

THE House of Assembly Debates

(OFFICIAL REPORT)

SECOND SESSION 1999 - 2004

HOUSE OF ASSEMBLY

Tuesday, November 23, 2004.

HOUSE OF ASSEMBLY Pursuant to the adjournment, the House of Assembly met at 10:20 a.m.

PRESENT

His Honour I.A. ROETT, G.C.M., B.A., Dip.Ed., (Speaker of the House) His Honour J. M. EDGHILL, J.P., (Deputy Speaker) Mr. L.R. TULL, Q.C., M.A. (Oxon.) Hon. Dame BILLIE MILLER, D.A., B.C.H. (Senior Minister, Minister of Foreign Affairs and Foreign Trade) Mr. G. W. PAYNE Hon. R. C. EASTMOND, B.A.(Hons.), Dip. Ed., LL.B. (Hons.), L.E.C., J.P. (Minister of Labour and Social Security) Hon. G. A. CLARKE, B.Sc., Dip. Ed., J.P. (Minister of Public Works and Transport) Mr. R. D. MARSHALL (Chairman of Committees) Hon. H. F. LASHLEY (Minister of Social Transformation) Mr. R. St.C. TOPPIN, LL.B. (Hons.) Mr. D. St.E. KELLMAN Hon. Miss H. E. THOMPSON, LL.B. (Minister of Housing, Lands and the Environment) Hon. Miss M.A. MOTTLEY, Q.C., LL.B., (Deputy Prime Minister, Attorney General and Minister of Home Affairs, (Leader of the House) Mr. T. A. PRESCOD, B.A. Rev. J.J.S. ATHERLEY, B.A., B.Sc., J.P. (Parliamentary Secretary to the Attorney-General and Minister of Home Affairs) Hon. N. A. LYNCH, B.Sc., M.B.A., (Minister of Tourism and International Transport) Hon. A. P. WOOD, B.Sc., M.Sc. M.Phil., J.P. (Minister of Energy and Public Utilities) Hon. R. R. FARLEY, B.Sc., J.P. (Minister of Education, Youth Affairs and Sports) Hon. Miss C. Y. FORDE, L.C.P., J.P. (Minister of State, Ministry of Education, Youth Affairs and Sports) Hon. J. .X. WALCOTT, M.B., B.S. F.R.C.S., (Edin.), J.P. (Minister of Health) Mr. R.D. JONES, B.A. (Hon), M.A., Ed., J.P. Dr. D.C. ESTWICK, B.Sc., B.M., B.S. Mr. C.A. MASCOLL, B.Sc.(Econ.)(Hons.), M.A. (Public Finance), (Leader of the Opposition) Hon. D. D. MARSHALL, LL.B., (Hons), L.E.C., (Minister of Industry and International Business) Hon. K.D. SYMMONDS, B.A., LL.B. (Minister of State, Ministry of Foreign Affairs and Foreign Trade) Dr. W. F. DUGUID, B.D.S. (Comm.), F.D.S., FDRCS., J.P. Mr. R. L. SEALY, B.Sc., M.B.A.

Prayers were taken by Reverend Father Mark Harewood.

Mr. SPEAKER: The House is now in session.

MINUTES

Mr. SPEAKER: The Minutes of Tuesday, November 16, 2004.

Hon. R. R. FARLEY: Mr. Speaker, I beg to move that the Minutes for the Honourable the House of Assembly for its meeting of Tuesday, November 16, 2004, which Minutes have been circulated, be taken as read.

Hon. G. A. CLARKE: I beg to second that, Sir.

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

ANNOUNCEMENTS BY YOUR HONOUR THE SPEAKER

Mr. SPEAKER: Honourable Members, I refer to an apology appearing in the Advocate News to the Honourable Member for St. John and the Honourable Member from St. Michael South Central. I speak now only to the Press. This apology came about because of some inaccurate reporting that was done of our meeting held last Tuesday. I am simply asking all the reporters to be a little more careful and to present accuracy and truth about our proceedings.

Thank you.

H48/10:20

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PAPERS

Hon. R.R. FARLEY: Mr. Speaker, I am commanded to lay the following Report on behalf of the Honourable Member for St. Michael North East

1. The Annual Report of the Caribbean Broadcasting Corporation for the year 1998.

FIRST READING OF BILLS

Hon. R.R. FARLEY: Mr. Speaker, I beg to move that the Repatriation of Prisoners (Amendment) Bill, 2004 be read a first time.

Hon. G.A. CLARKE: I beg to second that, Sir.

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

SUSPENSION OF STANDING ORDERS

Hon. R.R. FARLEY: Sir, I beg to move that Standing Orders Nos. 6,16,18,20,42(5) and 44 be suspended for the remainder of today's Sitting.

Hon. G.A. CLARKE: I beg to second that, Sir.

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

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

GOVERNMENT BUSINESS ORDER NO 3

THE LOCAL LOANS (AMENDMENT) BILL, 2004

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

Hon. Miss M.A. MOTTLEY: Mr. Speaker, may I say at the outset of the debate that after consultation with the Leader of the Opposition, it was determined that we would seek to have one debate on the issue of this amendment to The Local Loans Act as well as the Miscellaneous Amendments (Budgetary Provisions) Bill, 2004, which was also laid and read the first time previously in this Honourable House.

Sir, it is the intention of the Government to be able to treat to these issues but before I do so, I would wish to use the opportunity to confirm what was reported as a rumour in the Press today and to say that the intention of the Right Honourable Member for St. Peter is that the House shall on December 7, 2004, at 4.00 p.m. be summoned to hear the Annual Economic and Financial Statement of the Minister of Finance.

Sir, as Leader of the House, I think it is only fair that I should also inform Honourable Members that it is the intention of the Government to standardise this process such that this statement, which in recent years has been in the latter part of the year, shall now, without us having to wonder, be a feature of the parliamentary calendar around the beginning of December on an annual basis. I, therefore, would wish Honourable Members to be aware as well as the general public that this is the intention of the Government.

Mr. Speaker, in these circumstances, I, therefore, proceed to the matters before us and thank you for allowing me to be able to make those few statements pertaining to the general administration of the House's business before getting into the meat of the debate.

Mr. Speaker, these two matters that stand before the Honourable House today relate to fundamental issues of the economy and, indeed, the Miscellaneous Amendments (Budgetary Provisions) Bill seeks to bring before this Honourable House a series of initiatives that would have, in fact, been announced

by the Prime Minister in his last Financial Economic and Statement and, indeed, are those relating to a number of matters from amendments to the Exempt Insurance Act, the Income Tax Act, the Value Added Tax Act, the Insurance Act, the Land Tax Act and the Property Transfer Tax Act.

It was determined, as a matter of drafting, that it was preferable for us to treat to it in this way as we have done when a series of amendments flow out of a single occurrence rather than treating to them as separate Bills and separate debates, and this would allow for greater efficiency of the House's time.

Sir, we also do so because many of these initiatives, in fact, were cast together in the context in the vision outlined by the Prime Minister as he spoke to the Honourable House last year. Let me say from the outset that some of these measures have, in fact, already been in use administratively for the last six months.

