. All those Honourable Members in favour please say Aye, those against please say No.

ORDER NO. 5 – TO RESUME DEBATE ON THE
SECOND READING OF THE SECURITIES
BILL, 2001

Mr. D. J. H. THOMPSON: Mr. Deputy Speaker, let me say how happy I am to have the opportunity to speak on this Bill. I believe that a new Securities Bill, the attendant administrative and regulatory changes that have been proposed are long overdue. I do not have any comments to make of any significance on the issue of the legislation itself, because I believe it follows standard models. It is not a far departure or unique in any way that would distinguish Barbados significantly from other jurisdictions, either in the Caribbean where they may have modern legislation, or in where they may still be practicing a system similar to that which would have predated this new Securities Bill. Sir, that is not where my concern rests.

I heard the speeches of the Honourable Members on the Other Side and I would say that, perhaps, unlike the previous generation of the Barbados Labour Party leaders, and I would include the Honourable Member for Christ Church West among them, the focus has been too much on the issue of regulation. Other than a few platitudes of regulations and a few platitudes about ownership, Members on the Other Side really failed to deal with the question of how to stimulate and further promote a property-owning democracy in Barbados.

I look forward to the speech of the Honourable Member for Christ Church West because I believe that he is not a technician. He is knowledgeable in that area, and probably more knowledgeable than anybody else, but I know that he is not going to stick to that because somebody has to make a case on behalf of the Government relative to the question of ownership. The debate has been very descriptive. We have not had a property-owning democracy in the sense of shares and there has not been enough participation. We have passed that about five years ago when we had three political parties being represented in this Honourable House. We all agreed that the country needed an aggressive programme of empowerment.

What we should be talking about when we bring a Securities Bill to Barbados, is how to advance or accelerate the process of ownership and empowerment. Therefore, if you get caught up in believing that all Barbadians have been waiting for is the passage of a Securities Bill to start buying shares and to start doing things, well, put the balance of the BNB's and ICB's shares on the market and see if you will sell one more share than you sold on the last occasion.

I challenge the Government if it believes that this Bill is so revolutionary. As the Honourable Member for St. Michael North East said, it is the tradition of the Barbados Labour Party which will bring about a revolution in ownership. If you really believe that, put the other 80 per cent of the BNB's and ICB's shares on the market the day after this Bill is passed and see if you sell any more than you have sold on the last occasion.

Sir, what we as policy makers should be doing is asking ourselves, why even our best efforts to put premium assets on the market have not met with the kind of response that is desirable. That has not been so in relation to banks and other private entities, which by and large have been successful where they have put shares on the market in recent years.

The reason why you can distinguish the speeches on that Side from the presentation made by the Honourable Member for St. Lucy and Deputy Leader of the Opposition, is because one of the most fundamental issues that he focused on was the question of the payment of dividends and the extent to which the present law would make it unattractive for the average citizen to buy shares where they are not receiving on an annual basis or a regular basis some return on their investment, particularly when you are talking about people who may have small disposable incomes. Some may have no surplus other than the amount that they had to buy those shares initially with but who, just like a bank account or any other investment, want to see some very fast returns on the investment they make.

Sir, when you start to raise those kinds of issues, you are getting closer to the question of ownership in Barbados

and the things that, perhaps, propel people into wanting to buy shares and other securities as distinct from putting their money in the bank or spend it buying land, motor cars, furniture or other consumer items.

I think that the debate has to reach another level where we are talking about ownership and so on, or about the Barbados Labour Party's economic democracy, but we need to bring more people into the process. If they need to do that, identify the 12 or 15 things that they are going to do, the 12 or 15 policy initiatives. If all of what we heard last week was true, every share in ICB and BNB would have been purchased and all of the other attempts by Government to divest good assets would have been gobbled up by the Barbadian public. The fact that they were not gobbled up means that we need to carry out an analysis to see what it is that needs to happen in Barbados to encourage our people to purchase shares in private companies, in privatised assets or even to invest in larger numbers in Mutual Funds, or in other intermediaries so as to build and to sustain our capital market in this country.

Mr. Deputy Speaker, it is true that if you were to describe Barbados' economy, there would be, at the apex, a very thin layer comprising the owners of capital. This layer is a layer slightly above what is now, in familiar terms, known as knowledge workers and professionals who may have some investments in shares and so on but who, by and large, put their investments in other kinds of assets. When you go down the slope of the pyramid, you will find that at the very bottom, the vast majority of people in this country are not in anyway owners of shares, active participants in the ownership of companies or do not control the wealth in our country.

11.30 a.m.

Barbados still has one of the highest concentrations of wealth and income in the Caribbean. That is a fact and at the end of the day, still remains one of the Caribbean's most economically stratified societies and as we move into a process of globalization everywhere else in the world, it is recognized that there is going to be further stratification, as a sharp divide is going to be created between the low-paid, non-skilled workers and the knowledge-based workers, professionals and others who are going to be earning much more significantly than those low-paid non-skilled workers.

Throughout the world too, Mr. Deputy Speaker, we are recognizing that there is a dramatic shift of ownership patterns, as communism has waned, what we have seen is a newly emerging pattern of ownership which offers both promise and peril to our society and you have to see this Securities Bill, 2001, in the context of what is happening globally and what is happening with the end of the Cold War in the world. So, on the one hand, we may have abandoned some of the unworkable development models that we were procuring in the 60s and 70s, but then what you are also

seeing, even in the post-Communist society, is a level of savage double-barrelled capitalism developing and attending it, corruption and crime.

As the Attorney General will probably tell you, that Russian brand of capitalism that has swept into many of the clean off-shore jurisdictions in the world and that the Russian society itself, is unable to cope with what has been happening, so it is now a worldwide phenomenon. They are not contending major philosophical views on the point. The world has been almost level ideologically and therefore, because of that, some of the solutions that we might have proposed in the 80s, and even the early 90s, in relation to the ownership and control of wealth may not be as relevant because Government has removed its hands from some of the key levers in the economy and levelled the playing field for the private sector, basically telling them that they will do nothing to interfere with them, but has now had to divert significant resources towards meeting the needs of poor and disadvantaged persons and those suffering from major health problems, *et cetera*.

So, Mr. Deputy Speaker, Sir, that is the tension that has defined our times and the Security Bill, 2001, needs to be seen in the context of that. What we see, therefore, is a clear tendency of private enterprise, with the tendency for its ownership benefits to flow into the hands of the very few, and that is still very much the case in societies like Barbados.

So, Mr. Deputy Speaker, Sir, while the Government extols the necessity of private ownership, and while the capital is there and the playing field is consistently being levelled for the benefit of those who have that capital, what is missing in a country like Barbados is a larger number of persons previously called "capitalists." In other words this economy is not regenerating even though you are levelling the playing field and creating the conditions. To my mind, it is not creating enough opportunities nor engineering enough outcome to create a new wave of investors.

Some may want to call them capitalists because that is what they really are, people who have capital and who can access finance to put into businesses and we are not regenerating and going the way of those persons in Barbados who are undertaking those investments. The reason for this was misunderstood last week. I heard all of the presentations and this is a pity because if you misunderstand that reason, you will misunderstand that modern day capitalism, or the modern day concept of capitalism relates very much to financing capital, not to creating more capitalists. They are not focussing on creating a new class of investors and capitalists. What it does is focussing on creating finance and therefore, when you even listen to some of the comments I heard the other day, especially from the Member for St. Peter as he addressed the private sector relative to the development

of a new manufacturing class in Barbados, that is not going to regenerate and create new capitalists. What he has done is provided finance for a new capital investment and that is something completely different. That is a holding pattern, a saving measure, and it is completely different to the need to create a new class of manufacturers and capitalists in that sector and to regenerate the manufacturing class in our country.

I believe that is where Government can play a key role, and hopefully, during this presentation, Mr. Deputy Speaker, I am going to point out a number of things I think Government can do to help create that new class in Barbados, but without the political will, we will never achieve any of those objectives and what was absent last week in the debate was a confirmation that the Government has the political will to challenge the ownership structures in Barbados. I am not saying that you must dismantle or take away anything from anybody, but to find ways to create new opportunities in this country for the development of a new capitalist class or for a new class of investors, whatever terminology best suits you.

Mr. Deputy Speaker, Sir, on this question I think you need to recognize the issue of financial capital and that it can be found in two classes in a country like Barbados. You may find an individual ownership aristocracy, if you want to call it that. I do not know if the Honourable Member for Christ Church West is among that class, Oh, not yet, he is not among that class, but I am only being facetious, but let us accept that there is ownership aristocracy in our country when we look at the share composition of even public companies.

Let us look at the Stock Exchange Report in Jamaica and look at the point which the Honourable Member for St. Michael North West made relating to interlocking directorship, the influence of families in the ownership and control of large companies in Jamaica. That very much exists in Barbados today if you were to examine it, but then there is another tier which is involved in financial capital and that is what you might want to call "institutional investors".

The Mutual Funds, the National Insurance Board, the Pension Funds, Insurance Companies, Foundation Endowments – all of those have now become very important and very significant players because of the ways they have developed. It is very difficult to identify the true owners of those finance capitals. Who are the true owners of the National Insurance Scheme? The working population of Barbados, because you cannot say it has a true owner.

The Honourable Member is Chairman, but it is not his money either; Insurance Companies, the same thing; Pension Funds, the same thing; Mutual Funds, the same thing. Therefore, unless you understand that is the way that finance capital is being generated and managed in the world, again

you are going to apply the wrong method, because that is what you may call capital that is on automatic, where family-owned capital can make decisions about how it is to be spent. 11.40 a.m.

They could hold a dinner one night and say, "Gentlemen, we want to sell X asset and Y asset" but when you have a mutual fund the persons who have made investments in that mutual fund do not necessarily have a say commensurate with the investment they have made.

I may pay more National Insurance than 100 000 Barbadians but that does not give me more say than the rest in how the National Insurance invests its money. I am not saying, "I" meaning the person who is speaking. An individual may have 20 insurance policies in the same insurance company but that in itself does not give that person a larger say than others in how that insurance company invests its money.

Therefore, much of that investment is now done, not by reference to how people feel, but it is done on the numbers. What is the potential highest yield that we can invest this money in? What is the best rate of return? How should we diversify the assets? How can we avoid foreign exchange risks and other issues like that which become the paramount issues? And because those become the most relevant issues, it means that people as individuals – and even collectively – communities and societies, become detached from investment decisions. Sir, they are not about to empower anybody. They are interested in satisfying their existing investors that there is a rate of return.

That is why the question of empowerment at the end of the day, falls very squarely in the lap of a Government. There is no entity out there that has taken it upon itself to say that, "we are going to mobilise funds for the empowerment of Barbadians." Even if there was, I suspect it would not get a lot of investment, except from idealists and from people who wanted to throw away their money.

Most people who have money to invest do it on the basis of numbers in a strong regulatory environment, which this Bill is important in that respect, and on the basis of their future planning, and what they need in order to live a certain standard of life.

Mr. Deputy Speaker, I think that is very important. Therefore, the question of choice in relation to how investments are made is more and more being taken out of the hands of the people who are actually making those investments, and is being made on the basis of other kinds of decisions.

It could be pointed out that there was a time in our economic history when investments were made more on the basis of what the community desires. Of course, that would have come at a time when the people who were decision-makers were decision-makers because they owned property. There were no propertyless decision-makers. In other words, the people who had the right to vote and to be decision-makers, in relation to the Government of this country were property owners and it would not be reversed. Therefore, that reversal was a very positive development because it meant that everybody had a decision in who governed them. But with it was lost in a sense, a community, in relation to how investments were made to protect the national good.

Therefore, Government having had to take its hands off those kinds of levers, now finds itself in a situation where investment decisions that it has no control over – no influence over, except in relation to its tax policy and some very broad parameters – are made and can have a great impact on a country.

We do not have a collection of village elders who sit and determine how money should be invested for the benefit of any community other than, perhaps, in areas like the cooperative movement and even that is becoming more infected by modern day business practices than it was years ago. At the end of the day, what you are focussing on in relation to investment in Barbados is what are the returns, in terms of money, from those investments.

Mr. Deputy Speaker, I think we need to understand that the move towards globalisation or rather, the existence of globalisation, has also meant that Governments are exerting less and less control but so, for that matter, are corporations in your own national borders able to exert less and less control over their destinies.

Therefore, we are going to see some very grotesque inequities in our societies and we are also going to see some investment decisions that are going to have great environmental consequences. We are already seeing it in Barbados and we have a task in our country to ensure that we expose any unsustainable investments, whether made by the private sector or by the Government, which may have a negative impact on our country.

Mr. Deputy Speaker, I think it is very important to appreciate, beyond that, that it is vital for the current ownership patterns in Barbados, not to be offensive to what our national conscience requires. That is why in the year 2000 when we debated the Constitutional Report, we recommended to the Honourable Member for Christ Church West and his team of Commissioners that they should have included in the Constitution of Barbados, some broad declaratory statements relative to our agreed agenda in this

country to pursue economic democracy as one of the key and very important aspects of our national objective.

We felt that was a vital component that should be included in the Statements of Intent or Declaration in our Constitution to make it clear to the rest of the world that we recognise there was economic inequality in Barbados, and there was not sufficient broadening of the economic base in our country, and that all Barbadians were therefore committed. These would be stated in our Constitution to a process that would see the broadening of the economic base in our country and also to ensure that economic decisions were essentially not reduced to the lowest common denominator, but that there was greater participation by all of our citizens in those economic decisions.

Mr. Deputy Speaker, Sir, relative to the issue of property rights, which I think is also important in the context of this Securities Bill, I need to reiterate that our democracy was founded on essentially the rights of persons who owned property. They had rights in almost every sphere in our country and given that history, it is almost remarkable that property ownership has not received more attention, other than land. Even the question of consumer durables has not received more attention in our national planning down through the years.

If it was so unholy and unwholesome for the owners of property to have the right to vote in our country, and the great reforms that the Barbados Labour Party spoke about in the 1950s which they claim as theirs were to reverse that trend, one would assume that the next generation of Barbados Labour Party leaders would be focussing, more aggressively, on how to complete that cycle and ensure that property rights and property ownership became more central to the economic agenda because, historically, that is where the Barbados Labour Party located itself as the people who brought modern government to this country and the participation by all citizens regardless of their ownership of wealth.

11.50 a.m.

Having done that, the next stage should have been, in my view, to carry that question of property ownership to a new level, not only the ownership of land and the ownership of those consumer durables, but to finish that project in a democracy which they claim as theirs, and to ensure that the ownership of shares and greater participation in the economic life of our country would be central to their agenda.

Regrettably, nothing said last week by the young first 11 team would suggest to me that they have focussed in any way on that. They talked about it with sweet sounding words about economic democracy and bringing people more into the ownership of wealth and all of that but not a single one

of them could identify an initiative, other than the passage of this Bill, which was going to achieve the objective of making Barbadians want to be owners of shares and to be more active participants in terms of economic ownership.

That should be the foundation, to my mind, of whatever social contract exists in Barbados. This will mean that the trade unions, Government, even the Opposition and everybody in Barbados, will have to rethink their position. As I say, we recognised this just a couple of years ago in a debate and yet the 1999 Election could have passed without any engagement by the political parties on the issue of economic democracy and the ownership of wealth.

Initiatives put out by the Democratic Labour Party relative to Government contracts requiring companies that get Government contracts all the time to become public companies *et cetera* were dismissed out of hand as unworkable. Yet, if you read the Manifesto of the United National Congress in Trinidad and Tobago, you will see reproduced in that Manifesto almost all of the promises made by the Democratic Labour Party in its 1999 Manifesto relative to the issue of economic democracy.

Asides.

Mr. D. J. H. THOMPSON: The fact that it was going to reserve a certain percentage of Government contracts for small businesses, the fact that it would require certain contracts to be bid for only by public companies which had a large participation by the public, in other words, if you did not have a larger ownership base, there were certain contracts you could not bid for. I am going to go through some of those other issues in due course because they are very, very important to the question of ownership in Barbados.

Asides.

Mr. D. J. H. THOMPSON: Mr. Deputy Speaker, the reason why we need to have a solid securities legislation is because you will find that in sophisticated capital markets, securitisation, at the end of the day plays a much greater role in terms of investments through mortgages, bearer securities backed by mortgages, credit card receipts, car loans, students' loans and all kinds of other contractual claims which are now being securitised.

This is why it is important, therefore, for us to have at least a sound legal and regulatory framework that secures the rights of persons who are the beneficiaries or the claimants of these securities. That is why I am saying that the law is important and that we need to make a distinction between that and what needs to be done to ensure that Barbadians are greater participants in terms of our national economic wealth and so on.

In 1985, fifty-six nations had significant securities markets with a total capitalization of \$6 million. By 1995, Mr. Deputy Speaker, 85 nations had stock markets valued at nearly \$18 trillion while the global bond market reached \$18.5 trillion. So you can see what would have happened in that 10-year period between 1985 and 1995 and you could imagine what has happened between 1995 and the year 2001 relative to the development of our stock market. Even in the Caribbean, the move toward the regional stock market and all of the pressures that had been applied by the international institutions in the 80s were in an attempt to ensure that all of our territories develop stock markets and that we were working towards a regional enterprise in developing a stock market.

At the end of the day, Mr. Deputy Speaker, it is important for us to recognise that as this has developed, the definition of who is an owner is changing and that is where the focus of this debate needs to be because we have what may be called a contractual notion of who is an owner which is a notion based solely in contract or on a contract, – the Honourable Member for St. James North I know is going to take me up on this – and that notion is what has essentially propelled this securitisation process.

The fact that on the basis of a securitised contract the person on the basis of that contract is an owner, I believe that we have to have a much wider and more inclusive concept of who is an owner. I am not referring to Will Hutton and Tony Blair or not even the Stakeholder Concept, because that has gone beyond them. There are books on corporate law and so on which list all kinds of things and focusses on who is a stakeholder in a company, the consumer, the heirs of the shares, the shareowner, the worker and the manager.

Asides.

Mr. D. J. H. THOMPSON: The Government is a stakeholder because the company pays taxes. I am not talking about that because in a sense I think it is important to make a distinction between who is an owner and who is a stakeholder.

Now, Mr. Deputy Speaker, if we take the contract definition of owner then the establishment of the Securities Bill will take care of them because the rights and responsibilities which they have under this and the regulations of it together with the Companies Act takes care of them. What is it that Government now needs to do to create a new class of owners of wealth in Barbados, some of whom will become owners of that wealth because they get pulled in by these contractual arrangements, but many of whom need to be helped into a situation where they become the beneficiaries of the ownership of shares in our society? I think that is very, very important.

As I said, I am going to identify 12 areas in which, I think, the Government needs to focus on creating opportunities for the ownership of shares and the creation of a true economic democracy in Barbados. I believe I have identified some of them previously but, Mr. Deputy Speaker, let me focus on some of them.

12.00 noon

I want to reiterate in this debate that given that we agree that this Securities Bill satisfies the modern need of Barbados relative to the establishment of its Securities Exchange and the trading of shares and so on, there are a couple of things which Government can do which can have a dramatic effect on creating new opportunities for the ownership by Barbadians of businesses.

Let me start where I have been before on the question of Government contracts. I think, very simply put, that the Government's contracts to companies in the private sector can help finance assets for the owners of firms who are awarded those contracts. Therefore, because it is the Government's contract that they are being given, Government patronage is being given to them, I believe they have certain responsibilities to give something back.

We know that you can pledge Government contracts or you can get bonds which you can then pledge and some companies even pledge the actual contract because the payment of the amount by Government to the contractor is then used as the basis for the contractor to borrow money from the banks. The contract in itself has some property worth. I am certain that the Attorney General who is involved with a lot of those building contractors or his Ministry, would know of many business people who take a Government contract for the digging of wells or whatever, they go in the bank and say they expect to be paid on the 15th of December but, of course, we know that they would not get paid until a year later. On the basis of this, they borrow money.

The Government contract in itself has some value to the basics. Focus is always on the fact that it is a Government contract. Those funds can be used to acquire the asset which the business needs, which is, hiring personnel and that kind of thing to perform that contract. Therefore, Mr. Deputy Speaker, I believe that at the end of the day companies which benefit from Government contracts should be required to introduce employees stock ownership plans. In other words, those companies should be required to broaden the base of their ownership by offering shares in the enterprise to their employees.

Government, itself, as a matter of principle, should make it clear that broad-based ownership of a company is viewed by Government as a positive thing and that companies which have broad-based ownership are likely to

get more benefits in our economy than companies which have limited ownership. You have to send that message clearly to the private sector. The Honourable Member for Christ Church East should be in the forefront of that because he knows better than anybody else in here that there are people in the private sector in Barbados, including people who get the benefit of School Meals contracts every year, who have made it clear that they consider the ownership of shares by the majority of Barbadians to be a liability and they would rather lend them money than sell or award them shares in lieu of payment because they do not think that owning shares would help employees.

You are good enough to eat their corned beef. You are good enough to buy their tuna in the supermarkets, their English potatoes, their onions. You are good enough to work for them. You are good enough to maintain a society around them that helps their business to flourish, but the one thing that is not good for you is to stand alongside that person as an owner of that enterprise.

If the people in the United Airlines in the United States took that view – when they went for the employee stock ownership programme the employees ended up taking over 55 per cent of the ownership of United Airlines and for a while it was the most profitable airline in the sky. That is a well known fact, but in Barbados we have allowed a situation to persist where private companies, owned by one individual or maybe that individual and his son and perhaps his wife, upward to 30 years benefitted from Government contracts and the Government has never sent – and I am talking about this Government that is in office now – a clear message to that company or any other that it would be desirable for that company to broaden its ownership base so that other Barbadians can benefit from the ownership of that enterprise.

Mr. Deputy Speaker, if you do not send out a clear message nothing will change. If Government does not use its tendering system to assist in generating those results, nothing will change. That was the first point: Government contracts and how they are awarded in our system.

The second point is Government's spending leverage, the capacity of Government. I do not know what this Government spends annually in goods and services. I suppose if I look at the Estimates, and I should have checked the figure – imagine what the Government of Barbados buys for the Hospital, for the schools, for the School Meals Department, for construction purposes, for the Police Department, for the Central Bank of Barbados operations. Imagine for a minute what the Government itself consumes and what Government is spending on goods and services from the private sector in this country and yet it seems as though Government's spending plans are not tied to any goals that it wants the private sector to achieve. They have no

relationship to the national goals in this country. Government just spends money sometimes on a partisan political basis which we all know, on the basis of giving friends contracts. That exists and has existed from time immemorial. I am not dealing with that today.

Other than that, to qualify for a tender nobody tells you that you have to have a broader ownership base. Nobody tells you that you have to introduce an employee stock option plan. Nobody tells you that these are important goals. Would you believe that the social partnership document in Barbados – that is what it is called now – was talking about employee stock option plans since 1993? I do not know if it is still in there. Economic democracy is still in there. The unions, the Government and the private sector have agreed that these are goals and yet I cannot point to a single initiative in Barbados taken by this Government that would encourage the private sector in this country to ensure that their enterprises have more broadly based ownership patterns, not a single initiative.

Our idea of broadening ownership is giving a guy \$5 000 and telling him to start a small business. Two years later, the business collapses and he has debts all around him, his house has been mortgaged and we are back to square one. Nobody ever tries to tie him into a larger business because one thing we all know is that small businesses thrive on the success of big business. If you think that every legal case which the Honourable Member for Christ Church West got because of his brain or I got only on the basis of my brain you are wrong. It may have something to do with the contacts. It may have something to do with investment that you make. It may have something to do with the relationship that you build in the society.

The Honourable Member for St. Lucy is a small businessman and I am certain that he has built alliances with larger businesses. I do not know if he has shares in the larger businesses because I have not checked with him, but a small businessman who is a shareholder of a big business, who is willing to make some noise, is able to generate at least some business in his direction over a small businessman who is not a shareholder. That makes economic sense.

Therefore you also have to have a programme in this country to link small business to big business so that a big businessman would feel that he has to develop. All of the talk we have heard about out-sourcing in this country, out-sourcing in Barbados means telling your son or your daughter or your cousin or your in-laws, particularly if we are talking about the big businesses, to go and establish a business to provide services for the company. I am not going to call any names but our concept of out-sourcing is that the large corporate sector in Barbados knows that there is a contract for landscaping worth a million dollars, landscaping all the properties owned by them and if you think they are

going to send for a small landscaper in St. George and tell him this is for you, you are wrong. What they do is tell their son or their daughter or some other family member who is connected to the enterprise to go and set up a landscaping business because they have some business to pass to them and they build enterprises on that basis.
12.10 p.m.

We have to start demanding that those relationships cannot be foreign exclusive in this country or else you will forever have an ownership aristocracy and institutional investors in Barbados. What you would not have is a capitalist system that can produce any new capitalists. That, to my mind, is part of the dilemma we face in Barbados. We are levelling the playing field for capitalists and the financing of capital and so on, but the people for whom we are levelling the playing field are only regenerating within their close-knit family and other relationships that they have developed. They do not realise that it is not in their interests to continue like that.

It is for Government to take a role in building those linkages and demanding, through the money it spends, that companies follow practices that are more transparent and which provide more ownership opportunities in Barbados. If this is done, the Securities Exchange Commission would have a lot of work to do and there would be a lot more people in this country interested in what we are debating today. If you have a discussion that is devoid of that, and a debate in which people can tell you that all the public of Barbados is doing is waiting for this Bill to be passed, as if we have millions of dollars sitting down somewhere that the people of Barbados foolishly do not know how to invest, you are wrong. If you believe that, put the Insurance Corporation of Barbados and the Barbados National Bank shares back on the market tomorrow and see how many will be sold and that will answer the question.

Government has purchasing power in terms of tools, equipment, foodstuffs and uniforms for all kind of enterprises and they need to tie that to Barbadian ownership. The first 40 per cent of these contracts must go to companies that have Barbados ownership and not to a company owned by one man. It should go to companies that have pursued a programme of broad-based ownership and if after five years they continue to get contracts and do not broaden the base of their ownership, they should be disqualified from getting anymore. There must be some other content to a programme of economic democracy other than the numbers, rate of return and so on.

We need to get serious about this because this is not the first time we are having this debate and this is why it upsets me so much. I believe, however, that there are people who were not in here then and they may say they did not hear it,

so I have decided to repeat it today so that it can form part of the record when they were members of this House.

I am not interested in a sanitised debate about regulations. We can have that in the law courts or at the Bar Association meetings. We are policy sworn to change the society and create a new Barbados and not just to regulate it. What we are seeing are regulations, restrictions, licensing, new ways of increasing the bureaucracy in this country and constantly finding new ways to increase participation through ownership and community tourism because all of that is relevant to this. This is why the Honourable Member for St. Lucy brought it in because this is not just about regulations, that is not what this debate should be limited to, because there are too many other issues that need to be discussed.

Many of the companies that benefit from Government's spending are largely dependent on taxpayer funded purchases. Therefore, my own view is that office supplies, transportation, food services, telecommunications and other services purchased by Government should be purchased from companies that have broad-based ownership in this country or from companies that would be moving toward broad-based ownership.

There is also the issue of Government licensing. This is another area in which Government can use its leverage. I know the Government is going to say that because of WTO there should be clear and transparent procedures. I want the experts on WTO to tell me whether it will be impossible for a Government under the current WTO Rules to have a broad discretion to grant licenses and allocate scarce resources in our country on the basis of companies which have broad-based ownership. What could be wrong, even under WTO Rules with the Government saying that it is only going to allocate telecommunications' licenses to companies that have broad-based ownership in the Caribbean or in Barbados? We are not restricting the ownership to Barbadians but we are saying that companies incorporated in Barbados must have broad-based ownership which includes Barbadians.

Mr. Deputy Speaker, everybody blames everything on globalisation. They say we cannot do this or that because of WTO but we have not tried anything yet so by the time we start to try it, we will have WTO and everybody else breathing down our necks and all that will be left for Barbadians to do is to go to school, and when they have finished school go and work for somebody else for the remainder of their lives. This is the point that the Honourable Member for Christ Church East in his introduction needed to address.

I want to hear why the Green Paper on telecommunications was silent on the question of ownership of Barbadians or Caribbean nationals in the area of telecommunications' licenses and whether it would not be

possible to have more broad-based ownership. I am not saying that we should restrict it to Barbadians or Caribbean nationals but Government should say that there must be some Barbadian owners in this enterprise prior to us granting a license.

It is not just in relation to licensing because all of those investments in the tourism sector where people have been granted massive concessions – including Royal Westmoreland, in case you think that I am restricting only to those that you boast of – Government should have ensured that Barbadians have stakes in those enterprises. Mr. Deputy Speaker, all Government does is give concessions, write-off Land Tax, Property Transfer Tax, Corporation Tax and Income Tax. We do it on the notion that people are bringing millions of dollars into our country which under the same new rules of economic engagement they can take back out at the blink of an eye. They will be allowed to take it back out, particularly in countries that have removed Exchange Control regulations. Those investments are tied to no criteria of performance, no ownership requirements or anything else. 12.20 p.m.

Let us not miss the boat even though previous Governments have missed it. This is the debate in which we can say what we want for Barbados in which we are going to create conditions for the average Barbadian to own more shares and to be more involved in the economic development of this country.

Sir, people ask where the money is going to come from. There are employees under employee stock ownership programmes who can receive shares in lieu of payment of salaries. I believe that one of the Williams' companies, Mr. Bizzy Williams, had a company when he went through difficult economic times and he was feeling the crunch, he said to his workers that he did not want to sever them. He said that he could not pay them what he was paying them before but what he was going to do is to put in place an employee stock ownership scheme, so he boasted. I saw it in the newspaper some years ago. Sir, the truth is these employees do own a chunk of shares.

Asides.

Mr. D. J. H. THOMPSON: Sir, it does not mean that the employees have to walk through the door with \$5 000 to buy shares. You can find ways of making them owners of the enterprises and Government has given concessions under the Income Tax Act.

Asides.

Mr. D. J. H. THOMPSON: These incentives are not achieving it and let us not pretend that they are. When I hear

a Minister of Finance saying that we are giving all of these incentives, if incentives do not work then you have to find another way. These incentives are not working. Even in reintroducing the Employee Stock Ownership programmes the Government has never been able to come to this Honourable House and say that, as a result of reintroducing this tax benefit, this number of employees in Barbados have been empowered. I have not heard a single occasion on which that has been done. Sir, that is not to say that there are some people who are not using those methods because there are, but that certainly is not the way that the majority of Barbadians have been empowered in this country.

Sir, there is the question of private assets to public assets. I am referring to the question of the public ownership of natural resources in our country that provides another opportunity for the participation of larger numbers of Barbadians. Sir, think of the opportunities that could have been provided both in relation to the Barbados National Oil Company and in the establishment of the Barbados Terminals Limited.

The Government stated its intention to shut down the Mobil Refinery and all it did was to create a government-owned company that would import the products that Mobil used to produce before. There is no creativity in that. I thought that the objective of the Government would be to create a company which we know is going to have a good rate of return, not import those products and sell them because we know that under certain conditions in Barbados only a large company will be able to do that kind of importation, distribution and offer shares, not only to the employees but to the citizens of Barbados as a whole. Sir, that should have been the alternative to Mobil.

Sir, if you tell me that the highest level of creativity we can achieve in Barbados is to close down Mobil and for Government to establish a company to import the products that Mobil used to refine in Barbados, without any other opportunities for ownership by Barbadians, whether it is the dealer, average citizen or company put on the Securities Exchange or whatever, nothing, therefore, when people were saying to shut down Mobil, the DLP kept Mobil running and the rate of return was too high to Mobil. What has the Government benefitted from establishing the company, except that the company owes the Government \$56 million in taxes that it collected and it did not pay over.

Asides.

Mr. D. J. H. THOMPSON: Well, owed it. All has not been paid. In the last Budget only about \$10 million was announced as having been paid. You may be in a worse position having closed Mobil and having established a private company which felt that it did not have to pay over taxes to the Government, than when you had the Mobil Refinery operating and the payments were made on a timely

basis. Mr. Deputy Speaker, when you look at what this Government does or rather fails to do, when opportunities present themselves for the empowerment of Barbadians, it is extremely worrying.

Before I go on to the public service providers, one of the concerns I have is about the Special Development Areas Bill. Sir, that was another opportunity for the Government, in legislation, to make it clear that the objective of the Special Development Areas legislation was not just for people to develop the areas, particularly non-Barbadians, but that in undertaking those developments, that opportunities would be provided for Barbadians to invest and that it would be a requirement of the process that those companies provide opportunities for Barbadians to invest.

Sir, when you have a Barbadian company benefitting from the Special Development Areas legislation, I have no quarrel, I am happy when I see that happening. Where you have a non-Barbadian company, then we need to find a way to let them know that they must not reap all the benefits from the concessions which Government gives, but that Barbadians too must be involved in the ownership of those enterprises. By that method I repeat, small businesses can link up with larger businesses to provide goods and services to them.