Indeed, I am instructed by the Ministry of Finance that the matter pertaining to the concessions on computers has already been enforced administratively for six months and the matter pertaining to the question of the rate of interest, in relation to refunds on Value Added Tax and the issue relating to penalties are already enforced administratively. Sir, in those circumstances, the persons who are to be the beneficiaries of these policies are already benefitting.

Sir, the reality is, it is a legitimate criticism that can be levelled against the Government why it has taken so long for the amendments to come. May I say at the outset that a number of these policy initiatives had to be worked out to ensure that there were no deleterious consequences, as has happened in the past.

Mr. President, the matter has been compounded from another source and that is, a shortage of parliamentary draftsmen that my Ministry has been facing. Indeed, the reality is, we have placed the request to the Commonwealth Secretariat because the shortage is throughout the Commonwealth Caribbean and we have had to outsource some of the drafting to some persons outside of the Chambers, but equally, five out of nine positions are filled.

I think that you will agree with me that the inability to fill those four other positions comes not from the Government's desire to fill them but the difficulty that is global in nature that there is a shortage of lawyers wishing to pursue the art of drafting.

Mr. Speaker, indeed, this is not an art that can be admitted to in relation to a person who has just come either out of law school or even who has been practicing law for many years but who has no drafting experience. In the circumstances, I want to thank the members of my Parliamentary Council Department who have for the past year been working beyond the call of duty in making sure that Government's legislative programme remains intact, but it has also placed undue stress on them.

Mr. Speaker, in relation to matters immediately at hand, the amendments in relation to the Miscellaneous Amendments (Budgetary Provisions) Bill treat to a number of issues. The Right Honourable Prime Minister in his Financial and Economic Statement last year spoke to the issue of taxation and indicated that Government was continuing its programme of tax reform. Indeed, Honourable Members are already aware that amendments were passed to the Income Tax Act that allowed for the reduction in the basic rate of tax beginning in the income year 2003 from 25 per cent to

22.5 per cent and then to 20 per cent 2004. In addition to that, there was a reduction in the marginal rate of taxation from 40 per cent to 37.5 per cent in 2005 to 35 per cent in 2006.

Sir, indeed, the Honourable House is well aware that the Government explained that it is impossible for us to be able to be functioning in a single market and economy where our tax rates are so out of line with that of our other members within the community, that it would lead to an exodus of enterprises out of Barbados to those countries where taxation is considerably lower than here.

H48:10.30

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Continuation of Hon. Miss M.A. MOTTLEY:

Therefore, we have been embarking on a phased basis, upon the process that will allow for a reduction on the rate of taxation as well as in the allowances which Honourable Members are already aware of in relation to Income Tax.

We also indicated, Mr. Speaker, that the maximum rate for manufacturing from income year 2005, as a result will go to 25 per cent. Sir, as you know, there was a disparity between that charge on manufacturing enterprises from the General Corporation Tax, because of the difficulties that manufacturing entities have been facing, particularly in the post liberalisation era of the last few years.

Therefore, Mr. Speaker, these amendments seek to do that. In addition, they provide for the deductibility of contributions for the Arts and Sports Promotion Fund. The House would have, on an earlier occasion, passed the legislation relating to that Fund, which would have been also announced by the Prime Minister. Therefore, this is tying back up, the business of the Arts and Sports Promotion Fund, in relation to encouraging entities to be able to make contributions.

It is the Government's conviction that the area of the creative economy and sports provides an opportunity for Barbados to be able to expand its foreign exchange earnings sectors over the course of the next decade or two, in a way that we would also see the improvement in benefits to the considerable numbers of persons engaging in those pursuits.

We recognise, however, that time is required and in those circumstances, we feel that the Government alone should not shoulder the responsibility for the development of those two sectors but that individuals, through contributions for which they will receive incentives, so to do, shall also help in order to be able to move forward those matters.

In addition, Mr. Speaker, I would want to remind the House that all of these matters must be seen in totality. The House is well aware that the increases in allowances to individuals will mean that personal disposable income will increase. Indeed, Mr. Speaker, a person earning an annual salary of \$25 000 will now have a further \$2 500 in disposable income, as a result of the amendments to the Income Tax

Act, and a person having an annual salary of \$75 000 will have further tax savings of \$ 7 500.

Therefore, when we look at these amendments, we must not forget the amendments which were passed in April 2003. They must be seen in their totality to allow us to be able to continue the work which is being done in the corporate sector, and to prepare us for the seamless entry into the CARICOM Single Market and Economy, a matter with which the House was recently seized.

In addition to that, Mr. Speaker, there are amendments in relation to the Property Transfer Tax Act and these pertain to the question of leases. As you know, Sir, leases were subject to Property Transfer Tax, and when the Government passed it, the view was that persons sought to avoid the registration of leases and we therefore tied that to the whole question of the deductibility of lease cost.

In previous amendments, however, it was unfortunately done in a way where short-term leases became subject to the amendments under the Property Transfer Tax. The Government recognises that this was not the intention when we announced the liability of leases to Transfer Tax.

Sir, what we are seeking to do, therefore, by this amendment is to clarify the issue and to make it clear that it is only those leases that are 25 years or more, or accumulative series of leases that add up to 25 years or more that would be subject to the Property Transfer Tax. In that case, there should be no application of the Transfer Tax to short-term leases which will do undue hardship, not just to the business community, but to individuals across the country because there is a high percentage of leasing, as part of the commercial activity of this country.

In addition, Mr. Speaker, I remind the House that the Government has reduced the Transfer Tax rate from 10 per cent to 7½ per cent as one of another means of reducing the transactional cost pertaining to land and to ensuring that there is a reduction in the cost of business in this country, and that as was done previously, it continues to apply only to the vendor and not as was the case previously to the vendor and the purchaser, or the lessor and the lessee, in the case of leases.

Mr. Speaker, this therefore raised in the mind of the Prime Minister, the issue of Land Tax as well. This House would have presided over significant reforms in the Land Tax last year. Indeed, we would have seen some 18,736 properties being removed from the Land Tax role by reason of the Government's decision to exempt from Land Tax residential properties with an improved value of \$125 000 or less.

Mr. Speaker, the manner in which the amendments were done, was not only to exempt those whose properties went up to \$125 000 but also, the first \$125 000 of those whose property value exceeded that. As a result, it meant that the overall benefits of these Land Tax Amendments now accrue to over \$50 544 properties in Barbados. It is significant that when you look at the overall size of the Land Tax roll, that is 100 000, in truth and in fact, these Land Tax reforms have benefitted more than 50 per cent of those on the roll and, therefore, constitute considerable tax reform in relation to the matter of taxation on land.

We indicated, however, Mr. Speaker, this was not the only relief the Government continues to give to Land Tax. Indeed, Honourable Members who are familiar with the legislation will know that there is also provision in the legislation for a Land Tax Relief Board, which can take appeals from property

holders, who are unable to meet the Land Tax charge by reasons of difficulties of a personal nature and those matters are examined and determined upon merit.

Indeed, Mr. Speaker, in the financial year 2002 to 2003, some \$1.2 million or so in relief was granted to a range of property holders, most of them with smaller properties. It is, of course, true now that those with properties under \$125 000 not being liable to Land Tax, will mean that the volume of work for that Land Tax Relief Board will continue to decline in future years.

Despite these generous concessions, Mr. Speaker, the Prime Minister indicated in his economic statement last year, that there was still an issue in relation to one aspect of the Land Tax. Sir, I am not going to go into the issue of arrears today, because we know that much has been said about that and the Government is continuing its programme of trying to embark upon the arrears.

Suffice it to say that even with the amnesty which was granted in 2002, there was not a significant response to that amnesty. Therefore, the Land Tax Department has been pursuing its policies to recover its debt, through means provided by the Law, namely, auction and sale.

The issue, however, to which the Prime Minister averted on that occasion was, in fact, the issue pertaining, Mr. Speaker, to the question whether there should be a cap on the tax payable on residential and hotel properties, in relation to Land Tax.

Indeed, Mr. Speaker, it is of note that he referred to the fact that in the United Kingdom, there is such a cap because it is recognised that, in the absence of that cap, a disproportionate burden is placed very often on productive enterprises, which are seeking to help expand the foreign exchange earning capacity of a country, but who carry a larger cost, in relation to the tax payable, as a result of the rates that are charged.

House 48, sequence 118, 10:4014

Tuesday, November 23, 2004

Continuation of Hon. Miss M. A. MOTTLEY:

The view of the Government as expressed then that there should be a cap in relation to the amount of Land Tax payable is now being given effect. That cap is being set at \$60 000, so no one entity in respect of one property should pay more than \$60 000 in relation to residential property.

Mr. Speaker, this may seem to be strange to a number of persons listening, but the reality is that Barbados' tourism sector is made up not just of hotels but of a number of villas across the West Coast and the South Coast. Many of these villas have property values that are in excess of the normal residential property in Barbados.

Sir, to the extent that these villas constitute economic units that are contributing to the productive capacity of Barbados, they would become uncompetitive in relation to their charges as compared to other Caribbean countries if the cost they have to carry in relation to matters such as Land Tax continues at the high rate at which they have been paying in the last few years.

Mr. Speaker, when the Prime Minister announced the intention to cap the Land Tax rates, he indicated that there was a significant stream of private capital investment awaiting decisions on the policy pertaining to this aspect of Government's taxation largely because persons obviously want to ensure that they are not uncompetitive in relation to the investments which they are making in relation to tourism enterprises, particularly within the component of villas, et cetera.

The amendments, Mr. Speaker, also speak to amendments to the value-added tax system. As the Prime Minister indicated last year in his Economic and Financial Statement, there have been significant complaints from the business community that the refunds process continues to be unacceptably slow in relation to the VAT Department.

Mr. Speaker, I think it is fair to say that there have been significant improvements on the part of the management of the VAT Department in seeking to process these claims over the course of the last year. Nevertheless, it was also felt that more needs to be done.

Mr. Speaker, in the same way that Government is seeking to rationalise the interest payable on persons who default on the timely payment of VAT to bring it in line with the interest chargeable by the Land Tax Department, the Inland Revenue Department and the National Insurance Department, which is one per cent per month, Government has determined that interest shall be payable on outstanding refunds to entities at one per cent per month after the first six months have past, so there is a six-month period which has been deemed to be acceptable and thereafter one per cent per month would be charged on the outstanding refunds.

Indeed, Mr. Speaker, I should say to you that the interest rate is moving from one and a half per cent to one per cent in relation to the VAT payments that are late because one per cent is the interest rate that is charged by the Inland Revenue Department and the National Insurance Department. The Prime Minister would have made it clear in his last Economic Statement that it was the intention of Government to rationalise these matters.

Sir, the one that would have captured the imagination of many Barbadian households would have been the issue of the removal of the VAT on computer equipment with effect from April 2004 and from peripherals for computers from the year 2005. Mr. Speaker, this legislation seeks to give legal effect to it but, as I indicated, the VAT Department has already been treating to this matter administratively and it is therefore intended to ensure that the Law comes into line with the administrative practice while, at the same time, putting the legal framework in place for the removal of the VAT on computer peripherals from next year.

Mr. Speaker, it is no secret that this Government's growth strategy and development strategy recognises that Barbados has to make a quantum leap in relation to its use of information technology and its embracing of the knowledge economy. Indeed, Mr. Speaker, the extent to which this economy is now dominated by services, demands of us that we pursue a policy that not only makes it possible for information technology to be at the core of much of the economic activity of this country, but consistent with our precepts of social justice that we have held dear since Independence and indeed in the years before Independence, that we have a situation where we ensure that there is no digital divide between those who have and those who have not.

That is why Government, as you know, Sir, has embarked on a strong community technology programme to ensure that persons in the communities can have access to information technology. Sir, while every community is not yet in a position to say so, it is the Government's intention to continue that process in the same way as it is the Government's intention to ensure that each community has a paved road by the end of the first decade of this century.

It is our intention to ensure that each household has access to information technology either through the programmes within the schools their children are attending or, alternatively, through the programmes within the communities if they have no children and are required therefore to rely on other means for that access if they cannot avail themselves of it.

Mr. Speaker, while this may appear to be small in some people's books, the truth is that its impact on the households across Barbados will be significant. This makes the difference between a person being able to buy a computer and a printer or just having to buy a computer alone. When you have to make that decision at that particular point in time, you would appreciate the significance of this concession in relation to the removal of the VAT. This is not a matter that would matter to the larger businesses as much but, indeed, to the small households across Barbados.

Mr. Speaker, in relation to the insurance matters that the Bill speaks to, may I remind the House that the Government has consistently had a number of requests from the private sector to look at the issue of the excess of loss premiums on property insurance that are currently being remitted to reinsurers in the international markets with a view to providing a mechanism that would retain much of the premiums and that would lead to a saving in foreign exchange for the country and reduce the dependence on reinsurance.

Indeed, Mr. Speaker, these matters become all the more urgent given the developments of the last few months where the Caribbean has, perhaps, witnessed one of its worst seasons of natural disasters in recent memory. Indeed, one would have thought that with the conclusion of the hurricane season that there may have been some breathing space to, first of all, restore the damage which was done and then to resume the development process where possible.

The truth is that the events of the last week have shown that many countries have had to confront the most grave difficulties in relation to the continuing negative forces of nature, whether we speak of the earthquake in Dominica and other countries in the region or whether we speak in relation to the floods in Trinidad and Tobago or, indeed, to our own engagement here which, while it has been rough for us in the last few days, has been minimal in its effect and damage as compared to our neighbours in the region.

Sir, all of this just seeks to sharpen the point that the issue of insurance and reinsurance is going to feature more and more significantly as part of the cost of doing business given the extent to which the Caribbean has had to suffer a range of natural disasters with greater frequency in recent times.