There is the issue of public service providers – water, sewage, phone, fire protection and so on. In those areas, Mr. Deputy Speaker, we have heard about Government moving into privatisation. They did it with UCAL which sadly did not take off the way it should have taken off. Government itself is the biggest impediment to UCAL's success, by not paying its bills on a timely basis. Another way in which Government can seek to empower more Barbadians is through private sanitation service providers, private providers of fire protection and a whole range of what were previously public services. When the Government was opening the facility at Port St. Charles we heard about greater public/private sector partnership to build facilities for the protective services and so on.

12.30 p.m.

I want to see more public/private sector partnership in areas where Government may be providing those public/private sector services to provide new opportunities for Barbadians to establish businesses with others, because they must be broadly owned and broadly based in their ownerships, to provide many of these public services.

Mr. Deputy Speaker, I believe it is vital for the Government to create opportunities in the financial sector, providing trade services, developing a much more aggressive or competitive financial sector in relation to the development of new entities, providing loans and guarantees, *et cetera*,

that will provide in itself, with the passage of the Securities Bill, 2001, new opportunities for Barbadians to be involved in providing those services.

I believe the Honourable Member for St. Michael North needs to tell us how, for example, Government's fair training competition policy should be a boom for the establishment of new broad-based companies in terms of Barbadians entrepreneurship in this country.

If you are arguing that you are putting in place a fair competition policy to avoid monopolies that have the effect of distorting the market, then you need to go a step further and say that the objective of this policy is to create new opportunities for Barbadians to challenge those monopolies in providing the same services. So that the objective of the fair competition policy, together with the telecommunications White or Green Papers, and all of the other White Papers that may come after, relative to areas of financial and economic activities, we should be making the point that our ultimate objective in Barbados is to move away from monopoly situations and I mean monopolies, not on paper, because you may have a situation in this country where it may appear to you that Cable and Wireless is no longer a monopoly and the Minister may get up and say it will be just another player, because I heard him with my own two ears, when everybody knows that Barbados is probably one of the only countries in the Caribbean that is going to end up with a stronger Cable and Wireless than before the Green Paper was written.

If we go with the rest of the Eastern Caribbean and look at a model which would have broaden the base of ownership in this country relating to the development of the telecommunications sector, then we could say that we are really interested in pursuing economic democracy, but when I can hear the Minister of Telecommunications move a green paper in Parliament – well, I know what the Honourable Member for Christ Church West is going to say. He is going to say that the DLP sold...

Asides.

Mr. D. J. H. THOMPSON: If he had delivered it, that would have been good, but I am now going to explain that.

If Barbadians still had the faith they once had in Cable and Wireless, then you might be able to feel confident that even, if on paper it did not look like a monopoly, but really was one, then you would not have minded, because you know the benefits of that broad-based ownership would accrue to the majority of Barbadians, but the fact that the Barbados Government does not now own all of those shares in Cable and Wireless means that you can now be more aggressive, not less aggressive.

That is the chance for you to be more aggressive in your telecommunications policy, because it has one owner, but what you have is a situation where the Government is acting as if Cable and Wireless is owned by Barbadians, so that the Government hinges its employment policies on the fact that Cable and Wireless lays off 250 people in one week, but the Government believes that it is going to set up new businesses to create more jobs than the persons that were laid off.

Any Government that believes that nonsense and believes in the sincerity of a company which did not have Barbadians owning it and even though it may have a long-term interest in this country, a company that is essentially governed by the rate of returns on its profits, any Government that believes that foolishness does not deserve to be leading a developing country in this day and age, because that is as naive as believing that Cable and Wireless would be just another player.

A demand should have been made of Cable and Wireless to broaden the base of its ownership again. There is nothing wrong with that. We sold the shares in Cable and Wireless, yes we did, and we sold them, at that time to save the Barbadian economy, so that the standard of Barbadians would not be destroyed by a devaluation. If that was not a good reason for selling them, then we should have held onto them and devalued the dollar. Well, get up and say so, if the Honourable Member for Christ Church West – well, you know he likes this subject of what he did and did not do in 1991, ten years later, if he wants to bore the House with a discussion on that.

We have already sold the shares, but that should not be a basis for this Government to continue to act as if Cable and Wireless is owned by Barbadians. If we sold the shares and the Company is now owned wholly and solely by Cable and Wireless, then get aggressive and develop a telecommunications programme which either directly or indirectly would benefit Barbadians in terms of ownership.

We do not get that, what we do is design a structure and then assume that there are Barbadians with millions of dollars waiting to compete with Cable and Wireless and all that is needed was a green paper. Once they saw this Green Paper saying that there will be full competition, they were suddenly going to find \$50 million or \$60 million overnight to compete with Cable and Wireless. Is it possible? Therefore, if we detach these debates from that kind of reality, we are really wasting time in here and Mr. Deputy Speaker, I know that is not what you would want to be doing, as a small businessman yourself.

I believe that I have raised some of those issues. I do not need to raise anymore because I believe the Manifesto of

the Democratic Labour Party in 1991 and then again in 1999, very admirably pointed out what our concerns were.

It is very, very important that to add to that, I reiterated the point made by the Honourable Member for St. Lucy about the payment of dividends. It is no point following models that you import, simply because they sound good, or because you do not believe that you can import some, but not all. Therefore, it is very important for us to revisit the question of the powers of directors in Barbados and in particular, the issue of the declaration of dividends because, at the end of the day, most Barbadians are not going to be willing to lock up significant amounts of finance in a publicly-listed company unless they are certain of a rate of return and as long as you do not have a clear dividend policy, the majority of Barbadians are going to put their money into institutional investors that can guarantee them a rate of return so that it would always be more profitable for a Barbadian to put money in Fortress Mutual Funds which has a rate of return of about 80 per cent over five years. The Honourable Member for Christ Church West would know because he is integrally involved...

Aside.

Mr. D. H. J. THOMPSON: But I see your name on the document that was sent to me. It was very prominently displayed...

Aside.

Mr. D. H. J. THOMPSON: I never said that I did not buy any shares. I will be very foolish to advise people not to buy. I buy a small amount of shares everywhere because at the end of the day, I would not allow my children to suffer from the information deficit from which I suffered. They should be able to have access to Fortress Funds Prospectus and Mutual Funds Prospectus. The first amount of shares you can buy is \$200 and if you want to be in the loop in Barbados and understand what is really happening, that \$200 can expose you to a lot of information that you would not otherwise access in this country.

A few shares strategically placed in Barbados can give you access to information that would surprise you, particularly in publicly-listed companies.
12.40 p.m.

There is another way in which the Government empowers certain people in this country, to the exclusion of others. I have always said that if you took the Board of Directors of the largest listed companies in Barbados, almost every one of those companies has a director, serving in a key strategic, economic position in Barbados.

The top man at BS&T is in the social partnership so he has access to the Minister, he has access to the Prime Minister and he has access to documents and information. He can solve labour disputes that a normal garment manufacturer cannot even begin to resolve around the table at Cabinet meetings. He can tell the Minister to give somebody a licence to do something, so he has access.

Aside.

Mr. D. J. H. THOMPSON: I am not saying they did not always have and I am not saying that it is you alone that has done it. I have always said that for the past five decades, successive Governments in Barbados have placed certain people in more strategic positions, more strategic than the average black businessman in this country. So that if they meet at Cattlewash – and I have been saying this for years – and you put any five of them in a room, you have one from the Central Bank, one from the Social Partnership, one from the Sugar Industry, one from the Tourist Board, one from the Manufacturers Association, one from the Offshore sector and you might have two or three who sit on Statutory Corporations. So when they sit and talk about the Barbados economy, they have more information than the Honourable Member for St. George South who has been in politics for 30 years, at least.

Aside.

Mr. D. J. H. THOMPSON: But you would not get 30 years more.

Do you understand what I am saying that you would have had that wealth of experience – The Minister of Foreign Affairs, The Minister of Education and the Honourable Member for Christ Church West, they even have one from his Board – the National Insurance Board – so they can tell you...

Aside.

Mr. D. J. H. THOMPSON: That does not matter and what I am trying to say to you is that successive Governments have empowered them. Who is doing something to empower the others? That is all I am asking.

If you expect me to tell my children that has been happening since 1966, under Governments that have professed to be interested in economic democracy, they would have a right to drive me out of Barbados and say, "You all have no right to be around here because you have squandered opportunities to empower other people," and that is the point that is being made.

If you are going to empower them, you have to find some other people to empower as well. One way in which

you can empower other people is to open up the information that is made available, so that it is not their exclusive preserve. They say that a lot of the information we sneak and hide about in Barbados is sensitive. Sensitive to whom, so that if I come in here and read out a Central Bank Projection of Growth, the Prime Minister is going to get vex and find out who leaked out that information. So the only people who should have that information would be the head of the private sector and the head of whomever is sitting on the Central Bank Board...

Aside.

Mr. D. J. H. THOMPSON: Board Members, Trade Unions... Well, I am not dealing with them on this occasion because I said that trade unions need to rethink their role in our society as well, relative to the question of ownership and if all they can come up with is UCAL, then we are doomed. If all the Trade Union Movement can propose, as a successor to a statutory corporation department, is the establishment of something like UCAL, in which the workers and the owners of that Enterprise have to fight with the Minister of Transport to get money to pay for the work they have done and are almost on the brink of collapse month after month, then we have a problem in Barbados.

Aside.

Mr. D. J. H. THOMPSON: I am not talking about that and I am not even asking the Government to put some of the black businessmen on those Boards.

Aside.

Mr. D. J. H. THOMPSON: I do not expect you to do it because I know you all only laugh and talk but behind close doors is a different scenario.

What I expect though is that the information which we pretend is so privileged and has limited circulation in this country relative to the operation of the Central Bank, the National Insurance Board, the Offshore Sector Committee...

Aside.

Mr. D. J. H. THOMPSON: It is not my fault that people feel it is privileged.

Hon. Sir HENRY FORDE: Mr. Deputy Speaker, I rise on a point of order in relation to the National Insurance Board. All information of the National Insurance Board is freely available to any Member of Parliament, including the Actuarial Review, and I have stated this on many occasions.

I will now tell the Honourable Member for St. John that we have just received the preliminary Actuarial Review Reports and as soon as we have those final Reports, they will

get to him and the Prime Minister and the Cabinet, even before they get to Honourable Members of the House.

Mr. D. J. H. THOMPSON: I am not talking about secrecy that is imposed. I am talking about a culture of secrecy, an ethos of secrecy, in which people believe that when they give the Opposition information about the operations of a public enterprise that they are committing a crime.

If they think they are committing a crime by giving the Opposition, which is the alternative Government of Barbados, can you imagine how they would feel if they had to give that information to the Head of the Small Business Association or to a businessman who is competing with BS&T in some area? Are all of the Government's strategic consultations feeding down to the average man who is involved in business, or who is not yet involved in business and wants a little help from the Government in knowing what kinds of business he should be getting involved in?

Sir, do not doubt it that the children of the people who are meeting and empowered know what businesses to get involved in, and even when they are failing in those businesses, they come to the Government and the Government is going to give them \$1 million to help bail them out – \$2 million as we had here with Carib Express.

Asides.

Mr. D. J. H. THOMPSON: It does not matter who set it up.

Asides.

Mr. D. J. H. THOMPSON: I should really stop speaking because the truth is that I do not think I would make any headway in this debate. I am speaking I think, as I say, for the benefit of the record.

Asides.

12.50 p.m.

Mr. D. J. H. THOMPSON: I am saying that we have to find a better way to empower those individuals. That is why I am now going to get to the composition of the Commission because we have not dealt with that.

Asides.

Mr. D. J. H. THOMPSON: I am not objecting. My only suggestion would be that we have at the end of the day persons who are committed to making information about investments in Barbados available to the public as a whole so that it is not shrouded in secrecy and persons who have

strategic alliances outside the traditional corporate sectors should be placed on the Commission to undertake the important work that it needs to undertake.

The Commission itself must not believe either for the record that any information other than confidential information about the companies that are listed that it has in its possession should not be readily made available to the public without having to check with some Minister or some Minion to ask whether that information is permitted to be made available to the public as a whole. I believe a culture of information sharing is the only way that you can build economic democracy in a country at the level that is going to be required.

I believe I have dealt with most of the concerns that we have relative to the issue of ownership in Barbados. I believe what we are talking about is a new way forward for this country. Honourable Members can become mired in the past if their minds are stuck in the past and if the horizons they have set for themselves go no further than the last Election which they won, then they are entitled to remain in that state of subjugation but, Mr. Deputy Speaker, on this Side we have a much more progressive and liberal outlook and I believe that that outlook best represents the aspirations of the average Barbadian upon whom is going to rest the mantle of making Barbados into a true economic democracy.

I believe some of the policy initiatives that we outlined in this particular debate which can be adapted to our own circumstances in Barbados would create a more participatory economic environment. I believe that is going to be important because what we have to do is to displace the exclusive, detached and socially erosive economic conditions we have in Barbados in which, as I say, we have an aristocracy holding significant ownership of shares in our country followed by institutional investors, but not enough is being done to empower individual households in Barbados in terms of the ownership of shares.

What we need, therefore, is to undertake initiatives in this country that will bring Barbadians into the ownership and control of their own destiny, not where they have to put money only in to make institutional investments, but where they can invest with others in enterprises and where they can be up close and personal in relation to the ownership and the building of those enterprises. In other words, a kind of scenario in which human-based involvement is going to be critical because in our past economic history a lot was focussed on relative to the labour component of an asset, in other words, what labour puts into a business enterprise.

That is becoming less relevant too because in Japan you may have twice as many robots manufacturing a product – and maybe there are enterprises in Barbados doing the

same thing, I do not know – than you would have had humans. That is why at the end of the day unless we recognise that everything we do has to have some impact on human beings, families and communities, we are going to fail.

I believe the focus of this debate should be on an ownership strategy for Barbados which, as I say, brings more of our people into the ownership of wealth. My hope, coming out of this debate, is that the Government will tell us or at least engage us in a debate or a discussion on how it proposes to attain those goals.

As I have said, the debate has focussed on the regulation of the securities market in this country, but not enough has been said, to my mind, about how ownership is going to be transformed in Barbados other than at the level of slogans which we have all agreed in here do not have any place in the debate. What has a place in the debate is a definitive programme of economic empowerment which would bring more assets into the hands of the vast majority of Barbadians.

Thank you, Mr. Deputy Speaker.

SUSPENSION OF SITTING

Hon. D. A. C. SIMMONS: Mr. Deputy Speaker, Sir, that is a convenient point to break and I beg to move that the House be now suspended until 2.00 p.m. today.

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

The question that the House do now suspend until 2.00 p.m. today was put and resolved in the affirmative without division and Mr. DEPUTY SPEAKER suspended the Sitting accordingly.
1.00 p.m.

RESUMPTION

Mr. DEPUTY SPEAKER: This House is resumed.

Hon. Sir HENRY FORDE: Mr. Deputy Speaker, I have deduced from the speeches of the Honourable Member for St. John and the Honourable Member for St. Lucy that the Opposition supports this Bill so that there is really no true divide between the two political parties on the need to better regulate the capital markets in Barbados and to supervise the issuing of securities, thereby ensuring that the securities market and the capital market are well regulated.

I have deliberately said “well regulated” rather than “over-regulated” because there is a tendency among some people to believe that over-regulation and governmental

intervention is the surest way to maintain public confidence and integrity in your systems, whether it be a system of Government or of the money markets. I do not believe in that at all. I believe that wherever possible there should be an overarching of the governmental authority in order to intervene in those areas that are absolutely necessary to maintain public confidence in the economic system.

I also believe that self-regulation if well supervised, eventually leads to creativity and it leads to continuing confidence. The Leader of the Opposition, however, has sought his area of divide in making the statement that not much has been done, if anything at all, by this Government in order to give flesh to the well articulated policy of the Barbados Labour Party which is widening the share-owning class in Barbados and achieving economic enfranchisement. I intend later in my speech, if given enough time, Sir, to respond to that part of his speech.

Let me first try to de-mystify the area of capital markets, the buying of securities and the establishment of stock exchanges. Part of the difficulty one has among politicians and among a large section of the public is the belief that anything that sounds of stock exchanges, or if you use technical phrases like the securities market, the selling of derivatives and options, are difficult concepts for us to understand and there is a tendency to run away from that. I think one saw some of it in the debate on this Bill so far. Honourable Members preferred to speak in broad and general terms about the objective of eventually widening share ownership rather than concentrate on any technical position in the Bill. Let me say for this Bill, and I am trying to de-mystify it, that it is a simple Bill, Sir. It really is a Bill that upgrades what we now have and seeks to set up a system of regulation, the objective of which is to promote investor confidence in our financial system and eventually work towards the optimal allocation of our financial resources.

Sir, the underlying purpose of securities regulation is the protection of the investing public and therefore to do this we must control or regulate the players in the market whether they be brokers, dealers or other financial houses. The purpose of achieving investor protection is to develop the financial resources and to allocate the financial resources of our country. If we do that well, Mr. Deputy Speaker, we are in the process to promote public confidence. Public confidence is helped and based on the expectation of profits and knowledge of relevant facts necessary to permit anticipation of such profits.

Now, Sir, both Honourable Members of the Opposition spoke on elements of that statement which I have just made – the expectation of profits, what the Honourable Member for St. Lucy calls the expectation of dividends and knowledge of relevant facts necessary to permit anticipation

of such profits, what the Honourable Member for St. Lucy refers to as making more relevant financial information available in order to encourage persons to invest in that information.

Sir, where I disagree with the Honourable Member for St. Lucy is that he said there is nothing in this Bill that guarantees that dividends will be paid and that there ought to be something in the Bill to provide for dividends. This is not the Bill to do that. It has never been the purpose in any place of securities legislation to do that.

Mr. D. St. E. KELLMAN: On a point of order. The Honourable Member for Christ Church West is misleading the House. I am not too sure that the Honourable Member is deliberately misleading the House because he might not have been in the House for my total speech. I said that this Bill must also be taken into account with the Companies Act and I figure that we should relate the two and recognise that there is a need to change the Companies Act so that it relates to this particular Bill.

Hon. Sir HENRY FORDE: I understand the Honourable Member's point. I was going to say to him that the Companies Act deals with the question of dividends and in my view there is not much wrong with the Companies Act. There is nothing in the Companies Act which prevents the payment of a dividend except in two limited circumstances. A company cannot be clear or pay a dividend if there are reasonable grounds for believing that the company is unable or would, after the payment, be unable to pay its liabilities, that is, its debts as they become due. It would be disastrous to public confidence if it were otherwise. Since 1982 when the Barbados Labour Party brought the Companies Act to this House, we put in that provision.

Secondly, a company cannot declare a dividend if the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes. That is to protect public confidence in the integrity of companies.

Mr. D. St. E. KELLMAN: Mr. Deputy Speaker, on a point of order. The Honourable Member is misleading the House. The Honourable Member is giving the House the impression that the two items read just now are items I am saying I would like companies to ignore and to pay dividends contrary to what the Act is saying. I am saying it is the opposite. I am saying that even though the Companies Act tells you when you should not pay a dividend it does not tell you when you should and that is the point.

As I have explained to this House, and it was well carried by the *Advocate* newspaper, that when a company can come to the public of Barbados, that company can realise a large profit but there is nothing in law to make the directors

declare a dividend to its shareholders. There is nothing that the shareholders can do to encourage them. What can happen, Sir, is that a company, as we know that some in Barbados did, can come when they need cash, get people to buy into the company and then when they are making large profits they can frustrate the new shareholders and encourage them to sell back their shares to the older shareholders. We need to protect new shareholders.

Mr. DEPUTY SPEAKER: You have made your point of order. Proceed!

Hon. Sir HENRY FORDE: Sir, I think that is really a fear which is inbuilt in the Honourable Member for St. Lucy. Let me develop the point, Sir. Companies are owned by their shareholders. The shareholders are the ultimate persons who have total control by voting over the distribution of dividends. If a company is monopolised, the majority shareholding is in one shareholder, then it cannot treat itself any different from other shareholders. You may build up a surplus for purposes but even on dissolution of the company you have to divide.
2.15 p.m.

The only persons who get any priority in the payment of dividends are preferred shareholders. The Honourable Member and I agree that underlying purposes of regulation are to encourage the investing public and to promote confidence and that they expect, as a result, profits and dividends to flow. I do not believe that this legislation or, indeed the Companies Act, needs to do much more about that.

The Honourable Member for St. John spoke of the fact that there are not enough persons investing in shares and, as a result, people do not have a knowledge of financial and capital markets in Barbados. I do not believe that it is simply because our investing public is still small by standards with other countries. I believe it is because the media can do a lot more to report the available financial information because already in our Companies Act and in other legislation there is an obligation on listed companies to publish their financial statements, to publish half yearly reports and the Securities Exchange is now getting to the stage where it is making it obligatory for them to give information at quarterly intervals as well.

Whilst I support the need to make more information available, I regret very much that even that information that is now available on the public companies is not made use of in the public domain. Were it not for the *Bridgetown Journal* and the *Business Authority*, there would be very little known about what happens with companies. There is a case for the reporting of more financial information and explaining it to the public to remove this aura of suspicion and fear which we have concerning capital market and securities markets in Barbados.

Sir, when we talk about the securities markets, what are we talking about? What is the purpose for which people sell securities? People sell securities primarily to raise funds for investment and those funds raised are used to purchase assets that will produce service and goods for which there is a perceived demand among the public. If it is properly used, you realise profits which you share with your shareholders. You generate enough profit to improve the public's purse because there is a corporation tax and you realise enough money to employ more persons effectively. Sir, this is the purpose for which securities are sold. There is no mystery about the types of securities that are regulated. Securities regulation is normally directed at a wide range of securities. We must not assume that it is only this Bill which is regulating securities. The Financial Institution Act does a good deal of the regulating of some of the securities in Barbados. As I said, there is a wide range of securities. You can get trade credits, bank loans, sale of bonds and with companies there is sale of commercial paper. A lot of that is regulated through the Companies Act, the Central Bank and the Financial Institution Act. The one that concerns us most in this Bill is referred to as equity or share capital. Many of us know as well that there are Government's securities and how those are being regulated.

Sir, in the limited time available to me, I want to say that this Bill does not of itself regulate all types of securities but at some stage one would hope that Government paper is being freely traded on the Stock Exchange. One would hope as well that commercial paper issued by corporations is equally well-traded and regulated so that there would be more instruments available to people in order to invest.

Sir, how are securities normally traded whether in Barbados, NASDAQ, the New York Stock Exchange or the Japan Stock Exchange? Normally, they are distributed through issuers. This Bill seeks to control issuers and to make sure that those issuers are people with reputations and that they do not commit a fraud on the public. The issuers trade with other investors usually in a primary market. Once the shares or securities have been distributed, they are then traded among investors and you get investors then trading with each other. This is referred to as the secondary market. This happens now in Barbados and has been happening for some time.

Sir, to trade is just like anything else. There has to be a willing seller and there has to be a willing buyer except this time you are trading a share. If you have a willing buyer and seller, they negotiate terms. Sir, the earliest trading that I can find in the Western world was in the 13th century when brokers in the City of London were engaged in this type of activity although there was not a Companies Act in Britain until the 20th century.

Members should remember that as this process continued and got bigger then Stock Exchanges came in and took over. This is the origin of what we are talking about. Before there were issuers and people selling securities, they used to meet in coffee shops, under lamp posts and on the street corners. They used to send messengers to say what a share would be sold for if you wanted to buy a share. Technology as it developed outside of the 20th century led to meetings being held in a set place and then we saw for the first time the development of Stock Exchanges.

There is nothing for Barbados to be concerned about. I want to say that we are not far behind in regulating our Stock Exchange as compared to the developed Stock Exchanges of Europe or those of North America. It was not until 1933 that the Federal Government of the United States first passed legislation allowing people to trade in shares and then the Companies Act was passed in 1944.
2.25 p.m.

Securities regulation is not an old concept. Barbados does not lag too far behind in updating its legislation. The present legislation is outdated in a sense that we have become more sophisticated in our limited capital markets. One must congratulate those who have run the Securities Exchange to date and those who have recognised that it is necessary in the interest of protecting investors and making the optimum use of our financial resources, to update that legislation.

Sir, I have to make the point in relation to Barbados rather than generalisation. We have a view in Barbados that nothing has happened in the transfer of ownership of resources in this country. The problem is a problem that the Honourable Member for St. John has highlighted. The problem is the absence of reliable information on what has taken place in this country in relation to capital markets and the ownership of capital over the last 15 years. The nearest that we have come to doing anything about writing about it is Professor Dann. To some extent Professor Christine Barrow and Professor Hillary Beckles have attempted and I have seen some movement in this field.

I regret very much that the University of the West Indies has not used the undoubted expertise that it has to research this aspect of our life more closely and to give information. If we do not get the correct information, we will go around as politicians on the emotive language that is now driving us towards formulating policy rather than proper analysis of what has happened in Barbados and the Caribbean.

Sir, the major investors in shares and in the capital markets in Barbados and elsewhere are no longer individuals but they are institutions. I have to repeat that, Sir. These institutions normally hold the majority of the securities. Who

are these institutions? They are banks. Although the banks prefer to lend you money to take a mortgage or a debenture, there are banks who also buy shares. As the indigenous banking industry has grown in Trinidad and Tobago, Jamaica, St. Lucia, Antigua and Barbados, the banks who are indigenously owned, like the Barbados National Bank and the Antigua Commercial Bank, these banks are owning more of the shares and the equities that are available. Sir, to this extent you are finding a democratisation of the ownership of securities in the country.

In addition, there are trust companies. There are not a lot of indigenous trust companies but hopefully we will see these evolve. The legislation is already in place. Trust companies may borrow from you or keep your money and invest it in stocks and bonds.

Sir, the ones that I want to single out, particularly in the context of Barbados, are the credit unions. One has seen the phenomenal growth in the credit unions in Barbados as a result of direct action taken by the Barbados Labour Party Government between 1976 to 1981 and since then. Today the credit unions have reached the stage where they are able to compete very successfully with a large number of the banks and I hope they will grow even further.

Sir, one must not allow the Opposition to transfer to the public the mistaken idea that the Barbados Labour Party Government has not been using its acumen and its policies in order to redirect ownership and to spread ownership of the capital resources of our country.

I believe the trade unions must get into the ownership of shares in the banks. I do not know if they used the opportunity of the Government's corporatising the Insurance Corporation of Barbados and also the Barbados National Bank to own any significant number of shares. We were encouraging the trade unions to go that way and I would like to see them go on the market here in Barbados. There are 22 public companies which are listed on the market – there are from Jamaica in the North down to Trinidad in the South – buy these shares because our market at the moment is almost a dead market. It is not moving fast enough. We can only do that by using the resources of the workers through their credit unions to own part of BS&T, Cave Shepherd, and the Royal Bank of Trinidad and Tobago. That is what we must do. We must not believe that the only purpose of the credit union is to lend for a car or something like that. Sir, this must be part of the purpose as well.

Secondly, the major investors in Barbados and the Caribbean are the insurance companies, particularly the life insurance companies. Who owns the major life insurance companies in Barbados? The Mutual, as it said, the

policyholders. Who are the majority of policyholders? Those policyholders are small policyholders and big policyholders. Share ownership has changed under our very eyes and we are not witnessing what is happening.

Sometimes we are misrepresenting what is happening because we have been spreading that ownership. It is the institutional investors. Sir, whether it is The Mutual, CLICO, Barbados Fire and General or Guardian Life, all of these are locally owned. They are not locally owned by a few people. Most of them are locally owned by a large number of us who are the policyholders.

Sir, pension funds as well. Most of the public companies consist of trusts holding pension funds. On whose behalf are they holding the pension funds? They are holding the pension funds on behalf of their workers. Once again you have been spreading share ownership in this country. Sir, that is why I said that it is an area ripe for research in order that we can get the proper advice to the political Parties, so that they can make the right decisions and they are not just swiping and making generalisations.

Sir, last but not least, there are investment funds, the Mutual Funds, open-ended funds like Fortress, of which the Honourable Member for St. John spoke, and open-ended funds like the Mutual Global Funds. Those Mutual Funds have come into being because the Barbados Labour Party passed the Bill for the Mutual Funds Act giving incentives to people to invest in Mutual Funds. Every year end people are anxious to spend up to \$10 000, if you have it, to get it off your income tax so that you can own part of those units.

Sir, I do not buy my god-children a toy gun out of the United States or any such foolishness at Christmas time. I would prefer to give them \$50 or \$100 in shares and that is what the Honourable Member for St. John meant when he spoke. We must put in the minds of our people that they have it within their power now, by incentives and otherwise, to become owners of the capital in this country. Why do they not use that power? Why do you go and spend \$100 buying brand name shoes at Christmas for a child or buying something like that when you can buy the \$100 to own part of any of the companies that are listed on the Stock Exchange here, Trinidad or elsewhere?

We must not spread the concept that nothing is done. There are still a few individuals who are dominant in some of the markets but you will notice, sir, that in some of the older companies like A.S. Brydens & Co. Ltd. and BS&T, there is no longer a predomination of a few people owning the shares.

2.35 p.m.

The shares that are quoted are opened to you and me,

to the man in the street, to go and buy them, even if he buys a share at \$10.00 in the Barbados Light and Power Company.

I want to mention the National Insurance Fund. The policy of the National Insurance Fund has been changed very significantly in the last seven or eight years. My predecessor in office, Dr. Frank Alleyne, envisaged and started that change. The only reason why the National Insurance Board could not go past that at the time was because we were in a foreign exchange crisis, but today, the National Insurance Fund is aiming to invest more and more in the ownership of companies. Over 60 per cent of those shares are owned by Barbadians and of that 60 per cent, 22.5 per cent are owned by the public of Barbados through the National Insurance Fund. So, Sir, there has been a widening of share ownership, some of them direct, but that is a fact.

The same National Insurance Fund, which belongs to the people of Barbados, owns 10 per cent of Life of Barbados Insurance. I believe we own almost that percentage in (CIBC) Caribbean Limited. We repeated it in that way because we have the concept and the idea that although each Barbadian may not himself directly own a share in the companies of Barbados or the Caribbean, we can use institutional investments from the funds of the people to put them into share ownership. It is in that context that I regret, very much, that the DLP did not have the vision to find another way of answering the foreign exchange crisis of 1991 to 1994 other than by selling its shareholdings in the telecommunications industry.

I know the Honourable Member would anticipate me coming on that line. Do you know what they could have done? They could have done what Barbados Shipping and Trading (BS&T) did at the time. They could have done what the Goddards Group of Companies Pension Funds did at the time. They could have done what the Mutual Funds did at the time. In order to assist the Government, those companies went and borrowed against their shares, bought the foreign exchange so that the Government could meet its obligations and after the crisis was over, the Government paid them back and they still had their shares intact, and it is a pity that at the time the Government did not have those shares in the National Insurance Fund so that they could have borrowed the foreign exchange, instead of losing the position of ownership in the telecommunications industry.

Asides.

Hon. Sir HENRY FORDE: Sir, the Honourable Member said that all we needed to do was buy them back. Now, I agree with him and I know that there are policies in place for the present Government to negotiate for a p e r c e n t a g e of the shares in Cable and Wireless to be sold to

the public of Barbados. I know that is part of the negotiating stance of all the Governments of the Caribbean. I thought the Honourable Member was in the forefront of things, Sir...

Asides.

Mr. D. St. E. KELLMAN: On a point of order, Sir, the Honourable Member is misleading the House. I do not know why he is getting so hot under his collar. He is giving the impression that the Barbados Labour Party was the Party that initiated the move of buying back the shares. He knows quite well that I am standing here saying that it was because of my calls to New York and other places that they have now taken the proper advice of making sure that they own the shares and that there are Barbadians in New York who are willing to buy into those shares in Cable and Wireless so that the Barbados Government can get back Cable and Wireless.

Mr. DEPUTY SPEAKER: Proceed.

Hon. Sir HENRY FORDE: I am not trying to vie with him for the headlines but what I want to say to the Honourable Member, Sir, the reason why the BLP was consistent in its policies is because those shares in Cable and Wireless were obtained at the time when local companies were formed here and it was a condition of the then BLP Government that they had to give some shares to the public of Barbados and some as well to the Government. Just like the BL&P Co. Ltd., when the BL&P Co. Ltd. wanted to borrow from the European Investment Bank, the then BLP Government, of which I had the honour to be a Member, insisted that as a condition of us giving a guarantee they had to make X number of shares available to the Government of Barbados.

So that, Sir, let me quickly just say...

Asides.

Hon. Sir HENRY FORDE: Sir, I am having interruptions from the Honourable Member for St. Lucy whom I have always enjoyed. If I can have back that time, but I am going to quickly give the Honourable Member for St. John things that the Barbados Labour Party's Government has done to bring about economic franchisement and a wider share ownership in Barbados. A lot of it is contained in the Income Tax Act, Sir, and I will start on that.

Bonus Shares: We allowed people in calculating their income, not to include bonus shares up to the value of \$10,000. Whether you are self-employed or through your company, every year we allow you to take up to \$10,000 once you can buy a security. Formally, it was for new securities, but we have begun to treat even existing securities as qualifying for these incentives.