Mr. Speaker, the Government felt that it was time that we engage with the business community on this matter. Indeed, in examining the matter of the excess of loss premiums, we argue that there are currently two vehicles which can be used in the efforts to retain some of the premiums locally. We

spoke then and we speak now of the Catastrophe Fund. Indeed, the Captive Insurance Companies legislation has been a feature of Barbados' legislative framework for some time now.

House 48 Sequence 119

10:50 a.m.

Tuesday, November 23, 2004

Continuation of Hon. Miss M. A. MOTTLEY:

Mr. Speaker, the Catastrophe Fund was established in 1998 by a statutory instrument of this Honourable Chamber. It allowed local insurers a tax-free deduction of 20 per cent of premium income from property insurance, to be placed in the Fund.

Mr. Speaker, the limit of 20 per cent was increased

to 25 per cent, effective income year 2003. The adjustment was part of Government's policy of facilitating the ease of doing business in Barbados and, as I said, seeking to reduce the exodus of foreign exchange in relation to this matter and to reinsurers.

Mr. Speaker, obviously Honourable Members are reflecting that the philosophy has remained consistent since the speech of the Right Honourable Member for St. Peter, in the introduction of these measures and in the legislation which now seeks to pass them.

Mr. Speaker, I would be surprised if the philosophy were to change between the imparting of the words from the Right Honourable Member and the passage of the legislation, but this only serves to reinforce the level of dissension and difference in the Democratic Labour Party as it pursues policies, whether it is one position in the Honourable House by the political leader and another position in the Other Place by the Democratic Labour Party's President. These things should not surprise us that they, therefore, are amused by the consistency of the Government at the point of discussion and at the passage of legislation.

Mr. Speaker, nevertheless, as I indicated, the Government was concerned that the Catastrophe Fund has not been effectively utilised as much as we would have loved to see it, largely because it was not mandatory. We felt then, as we do now, that this still provides a significant alternative to reinsurance and that, in those circumstances, we are seeking to encourage insurance companies to make greater use of this tax-free incentive which will allow them to place up to 25 per cent of property insurance premiums in that Fund.

Mr. Speaker, as we indicated, the second vehicle relates to the question of captive insurance companies. Therefore, for the benefit of those who may be listening outside of this Honourable Chamber, captive insurance companies are simply ones that insure the risks of either its parent company, although, in some instances, they are engaged in the business of insuring the risks of third parties.

Mr. Speaker, as a result of amendments to the Companies Act, which brought about a new legal entity in the form of segregated cell companies, there is also the framework for segregated cell captives. A segregated cell simply means that within the same legal entity, one may be able to insulate the conduct of business from one other aspect of one's company, by reason of adhering to the segregated cell framework within the Companies Act.

In the circumstances, we feel that this also is a vehicle through which solutions can be found, to ensure that some sectors of the economy which are now obtaining insurance coverage, can, in fact, be able to do so. Sir, this matter of insurance will continue to dog the country and I believe that the Government will, over the course of the immediate future, have to treat to it, not only in relation to property insurance but as I have expressed elsewhere, in relation to vehicular insurance.

Sir, there are too many people in Barbados who are being turned around from pillar to post, and are not able to access insurance, when the Laws of Barbados require that there must be insurance for a car or a vehicle to be legally used on the roads of this country.

Sir, I, therefore, hope that we can grapple with these issues because the cost of reinsurance is, in fact, a significant issue and only last week, this Parliament would have dealt with the question of the capping of the liability in relation to road traffic accidents, in relation to injury and death.

Mr. Speaker, as I recall, that was one of the points of dissension in the Other Place, among the Democratic Labour Party members. That will show and reinforce to you how difficult and vexatious these issues are because, in truth and in fact, one is being asked to pay for that insurance, on the possibility that one might have to claim on an increasingly costly basis, irrespective of the fact whether the risk locally alone has increased or not, because of the fact that we are in a pool with other entities outside of Barbados and, therefore, reinsurance costs are not necessarily determined by the risks confronted in Barbados alone but, indeed, by other countries as well.

Mr. Speaker, we seek to bring amendments to these pieces of legislation, to give effect to a programme of activities which was announced by the Right Honourable Prime Minister in his Budget last year. As I said, I regret that it has taken so long for some of them to come

but we have, in fact, been ensuring that the benefits of those key ones, which have been affecting persons' pockets, have been accruing over the course of the last few months.

Mr. Speaker, this brings me to the other matter which is before this Honourable House today, that is the question of the amendment to Cap. 98 of the Laws of Barbados, the amendment to the Local Loans Act, which will seek to raise the limit of the local loans permitted, to be raised from \$2.2 billion in the aggregate, to \$2.75 billion.

Mr. Speaker, there have been a series of amendments in this legislation over the years. I believe there has been as many amendments by the Other Side as there have been by This Side, in relation to ensuring that the Laws of Barbados are adhered to, in relation to that which can be raised legally by the Government, to help finance its programme.

Mr. Speaker, it is fair to say that the intention of the legislation has always been that the Minister of

Finance should seek to amend the legislation to advance the needs to borrow. Sir, to that extent, as an administration, we have tried to keep faith with that precept, even though, as a country, there were significant breaches to many of the acts which governed the raising of loans, particularly in the period of 1990 to 1994.

Indeed, one of the first acts of this Government in December, 1994, was to pass a Validation Act, to validate acts that were perpetrated in the name of the Government for raising loans without the appropriate Parliamentary authority, as required by the Laws of this country.

Mr. Speaker, it is sanguine to note that on the last occasion, and I think it was the Honourable Member for Christ Church East who would have led the debate on the last amendment for the Local Loans Act, who was at pains to make the point then, and I repeat now, that what is significant as we seek to raise the limit in this Act, is that the Government has chosen to be able to access domestic financing at a time when that cost of domestic financing is significantly lower. Therefore, one only has to look at the interest rates in relation to treasury notes and treasury bills, to see why it is cheaper for the Government to raise domestic financing, in relation to being able to fund its programmes.

Mr. Speaker, if I can remind Honourable Members, this Government has not gone to the international capital markets since December 2001. Honourable Members will remember that the Right Honourable Prime Minister made it clear... Sir, on two occasions we went to the international capital markets, one was in relation to a loan to support the negative consequences of trade liberalisation and in the post-September 11th environment, after a national economic consultation, a decision was taken, where we said that no one knew what the future would have presented and that we were being advised that it was better for us to raise the funds and to have them to cushion any support we would have needed for balance of payments. This was all done at a time when we knew the cost at which we would have accessed the money, and at a time we knew that we could have accessed the money, because of the uncertainties of the international economic environments within which we found ourselves.

H:No.48(120)1100 a.m.

Tuesday, November 23, 2004

Continuation of Hon. Miss M.A. MOTTLEY:

Mr. Speaker, there is no doubt that the two major loans taken by the Government would have changed the nature of the Government's debt profile. Indeed, in his speech last year, the Right Honourable Prime Minister reminded us that there were at least four occasions on which our debt profile had risen above 70 per cent to GDP.