I have spoken about Mutual Funds, I have spoken about credit unions. In the Income Tax Act we give bonus payment on amounts deposited with the Barbados National Bank so the deposit is interest-free, Sir. That is within Section 9.0 of the Income Tax Act.

The same thing goes for Savings Bonds, Sir and the way we treat pensions. We have already encouraged employees stock ownership plans and the Honourable Member knows that there are several Barbadian companies that have already gone into employees stock-ownership plans. Let me mention one, the Goddards Group of Companies ...

Asides.

Hon. Sir HENRY FORDE: That is not a family company anymore. The Honourable Member is behind time. Share ownership is quoted on the market. It has widened considerably and we must examine these things.

Let me talk about the ICB and the BNB. I, too, regret that there was not a larger percentage of the shares, particularly of the BNB, which had not been taken up in the issue.

If the Honourable Member wants to know of my assessment, there are at least two reasons but there may be more why this has happened.

First, I think it was a question of timing. We have an area of small capital formation and a series of issues clouding out each other at the same time...

Asides.

Hon. Sir HENRY FORDE: You may be right on that. The Government ought to have timed it much better and probably the Honourable Member is right, and that was one of the reasons.

The second reason, in my view, is that I thought in trying to ensure that ownership was maintained in Barbados and that companies were not taken over either regionally or by other investors from outside the region, they had built in what is referred to as "poison pills". These are provisions in the by-laws that limit the amount of shares people can take while sitting on the Board of Directors, and I think that these poison pills had too much poison in them. For instance, even now the National Insurance Board, which spent over \$20 million in shares cannot have one of its officers sit on the Board of the Insurance Corporation of Barbados because of the way the by-laws were drafted.

The same thing with the credit unions. The credit union officers could not sit and that is the reason why I think this

issue was not as successful as it ought to have been. But let me say this, Sir. I believe this is an improved Act and that it offers a tremendous opportunity for us to regulate in a proper manner the capital markets of Barbados, particularly the equity markets of Barbados.

I think that we have the expertise. In fact I know that we have the expertise here to do it, but I will use this opportunity to appeal to the investing public to do more to encourage the trading of shares on the market.
2.45 p.m.

There is no point in saying that less than 1 000 shares have traded at the end of the week, and we must do better than that. If you look at the shares of most companies, the market values of those shares are below their real and true value, so there are still capital appreciation and capital gains to be got and, Sir, most of the companies on the market have been paying dividends at quite a high yield.

I end with this point, Sir. Despite what has happened on the international markets in the last year, including the markets in Asia, regional markets have performed very well. Last year was not a good year and I will say, Sir, that in any event, in my view, the ownership of equity is – on the historical trend I have seen – even more rewarding than merely saving your money in the banks where the interest rates to the savers have fallen as much as they have.

It is even better sometimes than buying in a gilt edge and in the bond market, although at this time, I would advise institutional investors, in particular, to balance – because of what is happening in technology stocks – their holdings between a gilt edge, particularly some of the bonds that are being issued by Jamaica and Trinidad. Barbados had a bond issue, I think it was last year and denominated in US Bonds because that would, therefore, cushion any fall in markets, if you have gone into technology, stocks and elsewhere. I think, Sir, that there is a tremendous opportunity ahead for our people.

I want to make only one other remark and it is this, Sir. When the Deep Water Harbour, built by the Barbados Labour Party closed, some of the men who received redundancy payments in those days wanted to know what to do with their money. I became an adviser to the Barbados Workers' Union and Sir Douglas Lynch was the adviser to the Port Authority, and we set up the Provident Fund there. Let me state that, because I have to put some of these things in the record. I recall very clearly, remembering Mr. David Lucy-Smith who advised some of the workers to take some of the money and put it in the Barbados Shipping and Trading Company Limited (BS&T). I saw some of those workers benefitted tremendously and having heard his advise, I bought a few of the shares too, Sir.

The problem in Barbados is not that share ownership has not widened and that shares are not available. The problem is that we have not yet gotten into our heads, particularly my brothers and sisters of my complexion, that in addition to ownership, there must be control. You must therefore get on the Board – use the institutional power to serve on the Boards – to get more knowledge so that the two areas of management and Board direction are the areas that call for changes. Those changes have begun to take place but not as rapid a pace as is demanded by most people.

I am much indebted to you, Sir.

Mr. D. T. GILL: Mr. Deputy Speaker, I rise to make my contribution to this Bill which would provide for the establishment of a Securities Commission. Sir, this piece of legislation before us today, only but forms part of the continuum of the business legislation which has been coming before this Chamber in this session and in the previous session.

The legislation is primarily about investment. Investment, Sir, means different things to different people at different times. In other words, it has to do with your moment in time. Some people would prefer to go the way of banking, fixed deposits. Some people would prefer to invest in meeting turns which are called in some other countries, 'su su', where the return may be zero but for sure it is not negative. It is still safer for some who think that they should invest in games of chance. So, as I said, it depends upon the individual what you want, when you want, how soon you want your return, if you want your return over a year, if you want your return to be spontaneous but Barbadians are very clever people. Barbadians, Sir, without being educated, could tell you quite easily or quite quickly whether their investment is connected with a volatile, a mediocre one, a poor one or a good one.

A student just out of university, Sir, would care to invest in a car. He might care to invest in another car and sell off the first one, and in turn, that is his *modus operandi* of making a profit and an investment. Sir, as I said, some of these investments are reasonably guaranteed, others with no guarantee whatsoever.

At the last Sitting, the Honourable Member for St. Michael North East spoke, quite fittingly, to the interlocking directorship among most of the Boards and the finance companies in the island and she was quite right. Again, Barbadians, Sir, if they recognise or discern – family connections, few people participating, the old school ties – they may not be as eager to invest as if such instances did not occur. Hence, Sir, you may find that they would prefer to invest overseas in other securities, so once they detect a negativism they will stand far.

As I said, Sir, Barbadians are very clever people and it is because of that clever approach to life and investment that we have built such a sound country. It goes back years. I have been told about the early Simmons Bank, *et cetera*, and men who invested early.

Sir, when we, in this part of the world, go into investments that we are not so sure about – and I heard the Honourable Member for St. Lucy last week, try to trivialize the debate, speaking about it as another moveless legislation to dry up excess liquidity in the system – Sir, with Barbados being part of the global village, being exposed to all the vagaries of investment and all the fluctuations, and all the restrictions being legislated in other international fora, it behooves Barbados to take a position, by way of legislation or otherwise, so that we could be competitors.
2.55 p.m.

Sir, in an economy like Barbados, to bring its legislation dealing with investments in line with other developed and developing jurisdictions, this Administration has had, as I said earlier on, to make new laws and various amendments and will continue to do so as the world economic climate changes. Sir, we need new legislation to deal with inflows as well as outflows of capital into and from our country and to deepen our regional trade and services.

What types of legislation are we looking at? About three to four years ago we did the Societies With Limited Liability Bill. We looked at the Exempt Insurance Act earlier on. In looking at Caribbean unity, because you know this will continue to occupy the directorship of this country, we have also looked at the Caribbean Community Act. We have looked in more recent times at a Fair Trading Bill and even more recently at the Electronics Transactions Act. Hence, Sir, you will see that Barbados is positioning itself to be able to deal with an international climate business-wise, or else to whom could we appeal if we sit and do nothing? If the train passes us by, so to speak, we could only but blame ourselves.

Last year when I was in Germany, it was evident from many of the African countries and some of the Pacific countries, that they have been left behind. I saw representatives of those countries literally queuing up to get advice and to seek out from non-governmental organisations how they could improve simple things, or what we would take for simple things, such as marketplaces and running water in public places because they lacked foresight, or the train or the bus, so to speak, had passed them by.

Mr. Deputy Speaker, I have a personal feeling how securities should be used, or in which areas they should be used. One only has to follow the performances internationally and one would see that these securities or the proceeds from them help in no small measure to improve research and development internationally, whether it is in the blue chip or the hi-tech market such as in information

technology.

A lot has been said about Cable and Wireless and the Barbados Telephone Co. Ltd, but I would speak in another forum at another time about them. I should say this. If you check the various generations of the cellular phones and what the cellular phones can do today as opposed to last year this time you would see how that technology is becoming more and more sought after because, as you know, the children of today have no need for the digital home telephones anymore.

I was in Europe and I could hazard a guess that over 95 per cent of the people between the ages of 18 and 55 owned cellular phones. We wonder at what stage it will come to a plateau, but as a lecturer once said to me, “leave the future to the future”, because for now the grass is still on the upside, it has not started as yet to plateau.

In getting back to what I was saying with respect to investment in technology – but before the technology there is the pure science, then the applied science and then the applied technology, hence this sort of investment is popular in the pharmaceutical industry as you well know, and it is popular in the biotechnology industries. In recent times we have seen genetic breakthrough soar to a peak as scientists have unravelled and put together the human genome. These are areas that investments in this sort of security flourish and not in the old, mundane and commodity items like beverages and soft drinks.

That is why I think in Barbados, especially in services and sports, that we may find a sort of a soft – and I am not in any way punning there – approach to investments into beverage companies. Years ago when I was a little boy, I heard my father and some of the older guys talking about buying shares in Banks Brewery but Sir, you would not find a youngster of today getting into that because he gets on his television and on the internet and he knows what is going on.

Sir, in the research laboratories it is a fact, or just short of a fact, that in this 21st century we will be treating diseases based on genetic engineering and sequencing, and that is where the investment resides. There are people because of hereditary problems – and this is the direction in which the big securities companies internationally are finding themselves. We may throw our hands up into the air and say “but what do we have in terms of research?”

If you check our very own University of the West Indies Cave Hill Campus, you will find that there is a Dr. Tinto who is doing a research right now into tropical herbs. He has even gone as far as to see how such information and

such extractions could be used in treating people with the HIV virus. We have also had a Dr. O'Garra in agriculture who has done – and this is right here on our very own doorstep, it has nothing to do with Silicon Valley or anything like that – research looking at diseases and viruses in our local produce like tomatoes, onions, yams and peppers. What we are missing here is a break between the sheer scientific research at Cave Hill and actually marketing it. This is probably an area that the older retail companies in Barbados could at least invest in and it would redound to the benefit of all of us. I think that Barbadians will be more inclined to put their money into such a business.

3.05 p.m.

Sir, as I said, these areas require great funding. But there is another aspect which will continue to occupy our thoughts and time and that is the CARICOM Community as it comes closer and closer. The way of doing business will have to change. We still see it happening in England today as the European Community gets closer and closer.

Sir, the British had to change their legislation to bring them in line with a more over-arching governance. Sir, that is why when I hear the Opposition speak in such a trivial way that this legislation does nothing for the very poor, I think they have missed the salient features or the reason for this type of legislation. It is not set out to empower poor people. It is about doing business. As I said, different people have different reasons for investing at different times.

Sir, as recent as 1998, England embarked on a competition ad, so this was to improve and to better position investors and to protect them from financial losses. Sir, in 2000, there was new legislation again to keep up with the changing times. It has nothing to do with Fair Trading legislation. These are all new within the last two or three years.

Sir, they have passed within their Houses the Financial Services and Market Act, 2000. This is a very voluminous Act which was enacted this year. Because of that Act, Sir, it has created a Financial Services Authority regulating securities and looking after listings.

Sir, Barbados cannot afford to fall too far behind. The FAA will look after the listings whereas the London Stock Exchange will continue to look after the trade and securities. In other words, Sir, legislation like this one will tend to strengthen the integrity, accountability and transparency of these services. Hence, Sir, I cannot agree with the Honourable Member for St. John in the way in which he tried to present this legislation.

When it comes to regulating, those of us who followed the case some eight years ago with the Bearings Bank PLC of London, or even right here with Trade Confirmers, there

was a London merchant bank which had a young British man of 23 years heading up this business house in Singapore. Sir, because of the lack of regulation and supervision and because of the nature of this business, which until recently was a very secretive business, that young man was able to bring down a bank of 230 years, ten times his age, because of the lack of supervision.

Sir, this is what they had to say:

“When Bearings went into receivership, it had outstanding future positions on Japanese equities of U.S. \$27 billion dollars and Niki \$7 billion. Nissan also sold \$70 892 and called options with a nominal value of \$6.68 billion. The nominal size of these positions is breathtaking. Their enormity is outstanding when compared with the bank's reported capital of about \$615 million.”

Yes, Sir, it was not only his dealings but collusion and this is how it was reported in another part of the media.

“The poor deliberate derivatives make it imperative that proper controls are in place since only a small amount of money is needed to establish a position. A firm could find itself facing financial obligations way beyond its means.”

Sir, they quoted the Niki 225 and the S&P 500 or euro-dollars which meant that these obligations once in place mounted very quickly, thus bringing down an institution with lightening speed.

Sir, if you do not have the correct legislation and regulatory framework, as that writer said, the institution can come down with lightening speed. I cannot see how the two Opposition Members could seek throughout their presentation to make it look as if this type of legislation is not necessary at this point in time.

Mr. D. J. H. THOMPSON: Mr. Deputy Speaker, Sir, well I believe that I was in here when the Honourable Member was...

Mr. DEPUTY SPEAKER: On what point did you rise?

Mr. D. J. H. THOMPSON: On a point of order, Sir. The Honourable Member is grossly misleading the position of the Opposition. We said that we support the Bill. All we said was that the debate should also deal with some other issues. But at no point did we say that we were not supporting this Bill. This is not a Bill to amend the Financial Institutions Act. Therefore, if anybody can be accused of mixing up the debate, it would have to be the Honourable

Member for St. Michael South Central who is dealing with Bearings Bank. This is a Bill to regulate the Securities Exchange.

Mr. D. T. GILL: Sir, that is a non-point. If you are going to look at it from that point of view, we could look at it nationally. In reviewing economies in the world, they also spoke about global turmoil and reform. It is the same sort of reasons given by the United Nations for the poor performance of many of the Sub-Saharan countries in Africa because they do not have the right mechanisms in place to supervise, check and reconcile the movements of investments in and out of the country.

Sir, one thing is for sure. If Barbados is to compete in this very competitive and modernized economic media, it is imperative that not only our physical infrastructure be constantly modernized and updated, not only should Barbados be in touch with the latest technical changes and sit at the cutting edge, but all this legislation must be such as to keep all these changes to which I have just alluded in check and at the same time make investments attractive to both local and foreign alike.

Thank you, Mr. Deputy Speaker.

3.15 p.m.

Rt. Hon. O. S. ARTHUR: Mr. Deputy Speaker, I shall speak briefly in this debate under the Schedule to the Bill. It is provided that there should be a Securities Commission, that the Securities Commission "shall comprise of such number of persons not being less than 3 nor more than 7 as the Minister may from time to time appoint."

Sir, that Minister is the Minister of Finance and I continue to hold that post although I did not lead the debate. The Schedule says:

"The members of the Commission shall be appointed by the Minister ... from among persons who appear to him to be qualified as having had experience of, and shown capacity in, matters relating to finance, capital markets, commerce or business administration or such other related discipline."

Mr. Deputy Speaker, this is good legislation but it is important for us, if we are to accomplish the purposes which we are seeking through legislation, to have an outstanding Securities Commission. Therefore, it is my intention, with the approval of Cabinet which I have already sought, to appoint the following six persons to be the first six members of the Securities Commission:

- (1) Sir Neville Nicholls, former President of the Caribbean Development Bank has graciously agreed to serve as a member and the Chairman of the Commission;
- (2) Justice Eric Bishop, retired Judge will be the Deputy Chairman and member;
- (3) Miss Lesley-Ann Walcott of the University of the West Indies who has done tremendous writing in this matter has agreed to serve on the Commission;
- (4) Mr. Edwin Pollard, a banker, comes with tremendous experience;
- (5) Mr. David Griffith, former Auditor-General; and
- (6) The Dean of the Faculty of Social Sciences of the University of the West Indies, Professor Frank Alleyne.

Those will constitute the first members of this Commission.

There will be a seventh but I will not be able to announce that name today until the person has agreed to serve. I sense that the House will see the seriousness with which the Government is viewing this Commission from the calibre of the persons whom the Government has determined to constitute the Securities Commission of Barbados.

I am not going to be long, Sir, but just to say that Barbados' development will not be complete until we have succeeded in establishing a well structured and well organised capital market. It is one of the missing links in our development. We have come as far as we can go without a well developed capital market and I applaud the efforts of those who have to date had the responsibility for crafting the original Securities Exchange and managing its affairs. They have done a reasonably good job. It has had its problems from time to time but no fingers of impropriety can be pointed at.