Mr. Speaker, may I restate for the record that it is still this Government's commitment that, in the medium-term, we move back to a position where our debt position will relate to 60 per cent of GDP. Indeed, we have acknowledged that the difficulties confronted by trade liberalisation and September 11th, 2001, has led to us ensuring that we had some kind of buffer in relation to shoring up our reserves to be able to meet any eventuality.

Indeed, Mr. Speaker, while the initial intention was to leave those funds in a sterile account, the

Minister of Finance indicated on the last occasion that he presented his Economic Statement that we had changed the position and determined that it was better for us to be able to use those funds to continue to help build the productivity capacity of the country largely because if we left them in a sterile account, we would be earning less than we were paying out in interest. Secondly, we would still have to go back and raise funding to be able to continue to expand the productive capacity of the country.

Mr. Speaker, might I remind the House that the question of being able to treat to the issue of building that capacity is perhaps even all the more necessary at this juncture of our development largely because of the necessity to transform structural aspects of our economy to be able to provide for some level of economic sustainability over the course of the next generation.

Mr. Speaker, in the mid 80s we had a healthy position in relation to domestic exports, reaching a peak in 1985 with \$502 million. It is true that it decreased to \$296 million by 1991 but we have been able to bring it back up over the course of the 90s. The reality has been that there have been negative and deleterious consequences flowing from trade liberalisation.

I am not going to repeat the whole debate why the Opposition, when it was the Government, ought to have sensitised the country to what it was doing in terms of the commitments to Barbados for trade liberalisation. Suffice it to say, we are in truth carrying a load that we ought not to have been carrying because when you consider that at the time of the Uruguay Round that there was still, as there is today, significant subsidies and income transfers being given by the developed world to its agricultural sector, we ought to have had the presence of mind to be able to say in our negotiating positions that we were not putting anything on the table in circumstances where there is a level of inequity that would remain as a feature of the global trading system.

Mr. Speaker, perhaps if the Honourable Member for St. Michael North West was in truth being invited to meetings, he might have given that advice to the then Minister of Finance but, by his own admission in the Estimates debate in this House earlier this year, he was not being invited to meetings or given the opportunity to advise, so we might have to insulate him from the criticism that we level against his Party, although a good leader accepts the criticism of his Party even if he were not personally responsible for it.

Nevertheless, Mr. Speaker, it is fair to say that it was impossible for us to be able to treat to the issue of economic transformation in this country without looking at significantly restructuring the manufacturing and agricultural sectors.

Mr. Speaker, only last night the Ministry of Agriculture was on television seeking to explain to Barbadians what he is seeking to do with the Ministry of Agriculture in terms of restructuring its productive capacity. Indeed, Mr. Speaker, I would have had the opportunity in China last week, in meeting with their Vice President and Premier, to raise the issue of support for reform and restructuring the agricultural sector of Barbados.

One of the significant things is we were given the opportunity to see much work and research and development that is being done by China, both in terms of plants as well as livestock, as they seek to continue the expansion of their agricultural sector because it cannot be an easy thing to have to feed 1.3

billion people every day.

Mr. Speaker, the Chinese Government, as would have been issued in the communique, has pledged support for the Government of Barbados to use part of its grant funds for the cost of the restructuring of the sugar industry feasibility study. They have also agreed that they would send down a mission to work with us on West Indian Sea Island Cotton and we will continue with building opportunities for other technical assistance. In fact, they have offered technical assistance on being able to increase the yield of plants in non-sugar agriculture because of the significant research and development which they have done in those areas.

Mr. Speaker, the general point I am making at this stage is that the need for the restructuring of the economy of Barbados and for us to ensure that we have an economy that is competitive and capable of sustainable growth, demands of the Government and the people of Barbados to invest in the expansion of the productive capacity in that restructuring such that, we have the chance of providing on a sustainable basis for future generations, the earnings that are necessary.

Mr. Speaker, it is no secret that at the opening of the national economic consultation of this year, the Prime Minister expressed his own comments and views in relation to the difficulties we have been experiencing in relation to our current account deficit.

It is also fair to say that Government, in the Estimates of Revenue this year, would have indicated its concern about the need to ensure that the restructuring of the economy takes place such that there is not only growth but balanced growth across the economic sectors, not resting as much as it is now on tourism but taking into account other areas of productive enterprise.

We would have also indicated that while for the most part Government's current account deficit would have run at 5 per cent of GDP for the last few years, it is our intention in the medium-term to seek to bring it down to two per cent because we believe that a fiscal deficit of two per cent and a current account deficit of 2 per cent is sustainable to ensure medium-term growth in a way that is likely to bring about the benefits to the people and enterprises of this country.

What has cushioned us is the fact that even though the current account deficit has increased, we have managed to realise capital surpluses of in excess of \$450 million for the last few years. Sir, even if you net out the proceeds from the loans, the average capital surplus on the balance of payment is in the vicinity of \$250 million per year.

Mr. Speaker, we acknowledge that there are difficulties and that the Government is seeking to meet those difficulties by pursuing aggressively restructuring programmes within the context of the Ministry of Industry and the Ministry of Agriculture to ensure that we can bring about the kind of transformation of the productive sectors that other countries within the region have had to do.

Sir, many of us forget that in the mid to late 1980s at the same time that domestic exports were declining in Barbados to half, that the Government of Trinidad & Tobago was treating to the issue of the retooling and recapitalisation of their manufacturing sector. It is true that they have natural advantages that we do not share in relation to access to cheap energy cost as well as to the benefits of a dollar that is not pegged in the way that ours is. The reality is that they undertook the restructuring of

their manufacturing sector at a time in the late 1980s when we were seeing a decline by half in our own domestic exports in manufacturing.

Mr. Speaker, we do not anticipate that it would happen overnight. The important thing is that Government has pursued a process of macroeconomic stability.

H48/11:10

Sequence 121

Tuesday, November 23, 2004

Hon. Miss M.A. MOTTLEY:

The important thing is that the Government has been committed to the macro economic stability as the fundamentals of this economy, recognising that there will be times when one will have to move outside of the norms that you have set yourself, either in terms of the fiscal deficit, or in terms of the debt to Gross Domestic Product ratio, to be able to treat to eventualities that were unexpected.

Indeed, the perfect case in point would have been the deliberate decision by the Government in 2001 to 2003 to run a higher than normal deficit in order to ensure that there were no negative consequences in terms of employment and loss of jobs, and that the adjustments which had to be borne as a result of an economic downturn would not be carried by the workers of this country in the way in which they had to carry it between 1991 and 1994, in circumstances that some of them have not fully recovered from.

Sir, having run a counter cyclical fiscal deficit for those two years, we have been able to bring the deficit back in line with what we believe to be more reasonable. We feel that there is still room for further trimming. Indeed, in 2003 to 2004, a fiscal deficit of 2.6 per cent was run and the target for this year is 2.7 per cent, but it is also no secret that in the economic consultation in September, the Prime Minister would have indicated that up to the end of August 2004, the out-turned figures were showing a deficit of 1.8 per cent, well within the 2.7 per cent Government had set for this financial year. I have no doubt that in two weeks time we will receive a report where we are in relation to the current situation up to the end of November, 2004.

Mr. Speaker, in these circumstances, it is clear that this Government has sought to exercise a level of fiscal discipline in spite of the fact that it has to treat to the issue of restructuring the economy. It is a very delicate balance between maintaining that fiscal discipline while using deficit financing to be able to bring about the developmental changes that have to be brought about in this country.

Sir, while I am no student of economic history, I am sufficiently capable of recognising that if you look at the issue of deficit financing since Independence, there is a clear division in the use of it as a use of economic policy from that which existed pre Independence where colonial authority treated to a very conservative fiscal policy and, in fact, would not have utilised deficit financing as a developmental tool in the way in which we do.

Sir, the reality is, because of the commitments which we have in relation to aspects of our macro economic policy, there is less policy flexibility on the part of any Government of Barbados in relation to what tools you can use to stimulate growth in the economy.

Mr. Speaker, I believe that there is still no divide on the issue of the commitment to a fixed exchange rate and I trust and hope that we will get that continued commitment from the Other Side when they speak.

Sir, in those circumstances, it means that there is less policy flexibility in relation to what is available to the Government, but that policy flexibility is further constrained also by the commitments which we have given to the establishment of a Caribbean Single Market and Economy and the extent to which there must be conversions and harmonisation of a number of fiscal policies if the single market and economy is to be able to get off the ground in a way in which we believe it can and to provide historic opportunities for this country and its players to allow us to move outside the constraints of a popular size of 250,000, and an economy the size with which we have to labour over the course of our historic development thus far.

Mr. Speaker, when you take into account the constraints and policies that I have just adverted to, you will understand that our policy options are less but, having said that, I think there can be a fair judgement that the fiscal deficit as well as the debt management policies pursued have been those which have still been regarded as sustainable. Indeed, I speak now over the course of this nation's life, over the course of 38 years, recognising that deficit financing as a tool became more and more popular in the mid to late 1970s. Indeed, there is a famous debate in which the late Right Excellent Errol Barrow indicated that anyone who sought to oppose definite financing in Barbados or in the context of a small developing society was anti developmental and did not have a care for the people of the country.

Sir, when you have a country where the majority of people do not have access to capital on their own, where there is a need for Government to provide the public goods, such that there can be social and economic transformation of individuals and enterprises then a Government in our context must play that role, as it continues to do today, even where we see the risk, a virgin nature of the private sector and financial community refusing to take up things that we, perhaps, feel that Government ought not to be playing the same level of role in relation to financial intermediation for small and medium-sized enterprises to continue to grow in this country.

Sir, the reality is, that is the nature of countries that have our size, historical background and structures. Governments, therefore, have had to accept that it must play that role of balancing the use of deficit financing to be able to expand productive capacity to bring about social and economic change for the better of the country, while, at the same time, respecting the fundamentals of fiscal discipline such that the debt which accrues is not sustainable nor does it cause problems.

Mr. President, I look forward to hearing the other side because I was a Member of the Senate in 1991 to 1994 and, therefore, I would have been a part of many debates that related to the misuse of the Ways and Means Account. Indeed, I remember the extent to which there was a determination when it went up to 17.5 per cent legally and the use of it even went beyond that 17.5 per cent that was permitted

legally.

Sir, I remember that one of the first acts of this Government was to say that we felt that we should be able to live within 10 per cent because we did not believe that Government should be printing money because of the inflationary consequences that accrue from it. In those circumstances, we were amending the Law to reduce by 1/3 that which would have been legally available to a previous Democratic Labour Party Government, but further that we should not seek to do that.

Mr. Speaker, the reality and facts for this year are that Government has not gone to the financial markets domestically or externally so far for the year, but while we amend the legislation to increase the loan limit by \$550 million, the reality is that this is just an increase of a limit. In truth and in fact the immediate needs of the Government have been occasioned only by the need for \$30 million, which will, in fact, bring the level of the \$2.2 billion current limit.

Sir, even if we go ahead and raise the debt that we want now, we will still be within the \$2.2 billion limit. It is felt that a prudent Minister of Finance ought not to come so close within the Law for fear that if there is something untoward that you may have to end up breaching the Laws of the land and, therefore, this amendment is being taken as a precautionary measure to ensure that there is elbow room to be able to raise loans domestically, within the context of the legal limits given by Government.

Indeed, you will recall that the fiscal deficit for this year had been set at \$497.5 million and it is the Government's intention to raise \$466.4 million of this from domestic sources and \$31.1 million from project inflows. This includes amortisation and, therefore, some of this debt will be rolled over.

Indeed, over \$200 million of the domestic financing represents instruments which will be rolled over and that is why the Leader of the Opposition may have made comments when I mentioned the figures but it deals with the whole amount.

H48: 11.20 a.m.

Sequence 122

Tuesday, November 23, 2004

Continuation of Hon. Miss M.A. MOTTLEY:

This will leave some \$266 million by which the Government must seek to bridge for funding over the course of the year. As I said, however, it is true that up to the end of August, the out turn figures showed that the deficit was almost one percentage point lower than that which was projected in March when the Estimates debate took place.

Therefore, one has to continue to wait and see the out turn figures both in the terms of revenue as well as to what extent there would be savings, in relation to expenditure. Mr. Speaker, having been in this House for 10 years, it is a fact of life that not all that you set out to do is always accomplished and, therefore, there will also be savings across some Ministries in relation to expenditure patterns, both in capital and current expenditure.

Therefore, Mr. Speaker, we seek to set this amendment to the Local Loans Act, as part of a process of the Government's overall debt management policy which we continue to assert, is to minimise the long-term costs of meeting the Government's financing needs.

Mr. Speaker, we do not ever want, and I do not think that the Leader of the Opposition would ever want to do it either, be part of a debate as I was, in the Senate in the early 1990s when we had to approve terms and conditions to the Barclays' Loan that could have been described only as onerous, heinous and taking advantage of a country which had been brought to its knees by reason of minimal foreign reserves.

Mr. Speaker, I do not think that there is any divide in this House that this Parliament should never have again, to force itself to accept those types of conditions in relation to the cost of capital. I think that there is no divide on the part of this House on this issue.

Mr. D. St.E. KELLMAN: Mr. Speaker, on a point of order. The Honourable Member is misleading the House by giving the impression that there is no divide on this particular issue. As you are well aware, Sir, I do not support the stance taken by the Honourable Member on this particular statement for the simple reason that a loan cannot only be judged by interest...

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

Hon. Miss M.A. MOTTLEY: Mr. Speaker, it is unfortunate that the Honourable Member does not understand the difference between hoping that there is no divide and asserting that there is no divide but, I believe that his Leader can give him some kind of guidance in this matter.

Again, Mr. Speaker, he is not known to follow his Leader in any matter, and therefore having access to a dictionary might also prove more worthwhile to him than taking guidance from his Leader.

Asides.

Mr. D. St.E. KELLMAN: Mr. Speaker, on a point of order. The Honourable Member is misleading the House, and based on the statement made, we may have to call for the original record, Sir, because what was said after and what was said before is completely different.