It is time for us to move on. The notion of a Securities Exchange supervised and regulated by itself for itself is past. We need to bring our matters pertaining to the regulation and supervision of our securities market in line with best practice and with best policy. Mr. Deputy Speaker, there is no doubt that an aspect of our development is to make this country a genuine property owning democracy in the best sense of that word, not property owning in the sense of a narrow concentration of ownership but a democracy where ownership of property, land and security is general; and we are getting there. In relation to land, there is broad ownership, but we still have a long way to go in making this country a place where ownership of shares in companies is

first nature. Government is not easily going to yield to ill-advised recommendations that would want us to put at the disposal of a select few extraordinary concessions to get them to list their companies on the Stock Exchange.

One of our tragedies is that some of our more successful companies still feel that there is an advantage to them in the nature of greater control that goes with their companies being companies that are not listed on the Securities Exchange. From time to time, the Government has been given gratuitous advice that we should put extraordinary concessions in people's way to cause them to list. That would merely be to give them a windfall and we are not going to easily give vent to that. We would have already by introducing new concessions not only for share ownership but for re-investments, retirement plans, mutual funds and so on since 1995 put in place as an administration a broad and attractive range of instruments, concessions to excite interest by traditional investors in participating in the stocks and securities in this country. Government will want to continue in that vein.

The Leader of the Opposition, obviously, has a need to demonise the Government, but the notion that we are not interested in empowerment is shrill and cheap, and he knows that. I think he feels that he has to say that less because it is true, and more because it is what is required of him at this juncture in the development of the Democratic Labour Party. There are persons who will challenge him, who will make even more shrill and more cheap noises, and he will have to compete with them, but that is not true. He really should not go back to things like MOBIL and those other things because there is a history to be told that I am not going into today.

I would just want to say, Sir, that when the Member for St. John had the opportunity to show that you could use divestment for the purpose of empowerment the facts have to be said that that opportunity was not grasped. If he regards selling Heywoods built by the Government to Barbados Shipping and Trading as a form of empowerment, then I am saying that he is misguided.

Aside.

Rt. Hon. O. S. ARTHUR: He is saying, Sir, that we are selling. The Government is not seeking to sell GEMS of Barbados. We are seeking to bring an equity partner in to help raise the funds to finish the investment. It is different from bringing in an equity partner that you need more funds to finish the work. You can raise it by loans or you can have a mixture of loans and equity and you bring in an equity partner to finish the project. That is different from divesting what you have.

I wish that everybody would understand that is what we are doing and that the people with whom we are dealing are people who have access to collateral assets such as airlines, markets and so on that Barbados can benefit from and I

would wish the Member, Sir, to stop demonising this Government for doing the right things. Our record in seeking to popularise and broaden the base of ownership in this country is one that the Democratic Labour Party cannot offer a comparison with.

I want to say, Sir, that Government is also accumulating a lot of assets in a number of enterprises with the intention, wherever appropriate, of selling those assets off to the general public following the model that we used in a recent divestment of the BNB/ICB where workers, the general public and institutions like credit unions and so on had the first bite. I want to stress that, Sir. This Government is being criticised for a process of divestment that involves giving the workers not only the first bite but concessionary arrangements under which they could acquire shares in the enterprises in which they are working. We sought to bring credit unions and trade unions into the ownership and to broaden the base of ownership in Barbados by that process. 3.25 p.m.

I will not have it fall from the mouth of the Opposition Members to criticise that process of empowerment as compared to what passed before.

The Honourable Member for St. John also spoke about the Special Development Act. May I say to him that there was a series of actions in the early 1990s that have distorted the provisions of incentives in this country. These distortions came when concessions to Bushy Park and Royal Westmoreland, beyond anything that had ever been considered before, were given. To this day, no concessions or incentives given by any Government of Barbados, previously or subsequently, bears any relationship even remotely to those that were given to Bushy Park and to Royal Westmoreland. The Honourable Member for St. John continues to demonise the Special Development concessions and the public does not seem to be aware.

I have to say that people who get special status do not get tax holidays, that they have to pay taxes. They pay taxes at the lower rate of 30 per cent but they are not given total relief from tax. I must also stress the point that the principal beneficiaries under the Special Development Act have been largely small black people. The first beneficiary in Speightstown was a black man who converted the old Elmers Supermarket and some old warehouses into Adrienne's Complex. The second was Atlas in Bay Street.

Generally speaking, the Special Development concessions have largely been used to the benefit of small people looking to take abandoned assets and transforming them into useful things on behalf of the country. In my

constituency, Speightstown has been transformed because people have used the concessions, but they have to pay taxes on their profits, unlike Royal Westmoreland or Bushy Park. Sir, I really must make that point to the Honourable Member for St. John because those are the facts.

The facts also are that the Special Development concessions which the Honourable Member for St. John continues to criticise, can also be used to help develop his constituency because they apply to the Scotland District which constitutes part of his constituency as well. I really wish that he would start to mobilise people in his constituency to try to use the benefit of the concessions rather than condemn people in other constituencies for using them.

Asides.

Rt. Hon. O. S. ARTHUR: Mr. Deputy Speaker, the only tax that his Government was going to introduce is the Value Added Tax, which we then implemented except that we made it softer. I have to keep reminding him that he sent a Paper in June of 1994 to Cabinet which said that a Value Added Tax on food would be highly desirable....

Mr. DEPUTY SPEAKER: Honourable Member for St. John, I would really like to hear the Honourable Member for St. Peter. Please do not keep interrupting.

Rt. Hon. O. S. ARTHUR: Mr. Deputy Speaker, the Honourable Member for St. John is an intellectual fraud where taxation is concerned. He comes in here to quarrel about taxes to small people...

Mr. D. J. H. THOMPSON: Mr. Deputy Speaker, on a point of order. If only to keep the standard of the debate at the level which it was earlier in the day without this "bigger man" than the Harris Paints man intervention, the Honourable Member needs to withdraw those words.

Rt. Hon. O. S. ARTHUR: Sir, I withdraw the words but I would rather be a Harris Paints man than be a wholly owned subsidiary of CLICO International. Sir, there are certain politicians who are known as subsidiaries of CLICO, wholly owned and bought by CLICO. I will not call names in this House as to who is one.

The Honourable Member for St. John is outrageous when he comes to this Parliament and tries to demonise people about who likes black people and who gives concessions to whom. His whole political career in Government is a political career characterised only by the provisions of incentives for a select few. The only person he has ever given a concession to is a doctor who was a friend of his. When he was telling all other returning nationals that

they could not get concessions on their cars, he gave one to a doctor.

Mr. D. J. H. THOMPSON: Mr. Deputy Speaker, Sir, on a point of order. The Honourable Member for St. Peter is as usual misleading the House. I have now discovered that he has less to offer than the Harris Paints man. There was a policy in place in which the tax on motor vehicles imported by returning nationals was removed even prior to my becoming the Minister of Finance. The Honourable Member reimposed the tax and then took it all off again. Go and check the records and do not talk nonsense.

Mr. DEPUTY SPEAKER: Honourable Member for St. John, could you withdraw the word "nonsense".

Mr. D. J. H. THOMPSON: Mr. Deputy Speaker, I withdraw the word "nonsense". It is misleading, erroneous and untruthful to suggest that there were not concessions applicable to motor vehicles brought back to Barbados particularly motor vehicles that were three years of age. That was part of the policy. All the Government did was remove the concessions, then take out the three-year limit and then replaced the concession once again.

Mr. DEPUTY SPEAKER: Honourable Member, you have made your point.

Rt. Hon. O. S. ARTHUR: Mr. Deputy Speaker, I might be a thorn in the flesh but the truth is that when nobody could get concessions on motor cars, a friend of his got. Mr. Deputy Speaker, there are no small companies in Barbados that can say they ever benefitted from any concessions granted by the Honourable Member for St. John but Royal Westmoreland and Bushy Park benefitted. Also, given to Bushy Park was a special regime for concessions for casinos. Therefore, it comes as a form of emptiness when this House is to be lectured by the Honourable Member for St. John to such a record of support for only certain big white businesses from abroad and then he comes and gives a lecture about concessions for others.

This Administration does not have anything to be apologetic about. This is the first Administration ever in this country to introduce a new special regime for small business. The Honourable Member had his opportunity as Minister of Finance. His Administration had seven years to back their words about small businesses with serious legislation. 3.35 p.m.

This Administration has, for the first time, put in place, not only a regime for small businesses that allows them a whole range of concessions, but has given them a new institutional home. For seven years we have kept the small business sector of this country going by paying fully the cost

of the running of their Secretariat. You have nice sounding words from that Side but you have serious action from this Side.

I would challenge the Honourable Member for St. John to tell us what is the one concession he has ever given to any small business in Barbados? None. It is an amazing record. I would like to say, Mr. Deputy Speaker, that the only thing that I have ever shared with the Honourable Member for St. John was that he and I were responsible in the same year for the financial affairs of this country. In his one and only Budget presentation, he gave \$2 million of relief to all the productive sectors of the country. I inherited the same economy in the same financial year, Sir, and removed duties on imports on manufacturing and agriculture in one fell swoop, topping his by five folds. His sole contribution to this country as a Minister of Finance was to the extent of \$2 million of fiscal relief in the one chance that he had to present a Budget to this country.

He is the \$2 million man, Sir, that is all he is. Now he comes to this Honourable House talking about tax efforts. All that has happened is that we have not increased the rate. In fact, all we have done, Sir, is put in place more and more concessions that would allow the private sector and individuals to reduce their liability to tax.

If I must remind him, Sir, since 1994, virtually every year, we have introduced additional concessions so that people saving and investing can reduce their liability to tax. We have also introduced a wide range of incentives to help institutions reduce their liability to tax. The reason why the tax yield has increased is because people who were previously liable to tax are now not liable to tax because of the nature of the Value Added Tax. We have brought them into the tax net so that they will be able to carry their fair share of taxes.

The Government of Barbados has not been raising tax rates. The evidence that we now increasingly find is that the value of our gross domestic product is grossly understated and that is without any doubt. As we become a more service economy, the truth is, it is very difficult to properly estimate the value of services. You, therefore, have, as an intelligent observer, where people are not raising the tax rate but the tax yield is increasing. You cannot put that down to increases in the tax rate *per se*. I submit that for the benefit of this Honourable House.

In fact, the velocity of circulation of our money would suggest that either economic theory is wrong or GDP is grossly understated but the dollar has not been increasing tax rates. The Value Added Tax that we have introduced is more conciliatory and generous than the one the Honourable Member for St. John would have introduced. We do not need any lecture from the Honourable Member for St. John about empowerment. Who has he empowered apart from CLICO?

Who would he have empowered other than those with whom he was secretly working, Mr. Frank DaSilva, through the Foreign Exchange Committee and who would have become the powerful casino operators in this country. Who else?

Sir, I challenge the Honourable Member for St. John after this long period in public life to tell us one concession that he ever introduced as a Minister of Finance or Minister of State to help any small business or small man in this country, Sir. Just tell us one and I will stop criticising you.

Sir, there was a time when he was “the great white hope” and he was “the great white hope” not without justification. He was “the great white hope” because the way in which he sought to build an economy was by way of a relationship with only certain classes of people in Barbados.

I want to support this legislation but I only intended to speak to the appointed members of the Commission. What the Honourable Member charged about this Administration doing nothing for empowerment is loose and cheap. I hope that this Securities Commission would give a great lift to the manner in which we supervise and regulate matters relating to securities in this country. I hope that it will not only lead to greater protection of investors but that this historic piece of legislation will come to stand as one of those landmarks that will see us evolve as an economy of this country.

I am happy to be associated with this and support this legislation.

I thank you, Sir.

Hon. R. C. EASTMOND: Mr. Deputy Speaker, a careful and objective assessment of the growth and development of Barbados over the years would show that Barbados has evolved and evolved. Even though at different points in Barbados' history there were sudden and almost revolutionary changes, on balance, this has been a country that has seen more evolution than revolution.

If you ask me, Mr. Deputy Speaker, what were the sudden and sharp changes in this country in recent times, there is no question that the period ending 1961 to 1966 would have been seen as a period of remarkable achievement. The period post-1981 also saw the enfranchisement of a number of lowly paid public officers. The period post-1994 has also seen remarkable achievement where many sectors have benefited. Your question to me, Mr. Deputy Speaker, would be why this introduction?

The reason why I say so is that consistent with our pattern of evolution, we are here today debating a measure

which is part of the modern evolutionary process. Let me start by differentiating between a financial market and a capital market. Permit me to do so by way of a definition based on subjective considerations.

There is no question that a financial market is a scenario within which persons deal generally in money and where the outcome maybe such that at the end of the day, in a normal simple financial market, a lot of the trading in money might go either to consumption or to areas of economic activity that do not bear potential for tremendous impact on the economy as a whole.

A capital market, on the other hand, is a broader concept where, in addition to the simple financial market, the capital market will bring together persons who trade in their wide range of securities and instruments beyond which your simple financial market will see people participating in. Up until now, successive administrations have realised that there is a very clear need to promote the productive sectors of the economy, while at the same time catering to the needs of the wider population.

If you look at certain socio-cultural factors, Mr. Deputy Speaker, some of these would have been raised by previous Honourable Members who spoke in this debate, you will no doubt have realised that for most of Barbados' history the broad masses of people may very well have fallen into the classification of the hewers of wood and drawers of water. Earlier today, the Honourable Member for St. John said that he would lament any situation where such would continue where everybody would see himself or herself as somebody's employee.

The purpose of what we are looking at today, notwithstanding certain pessimistic views expressed, is to involve more people in the business of the economy. What do we mean by this? There is no doubt that those Honourable Members who spoke about interlocking directorships and a narrow base of ownership in this country would no doubt have had in mind certain historical considerations.
3.45 p.m.

There can be no doubt, Mr. Deputy Speaker, that up until the end of World War II the vast majority of Barbadians were nothing other than ordinary wage earners and that those with this hue and complexion have been largely left out because of the economic development, whether as decision makers or as direct participants.

The period since Independence, Mr. Deputy Speaker, did not really see any marked increase in involvement by the ordinary people, even though the BLP Administration of 1976 to 1981 for ever tried its utmost to introduce the concept of worker participation, a concept that was met with mixed response.

It is necessary, Mr. Deputy Speaker, to put these things

into their historical context. Between 1976 and 1981 the BLP tried to put the question of worker participation, meaning that all of us who were receiving wages should be able to invest in the very entities with which we were associated.

Over time, Mr. Deputy Speaker, as the evolutionary process continued, we also saw successive Administrations doing their utmost to empower people. We were hit by an economic crisis in the period after 1973 and by 1977 the Government of the day had been doing its utmost to promote the cooperative movement and the credit unions. In fact, in the early days, one inducement to get people to join credit unions was that when the commercial banks could not lend and when the economy was going through such difficult times, that was the very wicket on which credit unions would be able to bat on and concessions have come to credit unions to such a degree that today one credit union now owns a piece of Bridgetown, a credit union consisting of people of this hue and complexion.

The Honourable Member for St. Michael South, however, made a very important observation. Whilst supporting measures designed to encourage more ordinary people to get involved in decision-making activities, the Honourable Member for St. Michael South said that there was a need to educate the people.

I am not saying as a general point, Mr. Deputy Speaker, that Barbadians are uneducated but in relation to certain so-called mysteries in the economy or the financial market, Barbadians need to be sensitized. For instance, Mr. Deputy Speaker, how many Barbadians of this hue and complexion know how to purchase Treasury Bills?

In my respectful submission, Mr. Deputy Speaker, it will seem necessary to educate people in terms of the purpose of Treasury Bills. Would the purpose simply be to lend Government, or would Treasury Bills issued be timed when Government needs to take money out of the economy, or to allow someone to earn on an investment?

And lastly, Mr. Deputy Speaker, the system by which one can procure Treasury Bills is such that until now only institutional investors understood how to go about it. Hopefully, Mr. Deputy Speaker, with the coming into force of the institution this piece of legislation is bringing about, that will end.

If the Honourable Member for St. Michael West, as bright a person as he is and for St. Michael North West, as much a man of the world as he is, both went to get Treasury Bills and did not understand the intricacies by which they should first understand interest rate levels in Barbados, and both Members were to bid, then they would either bid too

low or too high. Then some clever institutional investor positioned in the economy to understand the level of interest rates and the intricacies relating to Treasury Bills would be able to get them and that point goes, Mr. Deputy Speaker, as a general point where there are other instruments that are available to John Public in this country that people either do not know of, or do not appreciate how to go about procuring them.

I remember years ago, a gentleman called Bobby Goodridge told me that the returns on Mutual Funds – and this was before Mutual Funds came to Barbados – could be potentially more attractive than the returns on a deposit account. I asked him to explain what was Mutual Funds and so esoteric and archaic was his explanation that I remained in the dark even after his explanation as I was before.