Hon. Miss M.A. MOTTLEY: Mr. Speaker, I continue to hope that there is no divide in this House, in the hope that the Chamber will never have to face the kinds of onerous conditions to approve that this country had to face, when it was forced to accept the loan from Barclays Bank in the early 1990s.

Mr. Speaker, as I indicated I hope that as a Government and I hope that if the Other Side ever becomes a Government that they too, shall never bring that kind of loan with those kinds of onerous and difficult conditions before this Chamber for approval.

Mr. Speaker, we say that the primary objective of our debt management policy must be to minimise and reduce the long-term cost of financing to this country. There is no way that we can bring about sustainable development in Barbados, without having a reliance on a fiscal policy that is premised on

deficit financing, either on That Side or This Side.

Sir, having accepted that, it is our intention to keep it within reasonable limits, within 2½ of GDP, as we are doing now. At the same time, it is our intention to ensure that the cost of capital is lower than we have seen in previous years. It is also our intention to show that when we order and structure these loans that there is no bunching of the repayments, such that it leads to cash flow difficulties on the part of the Government. These are the simple things that we are averting to, in relation to our debt management policy.

Mr. Speaker, I do not think that these are issues that would cause divide, largely because they represent sound, macroeconomic fundamentals that are adhered to, not just by people in this country who want to see sustainable growth, but across the developed and developing world.

Mr. Speaker, it is significant that we have sought to do all of this, while trying to maintain other strong aspects of our economic fundamentals within strong and stable limits. We still have low inflation. Our unemployment, Sir, is lower than what it is in Germany, which has unemployment in excess of 10.6 per cent. In Barbados, unemployment at the end of the second quarter was 9.6 per cent. I do not think that we recognise what we have been able to achieve with the little that we have in this country.

Mr. Speaker, I expect divide to come from the Opposition because as Her Majesty's Loyal Opposition, it is their duty to oppose the Government where possible, although they seem to have replaced that with a commitment to oppose each other, where possible, instead of opposing the Government but, Sir, I do not even enjoy watching them do that because all they do is to undermine the nature of Barbados' democracy. In truth and in fact, part of the positive outlook for our economy depends on strong political governance and strong consensus.

In these circumstances therefore, Mr. Speaker, when we look at the other aspects, as I said, low inflation and low unemployment, we recognise that we have a problem on the horizon in relation to our current account deficit. We have not felt the full measure of it because of the capital account surpluses, but we have indicated that it is our intention to work with the private sector to be able to expand the earning capacity of this economy and that, in the meantime, we will seek to continue to attract foreign direct investment to act as a buffer until we can allow the natural course of time, Sir, to be able to ensure that there is the appropriate transitioning of this economy.

Mr. Speaker, both the Democratic Labour Party and the Barbados Labour Party in previous generations, would not have faced the frontal assault on two productive sectors of this economy, in the way that we had to face in the course of the last decade because of those commitments to liberalisation. Sir, when sugar was down, tourism and manufacturing were doing well. When manufacturing was down, we still had the buffer of tourism and agriculture.

Indeed, Mr. Speaker, when we add the difficult policy issues that have been confronted by this Government in the last decade as it relates to the OECD and the use of regulations as the new non tariff barriers, curbing the expansion of the growth of the international financial services sector, Sir, you understand the difficulties that we had to face.

In all of this, Mr. Speaker, nobody has been sent home, and we have continued to see expansion of the productive capacity at the airport and the seaport. While the Opposition may say that this is off budget, may I remind them that the revenue from the airport and the seaport is also off budget. Therefore, it is flying a kite to continue to do as they do and assert that this is off budget expenditure, when in truth and in fact the Government central accounts do not take into account the revenue from these enterprises. The money which is being spent to expand the productive capacity of the airport and the seaport will be repaid out of the operating revenues of the sea port and the airport.

The reality is, Mr. Speaker, that while we have seen a significant expansion in cruise ship tourism, there is need for an expansion of the capacity of the Bridgetown Harbour to be able to accommodate larger cruise ships that are rolling off the blocks. Sir, if we do not put ourselves in the position to do it, in the same way that if we did not build a deep water Harbour, finishing in 1961, we would never have been able to enjoy the level of economic development that was enjoyed throughout the 1960s, 1970s and 1980s. If we do not do the expansion to the seaport now, we would not be able to enjoy the level of further expansion, both in terms of cruise ship facilities and a greater use of the Port as a transshipment facility for which there is also significant revenue to be made, particularly into Latin America and Central America.

11:3014

Tuesday, November 23, 2004

Continuation of Hon. Miss M. A. MOTTLEY:

Mr. Speaker, all we are saying is that we need to be able to implement these measures to build the capacity of the economy, so while debt may be being raised now for some of these things, the increase in revenue that would be occasioned from the completion of these projects will assist in the repayment of debt in future generations in the same way that we now are repaying debt raised by previous Administrations of both Parties to be able to expand the productive capacity of this economy.

In the 1970s when we established the National Drug Scheme and the Sewerage Project, and when we expanded the Barbados Community College and built the Samuel Jackman Prescod Polytechnic, they were not paid for out of current revenue. The debt was raised. Mr. Speaker, the debt which has been raised has more than repay, not only in financial terms but through the economic benefit of the investment with over 30 000 Barbadians having benefitted personally from the improvements in education at the Samuel Jackman Prescod Polytechnic. It is the same thing with the Barbados Community College and the Sewerage Project.

Mr. Speaker, it is fair to say that we would like to have had more work completed in relation to the complete sewerage of aspects of the island. That one that was done in the mid-70s came as a result of the occasioning of debt and this generation of Barbadians are paying for that. As the late Right Excellent Errol Barrow said, anyone who seeks to treat to the issue of deficit financing in a way that deprecates, it is one who is anti-developmental. The reality is that we do not have the capital base in this country to be able to speak to it.

Mr. Speaker, another significant point is net amortization or current expenditure falls within the

current revenue, that is the truth, so when we add and look for financing, it is able to deal with debt and to deal with capital expenditure to build that productive capacity.

Mr. Speaker, the Government of Barbados does not borrow money to pay wages, neither does it borrow money to buy goods and services for the ordinary running of the Government. However, Mr. Speaker, when you listen to the debate sometimes in here you would believe that these are the crimes being committed by the Government of Barbados.

Indeed, Mr. Speaker, it is fair to say that the only time I know that the Government of Barbados was under pressure to pay salaries was at one point since Independence, but it certainly has not been in the last 10 years.

Mr. Speaker, I therefore want to cast this debate in terms of a sustainable debt management policy. It is acknowledged that our debt to Gross Domestic Product ratio is over 60 per cent which is what we ideally want, just as we set the limit of 3 per cent. Both of these indices are indices utilised under the Maastricht Treaty. The reality, as we have seen, is that countries are not always capable of meeting those targets. For example, in the last few years neither Germany nor France has been able to meet those targets.