Mutual Funds, Mr. Deputy Speaker, have been facilitated by this Administration and I believe that persons who go to various financial institutions can be advised how they could work. The point which I am making is that persons do not understand what instruments are available to them.

Mr. Deputy Speaker, I would be most negligent if in this modest contribution, I refuse to mention something which is fundamental in terms of putting this measure into its proper context. Do you not remember, Mr. Deputy Speaker, that one of the planks of this Administration's policies, in the period 1994 to 1999, was the need for Barbadians to save more? This Administration, Mr. Deputy Speaker, had emphasized that it was necessary to save more.

Now at the micro level, Mr. Deputy Speaker, savings are money put aside for the rainy day, or money put down to attend to some future need, or some system of assurance against the vagaries of events of the future. This Barbados Labour Party Administration, in this dispensation since 1994, has been careful and prudent to encourage Barbadians to save and that was relevant to the whole question of savings in this issue.

The point I am making, Mr. Deputy Speaker, is this BLP Administration has been good too, Sir. It has been consistent, in terms of the pre-1976 period when it sought to encourage worker participation. It has been consistent in terms of passing legislations to facilitate savings. It has been consistent in terms of having a clear development programme for Barbadians. It has been consistent in having a clear capital market well run and structured. It is a *sine qua non*. It is an imperative, Mr. Deputy Speaker, in a modern era, when we are trying to instill in people not only to save more, but not to see themselves as hewers of wood and drawers of water. Persons of this hue, resilient and bright as they are, must be accommodated at every level of this society

and this economy. It would be true to say that historical forces excluded blacks from investments in businesses in Barbados down through the century. That is a fact, Mr. Deputy Speaker.

I want briefly to address some concerns raised by the Honourable Member for St. John. I have one difficulty and that difficulty is on the one occasion where he mentioned me by my seat, referring to me as the Member for St. James North. He wondered whether I would debate the contractual relationship between a shareholder and the business in which he holds the shares, and the Honourable Member for St. Lucy, consistent with his Leader's position, had more or less worried when you invest in shares, if you are guaranteed a return. Let me reflect on this. The business of investment is risky and even though the Honourable Member for Christ Church East said that most investors tend to be risk-aversed, the fact of the matter is that however much one is risk-aversed when one invests, one is still taking risks.
3.55 p.m.

When Honourable Members come in here to reflect on what inducements there ought to be for people to invest, then those people who are the potential investors, must be told the truth. When you buy shares, you are risking your money. The contractual relationship in the real world, when it comes to guaranteed returns, would tend more to operate in favour of those things where people buy bonds at fixed agreed contractual interest rates than when people buy ordinary shares.

In the world of share capital, there is such a thing called, "founders' shares". Those are the basic equities. They give voting rights and rights of control in companies. Then, you get the common or ordinary shares which are equities and which carry some voting rights, but not higher than the founders' shares, but no guarantee that one will get dividends.

The relationship, Mr. Deputy Speaker, between the shareholder and his business is one where the shareholder of ordinary shares and founders shares will have a residual claim.

We do not want to reduce Barbadians to being residual claimants but the fact of the matter, Mr. Deputy Speaker, is notwithstanding our determination to empower and to enfranchise, when one risks one's money in a business, and buys something such as an ordinary share or a founder's share, then one's claim to dividends is a residual claim.

There are, in some businesses, minority shares called "participating preference shares" and "cumulative preference shares". Under special arrangements, those shares would tend, in certain situations, to offer more, and more close to a guarantee, than simple ordinary shares.

In a world of risk taking, as happened in the Caribbean, Mr. Deputy Speaker, even the unsophisticated depositor in a badly run bank is risking his money. In this Caribbean region, we have seen a commercial institution in the western Caribbean collapse and people lost their money. We have seen in this culture, more than one non-bank financial intermediary so crushed – Trade Confirmers – as to cause loss, pain and agony. Such are the risks that people bear, especially when going for so-called attractive investments.

Mr. Deputy Speaker, you will recall that Trade Confirmers, whilst it functioned as a non-bank – but which was receiving deposits and offering great amounts of interest was operated in Barbados – it came to a stage where the interest offerings were great, many people were induced and many people lost. Nothing would be further from the truth than to suggest that any administration facilitated such demise, either of the institution or such pain and suffering among those who suffered.

Mr. Deputy Speaker, even while this particular Bill is enthusiastically supported, it still has to be borne in mind that, as we evolve towards involving more Barbadians in investing, the facts must be put right. By the time the new and improved institution gets going, more information about it will have to be brought to the public.

A few months ago, the “*Voice of Barbados*”, for some weeks, deliberately carried accounts of activities on the Stock Exchange, obviously to educate Barbadians. I therefore would commend the “*Voice of Barbados*”, over its effort, after 5.30 p.m. some weeks ago to try to sensitize Barbadians and alert them to the fact that this Stock Exchange was no esoteric institution that operated from the clouds but was their institution. We are hopeful, Mr. Deputy Speaker, that when this one gets going, more people would get involved, being aware of the risks and armed with facts to do with every implication of the risks.

Let me, Mr. Deputy Speaker, respond to something that the Honourable Member for St. John said. The Honourable Member for St. John, twice, doubted that if there was a re-issue of shares in the Insurance Corporation of Barbados (ICB) or in the Barbados National Bank (BNB) whether there would be any popular clamour to buy shares. Yet, the Honourable Member for St. John wondered aloud while making his speech, whether the Government when setting up the Terminal in place of Mobil, did not want to involve Barbadians in investing in that Terminal. How do I reconcile those two positions? How would the Honourable Member for St. John, as he doubted whether people would want, tomorrow, to invest in ICB and BNB, and what he has said be consistent with wondering why they were not involved in the Terminal?

The only thing I would say on that, Mr. Deputy Speaker, is that both go to show that when people are not fully aware of the implications of the financial world, they will be timid and they will shy away. If an honourable person in here who is accustomed every year, to drawing a guaranteed \$100 on his savings account is suddenly told that if he invests \$5 000, he has no guarantee that he is going to get something for it, he is not going to invest.

At the same time, Mr. Deputy Speaker, even though it is true that such will happen, we have to bear in mind that one reason why lots of people do not come forward to invest is because by tradition, they were not encouraged. Ask the Honourable Member for St. Michael East. Traditionally, the average poor working class person was not encouraged to take part in business beyond selling his labour.

A start will have to be made somewhere, even though we are aware of the risks. Even though nobody can guarantee that buying shares will yield dividends, a start has to be made. The Government, as principal facilitator in the economy – and the Government’s role has to be appreciated, Mr. Deputy Speaker – must set the stage for ordinary people to start somewhere.

Already this Government has sent its message through the legislation to do with mutual funds to enhancing savings. Already this Government has created a regime for small businesses and has offered protection to all and sundry, through the Fair Trading Commission. The Government in the role of facilitator and protector of the rights of citizens, has to encourage our people to make a start.

At the same time, I would be dishonest, if I gave the impression that an automatic investment would bring immediate and spontaneous return. There are some companies that do not declare dividends for five years. There are some companies that are not able to, but at the end of the day, if one approaches, Mr. Deputy Speaker, this whole question of greater involvement of people in the economy, then a start must be made.

The Honourable Member for St. John correctly suggested that the worst thing that would happen, is if this facilitates the perpetuation of a small group of people still hogging the market and that is an important point. The reason why I say it is an important point is that, in my view, it will defeat the purpose of this, if that 3 per cent or 4 per cent who traditionally have ruled the roost now found themselves more enfranchised than the broad masses. That is a strong point.

Let me conclude, Mr. Deputy Speaker, on this question of the Terminal which the Honourable Member for St. John was careful to raise. The Terminal came in as an institution,

temporary to the arrangement by which Mobil so brought us in Barbados. The amazing thing is that this Terminal was receiving prices of fuel from overseas. It was taking prices. The percentage of excise was fixed and the final price to the consumer was controlled. In a situation of uncertainty, very often the price coming into this country was higher than the final price the consumer paid and that wiped out the whole financial base.

4.05 p.m.

One reason for that is that the price to the final consumer is controlled. A second reason, Mr. Deputy Speaker, is that the excise tax must be paid up front. If you are paying the excise tax up front in a situation where you are suffering declining profits or no profits, such would happen.

However, Mr. Deputy Speaker, we are doing our utmost to put things in place where any residue – and the grand amount owed by the Terminal to the Comptroller of Customs had been very much paid but we accrued, to use the words of the Honourable Member for St. Lucy, a small debt at a time when there was importation without arrangements being made there and then on the spot and we trust we could clear off this debt.

Nonetheless, this week, Mr. Deputy Speaker, I propose to take before my colleagues in the Cabinet a measure by which I am going to seek to persuade my colleagues to support a price stabilization fund where when we get these wide fluctuations in the prices of fuels we would in good times be able to put aside some monies to be able to cushion the impact on the final consumer.

I did not, Mr. Deputy Speaker, at first intend to take part in this debate but the Honourable Member for Christ Church South, I hope he was listening, insisted that he has statute on my side and compelled me to obey his heeding. I, therefore, rose in response to the Honourable Member for Christ Church South and in that the Honourable Member for St. John had raised a couple questions I took part.

I want to thank you, Mr. Deputy Speaker, for being so indulgent. I want to say that the whole joy in this is that even though there is risk in investing, Government as facilitator still has to arrange a marketplace and regulate it in such a way as to encourage people to take part while, at the same time, ensuring as far as possible the absence of shark practice.

I thank you, Mr. Deputy Speaker.

Hon. Sir HAROLD St. JOHN: Mr. Deputy Speaker, I intend to speak very shortly on this Resolution because as I understand it, it is receiving the support of both Sides of the House. That is not surprising to me, Sir, having regard to the

overall purpose of the Bill which is a Bill for the purpose of improving the administration of the regulation of the Stock Market in Barbados and improving the terms and conditions under which the securities are issued in Barbados with a view, I am sure, to promoting greater confidence in the securities market of Barbados and also remedying a number of the defects in the existing legislation.

The existing legislation, although it is not perfect, has stood us in good stead in that it attempted at the time when it was passed to create a stock market in Barbados against the background of a definite lack of knowledge and appreciation of the need in a society like ours for machinery to encourage confidence in share ownership in Barbados.

The first point I would like to make is that the mere passage of this regulation is not going to improve the percentage of people who own stocks in Barbados. In the developed countries with a long history of stock ownership, true statistics indicate that a very small percentage of the people are stock owners directly. I think in the United Kingdom it is somewhere around 3 per cent. I am not sure of the figures in the United States of America, in Canada, Australia or New Zealand.

The important point is that there is a much wider ownership if one takes into consideration the indirect ownership to financial institutions. Institutional investors are the people who drive the investment in the stock exchanges and that is not surprising because the institutional investors are, to a large extent, the capital intermediaries in the society, that is, your insurance companies, your mutual funds, your trustees, your pension funds and that kind of stuff.

We are only now beginning in Barbados and in the Caribbean to have those capital intermediaries which are owned and controlled within the Caribbean and that is a very significant point that we have. I think the Honourable Member for Christ Church West made a very significant point when he pointed out that in truth and in fact in looking at share ownership in Barbados, one has to take into account that we have a very successful capital intermediary in the fact that we have a mutual company, the Barbados Mutual, which is probably the largest insurance company in Barbados. Questions would soon arise whether it should be demutualized and go on the Stock Market or not and that is the important point that has to be taken into account.

Secondly, we have seen the rise in credit unions. I am not sure that the credit unions in Barbados are permitted under their legislation to perform a very prime role as being a capital intermediary in the sense of the investment for Stock Exchanges. That is something we have to look at because there can be no doubt about it at all that the credit

unions in Barbados perform a very, very important function. If one looks at the capital base of the credit unions, one will see that every year they are increasing.

Now, I would like also to endorse some of the remarks made by the Honourable Member for St. Peter, the Honourable Prime Minister and Minister of Finance that things such as the recent issue by the Barbados National Bank as part of the privatization process of a tranche of shares to a much wider class is also very important. The Barbados National Bank and the Insurance Corporation of Barbados by virtue of their coming on the market has introduced share ownership to a larger proportion of people.

I believe that the number of people, according to the statistics I have available, who actually became shareholders were over 2 000 which is approaching 1 per cent of the population participating. I am also one of those people who believe that the measures that have been introduced by this Government in permitting a tax reduction up to \$10 000 has also acted as a stimulant. I feel very strongly about that because when I was Minister of Finance, I believe it was greater than \$10 000, but it is \$10 000 now.

I would like to see that increase because something must be done in Barbados to ensure that supplementary provision is made by individuals to increase the amount of pension they would have beyond the National Insurance compulsory amount. The National Insurance has a cap. I believe it is somewhere in the vicinity of \$3 500 a month, but that is not enough in the context of inflation, and some special inducement has to be given to ensure that other instruments will come on the market which will encourage people to participate, and that capital fund that is created has to be invested in equity, and a proportion of those equities or other securities will be in the Stock Exchange of Barbados.

Now, I want to deal with another aspect of this Bill which I have not heard it trespassed upon or talked about yet but it is a very important aspect. One must look at this Bill in the context, not only of what it is replacing or what the new things are, but we must look at it in the context of a single market.

4.15 p.m.

As I understand it, in the future when you have a single market you are supposed to have eventually a single financial regulatory system. Therefore, while we are creating an institution for Barbados today, it has somehow to be integrated with the single market because we cannot have a separate regulatory body for Barbados with a different criteria than the ones in Trinidad, Jamaica and the Eastern Caribbean Islands or the one in Guyana.

The aim should be, eventually, to have a single regulatory commission which would regulate all of the stock exchanges. The interesting thing is that we have integrated stock exchanges now. We are talking about harmonizing the criteria for takeover bids. We are talking about harmonizing the other aspects of the regulation. We have a common companies law. We should have a common securities law.

Sir, we are in a difficult position because the Caribbean is not a federation. When we hear about the United Securities in the United States, the Securities and Exchange Commission has jurisdiction over securities issued in any state in the United States of America. The federal statute by virtue of the powers delegated under the Constitution to the Federal Government, it is in a position to pass criminal laws. It is also in a position to pass common regulatory laws. We do not have that position. We are very similar to the European Common Market except that in the European Common Market they have a commission which has legislative powers in relation to what is called "harmonization". They can issue directives which have been granted under law. We do not have that.

Therefore, Sir, we have to go through the process of voluntary agreement among the various States as they are harmonized in this area just as they have done with the Companies Bill. I think that this is very important because I believe this is an area in which we must have specialists. This market is too small for the 12 or 15 companies. It is really too small to attract some of the specialists in regulating that you would need both from the point of view of investigation, enforcement and of having the authoritative knowledge that other jurisdictions have. It is true that one can join an international body and one can get access for help, but I really do think that very soon the issue will be placed on the table how we are going to handle a common approach in this area.

Sir, I understand that a committee called the Eking Committee, named after a gentleman who was a former general manager of the Stock Exchange in Jamaica, is working on common regulations in such areas as takeovers and things like that. The significance of that is this, if a company is listed in all of the stock exchanges, it really is chaos to have a different rule for takeovers.

In Trinidad, the rule for takeover is that you have to have at least 50 per cent. We have 20 per cent. In some countries, it is 30 per cent. That same company is listed on all three of the Stock Exchanges. Honourable Members will appreciate the chaos that will arise where there is a differential in this area. Even if you have a common set of regulations in respect of companies that are multiple listed, this has to be dealt with.

Sir, the last area I would like to deal with is this. There is no point in having the regulations, having the law, having excellent personnel, and the names which have been called I believe are very eminently suitable for the post, but at the same time if it is starved of funding it cannot have the appropriate regulations to be able to administer the affairs. That is a very important point.

It is obvious that the public purse will have to fund it because the 12 or 14 companies that we have on the Stock Exchange here you will have to charge enormous fees by way of levies for them to fund it. From that point of view, this is an investment. It is going to be a charge on the public purse so that you will start it off. That is a relevant point in determining whether we have a body that has the support of all the other territories.

Sir, I am one of those who believe that no matter how we look at it, there are some areas where we do better when we do them jointly than when we do them separately and this happens to be one of the areas. Securities legislation is one of those areas we really would do better jointly than if we do it separately because the number of companies and the investment potential among the population is a larger pool and therefore we can get better expertise.

Sir, my final point is that I feel this will create confidence. The object of this is to create greater confidence than what we have. There is definitely a feeling that the current arrangement has outlived its usefulness and that it is really run by a group of people who have a vested interest in the outcome and there is too much confusion about the regulations. Therefore, this is to clear up that confusion. I am very glad, Sir, that this Bill has received the support on all sides of the House and I commend it for those reasons.

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

Hon. R. R. FARLEY: Mr. Deputy Speaker, I rise to close the Second Reading debate on this Bill. First of all, I want to thank the Honourable Members for their very fruitful contributions to the debate. This Bill, as indicated in the introduction, has the very clear and fundamental purpose of introducing elements of protection for investors in the securities market through maintaining the integrity of the operations of that securities market. All that is captured in the fancy words and other devices and instruments. They are created by the legislation which is really to augment what already exists of the mechanism for trading in securities by way of arms' length supervision in which the investor can have confidence.

Sir, the debate of course was located in its larger context of economic development, recognizing that Government needed to move to fulfil its responsibility to ensure the efficient and effective functioning of the market.

As indicated, Sir, we are of the view that markets left to themselves do not necessarily yield socially accepted results. In fact, in small markets, there is the possibility of competition that is not entirely fair of situations which will so skew the dissemination of information. This is so essential to the efficient functioning of the markets and there is need for clear regulation to achieve this.

Sir, this debate also had contributions in which Members on this Side were able to totally refute the baseless claims laid by the Other Side concerning the record of this Government with respect to the enfranchisement of the people of Barbados. Those Members speaking from this Side have been able to demonstrate quite clearly the efforts which Government has made and the successes which have been gained as we sought over the years of this Administration to put more money into the hands of the people.
4.25 p.m.

Also, Mr. Deputy Speaker, to ensure not only that there is more money in the hands of the people but that they are able to have options in terms of where they place their money, options which will redound to the long-term empowerment, the long-term deepening and strengthening of the involvement of a wider range of people in the economic activity of Barbados.

We make no claim to have achieved the end result. In fact, this continues to be a work in progress. In centuries to come the work will continue because any government which would want to say that it has attained all of these objectives, that it no longer has to educate the public about investment matters, that it no longer has to set in train regulations appropriate to the economic circumstances, that it no longer has to keep in clear view before it the goal of economic empowerment, is a government which will be on the wrong track and we, of course, are on the right track.

Sir, clearly, as was brought out in the debate, going back to our work with strengthening the operations of the credit union sector, providing incentives to stimulate savings, contributions made concerning our work in developing incentives to encourage the purchase of new shares, putting Government paper on the market, the incentives given to the small business sector, the contracts given to the small business sector as well where we have used Government procurement policy to empower that section of the community.

In fact, Sir, contributions have been made which clearly have refuted the baseless claims of the Leader of the Opposition concerning this matter of Government procurement policy and the small business sector. In fact, it has been as a result of this Government's very vigorous policy in terms of channelling work in the direction of the

small business sector that has seen the formation of Small Business Ventures Inc. which is an attempt by the small business sector through the Small Business Association to establish a company which could bid for a Government contract and which will in turn sub-contract for the provision of goods and services through this entity.

It means therefore that even small business persons who might themselves not have the expertise with Government tendering, who on their own may not be able to produce in quantities or within the time frames for the contracts, are still able to benefit and we have taken deliberate policy measures to ensure that they are able to benefit and be able to participate meaningfully. Those things are happening.

Claims were made and comments were made concerning the need to ensure that there is greater employee participation, employee share options and the like. I want to say that incentives were provided by this Administration. In fact, there has been an increase in the number of employee share ownership schemes over the years. I want to say on that one, Sir, that this legislation, by broadening the range of securities matters which will now come under regulation, will be able to ensure that there is a clarification, that there is a level of protection offered for those programmes because we have to say, Sir, that there are some employee share ownership programmes that still leave much to be desired.

You cannot have a situation, and it will not be consistent with the plans of the Government, for empowerment of people if you have an employee share ownership programme where employees get their shares and part of the condition is that if they leave the employment of the firm they have to sell back the shares and, if that was not bad enough, Sir, because that is a contractual arrangement, but where the buy-back price of those shares are determined by the firm and it is not at market value.

In fact, Sir, the whole attractiveness and the whole incentive behind having employee share ownership programmes is that employees will be motivated to contribute to the overall viability of the firm in the hope that by their contribution the value of the shares will increase during the time of their employment and that at the point of sale therefore they are able to benefit from a higher price. If, however, those prices are constrained by the wording of the contractual arrangements and the other arrangements and they are not given full value, then it is our view that they are not full empowerment schemes as we can see the ESOS to be. This legislation, Sir, will assist in that particular regard.

Mention was made as well in the contribution from the Other Side about this matter of dividend policy and, of course, I believe that matter was well disposed of but just to say, Sir, that public companies, companies which are trading

on securities markets have higher standards of disclosure than other companies. As a condition for being able to trade on the markets they have to meet some standards.

Barbados is a member of IOSCO and one of the things that IOSCO is doing is developing standards concerning the improvement of the quality and even the quantity of financial and other information which is provided. IOSCO is the International Securities regulatory body. They are adopting standards developed by the international accounting standards body – IAS. Included in those standards, Mr. Deputy Speaker, is a standard on dividend policy.

What it says, basically, is that if you are encouraging persons to buy shares in your company, then you have to declare your dividend policy up front so that persons buying-in buy-in with the full understanding of what is the company's policy with respect to its treatment of dividends. With that disclosure up front, investors are able to make their decision. That is what is required. We cannot conceive of a situation where a third party would mandate that dividends be paid even when they are not due and payable.

Mr. Deputy Speaker, mention was made as well of the need for continued education. All of us on this Side support the need and recognise that the education of the investing public continues to be crucial and, in fact, that if we want to see the benefit into the future we have to start the education with the emerging generation, with the young people to get them into a culture of savings, a culture of investment.

Sir, I believe that it would be remiss of me not to congratulate the business journalists of Barbados who have over the last several years been making great efforts to improve the quality of business reporting in Barbados – *The Broad Street Journal*, the *Business Authority*, the *Business Monday* and *The Advocate*. *Caribbean Week* has a very good business publication. In fact, every year *Caribbean Week* publishes a review of the top 100 publicly traded companies in the region. Interestingly enough, Sir, *Voice of Barbados* every afternoon or at least a couple of times a week has a live link-up with a stock market analyst from Barbados a stock market analyst from Jamaica, and a stock market analyst from Trinidad & Tobago, recognising that information is the life blood of the securities market and therefore giving information about stock opportunities in the various countries will help. I am sure, Sir, that we on this Side will continue to support these educational initiatives. I want to say that I think that the educational initiatives are bearing fruit.

4.35 p.m.

I was examining the Central Bank of Barbados' Report for the year 2000. It was interesting to note the direction in which Barbadians have started to apply their money. I note

that mortgage lending for private dwelling expanded by 13.6 per cent which means that more persons went in for mortgages last year. Sir, credit for new motor car purchases fell by 25.9 per cent. Also, Sir, personal credit card debt, which is used to finance every day purchases, was 1.9 per cent which is \$1.6 million compared to \$10 million per year since 1996. Sir, this says to me that in terms of the choices which the public of Barbados is making in the use of their money that they are looking to longer term investment. They are looking to build value.

Therefore, they have increased mortgages by 13 per cent, reduce motor vehicles, which are consumption items and not investments, by 25 per cent and are also controlling their everyday spending with the use of credit cards. This suggests that the efforts at educating the public and getting them wiser to the management of money has been bearing fruit.

Sir, the other observation that I made arising out of the debate was that matters relating to investment are not spectator activities. The best form of education is participation. What this Administration has been doing over the years is providing opportunities, however small, for a wide range of persons to participate. Some persons, for example, might have had their first experience in using any investment instrument by way of opting for bonds as part of the repayment of the 8 per cent. Their understanding and appreciation of the investment process will be greater. Hopefully, Sir, those persons will move on to purchasing other Government instruments and getting involved in Mutual Funds.

I am pleased to see the growth of Mutual Funds. Again, referring to the Central Bank of Barbados' Report, at the end of last year there were nine Mutual Funds listed on the Securities Exchange of Barbados with net assets totally \$146 million which is an increase of \$16 million over the 1999 figure.

Sir, again this shows where people are moving their monies. All those persons, some of whom would have had their first experience at investment by way of involvement of Mutual Funds and other new activities, are better placed to go on to many greater things as far as investment is concerned. That is what education is about – enlightenment, participation and exposure. It is not about platitudinous speeches before a captive audience and, therefore, our view of education is really a matter of us opening up opportunities by way of our fiscal policies and the legislative amendments that we make and ensuring that through wide dissemination of information, persons are able to exercise the option to take the change.

Sir, I want to say that the Securities Exchange Commission which is the new entity created by this legislation is off to a great start. Sir, you would have heard

the Prime Minister and Minister of Finance announced the members of the Commission. A Commission starting with that calibre of persons at its core can only go forward at a very rapid rate. As indicated at the start of the debate, much of the workings of the Securities Exchange Commission will come by way of its rulings and regulations and we could not have asked for a better team of eminent persons to give flesh to the skeleton which we have sketched today.

Sir, I will end as I have started. This is not a stand-alone piece of legislation. This is part of that overall framework. Sir, the Fair Trading Commission, when it brings out its legislation against unfair competition, will deal with a range of business practices which are contrary to the spirit of fair competition. That is one of the more fundamental aspects of private sector reform in Barbados because it will ensure that entry into the marketplace is not restricted by way of persons abusing their monopoly power.

It will ensure that the phenomenon of the use of interlocking directorships and other devices which have interlinked the capital base of the traditional business class in Barbados does not work against the interest of business and a range of other things which I will not go into detail. The Honourable Member for St. Michael North will speak on these matters in another place and at another point in time.

Sir, I will say that efforts at regulating companies that are trading on the market as well as the introduction of a new framework for the conduct of business in Barbados will ensure that economic justice prevails and that economic democracy becomes the hallmark of the corporate sector in Barbados. That is one of the aims of this legislation.

I am very pleased to beg to move that this Bill be read a second time.

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

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

Hon. D. A. C. SIMMONS: I beg to move that the Bill previously circulated be withdrawn and be replaced by the Bill dated May 22, 2001. We circulated the amendments to the constitution of the Commission last week.

On the motion of Hon. D. A. C. SIMMONS seconded by Hon. R. C. EASTMOND the House resolved itself into Committee, Mr. D. T. GILL in the Chair.

COMMITTEE

Mr. CHAIRMAN: The House is now in Committee.

Parts I – X, inclusive, were called and passed.

Part XI, Clauses 126 to 143, was called.

4.45 p.m.

Hon. Sir HAROLD St. JOHN: Sir, in addition to introducing the new provisions, it appears to me that it is possible that existing regulations may cover some of the areas that are to be covered by the new regulations. I do not see any particular repeal provisions in this Bill other than the provisions relating to the existing Securities Exchange Act.

Sir, parts of these regulations are now being made under appropriate provisions of the Companies Act. I want to know the integration between the two, insofar as they were made with respect to securities. I do not see how they are integrated in any way at all. Perhaps, the Minister or the Honourable Attorney General could help me with that, Sir.

Hon. D. A. C. SIMMONS: Mr. Chairman, this has not been raised with me before but I know that the regulations, which will accompany this Bill, have been drafted.

Asides.

Hon. D. A. C. SIMMONS: There is a new takeover code that has also been drafted. I saw a copy of it recently but it has not come yet for my certification. I believe, Sir, that these will be put in place when the regulations and the new code are ready.

This Bill, being a later Bill, when it becomes an Act to the extent that it is in conflict with any other legislation that precedes it, obviously will overrule that legislation *in toto*.

Part XI was passed.

Part XII was called and passed.

The Schedule was called and passed.

The Honourable House reverted to Clauses 1 and 2 of the Bill.

Hon. R. R. FARLEY: Sir, I beg to move that Clauses 1 and 2 stand part.

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

Hon. R. R. FARLEY: Mr. Chairman, I beg to move that your Honour do now report the passing of one Bill in Committee to His Honour the DEPUTY SPEAKER.

On the motion of Hon. R. R. FARLEY, seconded by Hon. D. A. C. SIMMONS, the Chairman reported the passing of one Bill in Committee and Mr. DEPUTY SPEAKER resumed the Chair and reported accordingly.

On the separate motions of Hon. R. R. FARLEY, seconded by Hon. D. A. C. SIMMONS, the Bill was a third time and passed and cited as the Securities Act, 2001.
4.55 p.m.

ORDER NO. 3 – THE POLICE COMPLAINTS AUTHORITY BILL, 2001

Hon. D. A. C. SIMMONS: Mr. Deputy Speaker, the Order Paper said that “Honourable D. A. C. SIMMONS began his reply. Further consideration was postponed.”

I remember postponing it Sir, because I took the two points and said that I did not wish to go any further, that I will try to have the amendments done. So that, Sir, I am prepared just to deal with the amendments and have this Bill passed.

Mr. DEPUTY SPEAKER: Proceed.

Hon. D. A. C. SIMMONS: But before doing that Sir, I would wish to say that during the debate the Honourable Leader of the Opposition made, to my mind, a very important contribution to this Bill. He pointed out that as far as possible the Complaints Authority should be in the nature of an independent, impartial Police Complaints Authority and I agreed with that. But when one looks at the composition which has been approved by Cabinet for the Authority in the Schedule, it had provided that all of the members of the Police Complaints Authority would have been appointed by the Governor-General, on the recommendation of the Minister and that left room for the composition to be unbalanced. That is why I stopped my speech when I thought it was an intervention that had a lot of merit and I was prepared to think about it again.

The Honourable Member for St. Joseph, during his contribution made a similar point, but he also asked that we put in a clause to make it clear that if there was an investigation ongoing, and simultaneously with that investigation there was also a legal proceeding, that the investigation under the Police Complaints Authority should be stayed. And we have done the appropriate amendments.

In the circumstances, Honourable Members will see Clause 25 on today’s circulated Bill which deals with the

points made by the Honourable Member for St. Joseph and the Schedule will be dealt with shortly.

Clause 25 (l) now provides:

“Where in relation to any matter before the Authority, proceedings have been or are instituted in any court, the Authority shall not commence proceedings, or where proceedings have already commenced, shall discontinue proceedings in respect of the matter, until after the determination of the court.”

And in respect to the Schedule, Sir, the Police Complaints Authority will now comprise of the following persons:

- 1 a Chairman and one other person who shall both be appointed by the Governor-General on the advice of the Minister;
2. one person who shall be appointed by the Governor-General in his absolute discretion;
3. one person who is a former gazetted police officer of the Police Force who shall be appointed by the Governor-General on the advice of the Police Force Association, but subject to sub-paragraph (4)(c);
4. the Head of the Civil Service, *ex officio*.

Now, the reasons for these amendments, Sir, as I said are rooted in the desire to be impartial and independent, but at the same time it is only fair that where you are having a body established to inquire into police conduct, that on that body should be someone who is conversant with policing procedures. This is right, in my view, and the Cabinet has agreed, that, in effect, what will happen here is that a retired gazetted officer would be on the Police Complaints Authority, as it were, to keep under surveillance the interest of the police and at the same time, the Head of the Civil Service will represent a large interest. I have been given the assurance that in my nominations to the Governor-General, I will recommend someone, an ordinary member of the public of some standing to represent the larger public interest.

Now, with those words, Sir, I first beg to move that the Bill before the House be withdrawn and be replaced by the Bill dated May 22, 2001, which was circulated today. I move that motion, Sir.

Hon. R. C. EASTMOND: I second that, Sir.

The question was put and resolved in the affirmative that the Police Complaints Authority Bill, 2001 which was before the House be withdrawn and be replaced by the amended Police Complaints Authority Bill, dated May 22, 2001 and Mr. DEPUTY SPEAKER reported accordingly.

On the motion of Hon. D. A. C. SIMMONS, seconded by Hon. R. C. EASTMOND, the amended Police Complaints Authority Bill, 2001, was read a second time.

On the motion of Hon. D. A. C. SIMMONS, seconded by Hon. G. A. CLARKE, the House resolved itself into Committee of Supply, Mr. D. T. GILL in the Chair.

COMMITTEE

Clauses 1 – 33, inclusive, were called and passed.

The Schedule was called and passed.

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

On the motion of Hon. D. A. C. SIMMONS, seconded by Hon. G. A. CLARKE, the Bill was read a third time and passed and cited as the Police Complaints Authority Act, 2001.

5.05 p.m.

ADJOURNMENT

Hon. D. A. C. SIMMONS: Mr. Deputy Speaker, that concludes Government's Business for today and I beg to move that this House do now adjourn until Tuesday, June 5, 2001 at 11.00 a.m.

Hon. R. C. EASTMOND: I beg to second that, Sir.

The question that the House do now adjourn until Tuesday June 5, 2001 was put and resolved in the affirmative without division and Mr. DEPUTY SPEAKER adjourned the House accordingly.

5.07 p.m.

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