Let us look at the fiscal deficits being run by them which is in excess of 3 per cent. In the case of Germany, I think it is 3.9 per cent and in the case of France 4.2 per cent. In the case of the United States of America, Mr. Speaker, I do not need to speak about that because all you need to do is to watch CNN daily and you would see to what extent their deficit has gone out of all reality from what they felt they ought to be, given the fact that they were able to balance the budget back in the late 1990s. Sir, Barbados' fiscal deficit, percentage wise, is smaller than that of the United States of America, Germany and France.

Mr. Speaker, as we indicated in relation to the debt to Gross Domestic Product ratio, we have had to seek an increase in recent years for the reasons I gave in relation to the two loans which were raised which changed the structure of our debt profile. What is significant, Mr. Speaker, is that when we look at the servicing of the debt, our debt cost to service next year is lower than what it is for this year.

In 2006, it drops lower and in 2007 it drops even lower, both in terms of domestic and external debt. There is a hump in 2008 and 2009 in relation to each of them separately and then from 2010 to 2013 it goes back down again. These are the things that the Ministry of Finance will take into account when settling the issues whether we have a sustainable debt management policy.

Mr. Speaker, the reality, however, is that while we do not intend to go back to the international capital markets in the near future, and I can repeat the assurance given by the Prime Minister when he gave the Economic Statement last year, it is a fact that some level of debt would have to be raised to support projects which have to be done to prepare the country for Cricket World Cup 2007 and to continue the process of urban renewal in the country. Sir, there is no way that we can have the entire world come to Barbados without ensuring that those things which have to be done are not only prepared but are completed by December of 2006.

Therefore, Mr. Speaker, it would be a false premise for me to suggest that we can bring and get to that

60 per cent to the Gross Domestic Product within the next two or three years given the country's overall commitment to Cricket World Cup 2007. Sir, I would not be party to any delusion that would seek to say to the public that we can achieve that reduction in the debt to Gross Domestic Product ratio within the next two to three years given the commitments the Government has already publicly committed the country to in relation to Cricket World Cup 2007.

Mr. Speaker, I have tried to be as fulsome as possible and as frank as possible based on the instructions I received from the Ministry of Finance and I have tried to explain that the amendments to the Local Loans Act is a precautionary measure to ensure that Government does not bring itself in breach of the Laws of Barbados.

Sir, there is no immediate need to go even to the \$2.2 billion that currently exist. I believe it was raised by \$400 million on the last occasion it was raised. Before that, under the Democratic Labour Party it was raised on four occasions by almost \$1 billion. Sir, I speak subject to confirmation, but I am 90 per cent certain that is the case, but I will pull the facts for that if necessary in the wind up debate.

Sir, there has been utilisation of amendments to this piece of legislation as well as other pieces of legislation that governs the raising of loans, the Savings Bond Act and the External Loans Act, to ensure that the transparency and accountability required by Parliament are adhered to as Government seeks to commit money in the name of the people of this country for which we would ultimately be liable.

Sir, the one fundamental characteristic whether this is prudent or not is the extent to which in raising further domestic financing in a greater reliance on domestic financing whether in truth and in fact we are crowding out the private sector from being able to access financing to expand the productive capacity in the country particularly given the profile of the current account deficit and the need to be able to achieve more balanced growth across the productive sectors.

Mr. Speaker, the facts are that we continue to have excess liquidity in this country. There has been some contraction of it with it moving from just over 21 per cent in December 2003 to 20 per cent by the end of June 2004, but the reality is that there still exists liquidity. Therefore, given the current economic climate of excess liquidity, there is no fear that this increase in the Local Loans Act, even if it were to be utilised over the next few years, would bring about a crowding out of the private sector.

Mr. Speaker, on the last occasion on which we debated an amendment to the Local Loans Act, that was the concern of the Opposition as was expressed by its then Leader who, in fact said, if I remember correctly, that these things were routine and that in truth and in fact the only issue was whether there would be a crowding out of the private sector by the raising of the local loans because he, as Minister of Finance, was responsible for the amendments that I referred to just now within the four-year period. Mr. Speaker, all we are doing is seeking to remain in compliance with the Law as opposed to breaching it.

House 48 Sequence 124

11:40 a.m.

Tuesday, November 23, 2004

Continuation of Hon. Miss M. A. MOTTLEY:

Mr. Speaker, within the course of the next few months there will be no immediate utilisation of domestic financing that will carry us anywhere near to the limit which is being set. Therefore, I ask the Honourable House to support the amendment to the Local Loans Act, to ensure that we shall be compliant with the Law and that we will not repeat the unfortunate circumstances where we will have to validate breaches in relation to matters pertaining to breaches of the Laws, in relation to the raising of finance.

Mr. Speaker, the Honourable Member for St. Lucy will remember the Validation Bill of December, 1994, that had to validate acts. The Honourable Member was not a party to the Bill but he would have been a party to the debate. That Validation Bill validated the unlawful acts for the raising of funds under various pieces of legislation that treat to the issue of Government's domestic financing requirements.

I, therefore, ask the Honourable House to support the amendments that are being brought in relation to both Bills that are before the Honourable House. As I said, there was an agreement with the Leader of the Opposition that we should treat both debates as a single one and I am grateful for that fact.

Mr. Speaker, with those few words, I beg to move that the Local Loans (Amendment) Bill, 2004, be read a second time.

Hon. R.R. FARLEY: I beg to second that.

Mr. C. A. MASCOLL: Mr. Speaker, I rise to make a contribution in this debate and having listened to the Honourable Member for St. Michael North East, I can understand the state of confusion that prevails in the Government's rank at this stage.

Mr. Speaker, this Government is in the habit, first of all, of borrowing because it has a good credit rating. We are now being told that it does not have to raise the Local Loans limit, yet we are being told that in the not too immediate future, we would see Government going to the foreign capital market. Therefore, as I listened to the Honourable Member for St. Michael North West, I am even more concerned.

Hon. Miss M. A. MOTTLEY: On a point of order. As much as I would want to take the seat of St. Michael North West for the Barbados Labour Party, it has not yet been done. Therefore, I ask the Honourable Member to refer to me as I am, that is the Honourable Member for St. Michael North East.

Mr. C. A. MASCOLL: By the time I am finished, you would be referred to otherwise.

Mr. Speaker, let me say that from the outset, the increase to the Local Loans limit will, in fact, increase the national debt of Barbados. Sir, that is important because on a number of occasions, the Honourable Prime Minister has said that the mission of this Administration is to reduce the national debt from its current level of 75 per cent of Gross Domestic Product (GDP) to 60 per cent.

Hon. Miss M. A. MOTTLEY: On a point of order. Mr. Speaker, I do not know if the Honourable Member is seeking to use 'guesstimates' or estimates but my understanding is that the Gross Domestic Product (GDP) is not at 75 per cent.

Mr. C. A. MASCOLL: Mr. Speaker, I will not be derailed. In fact, the national debt is supposed to be reduced to 60 per cent of Gross Domestic Product (GDP).

Asides.

Hon. Miss M. A. MOTTLEY: On a point of order. Mr. Speaker, again to use the words that the national debt is "supposed to be reduced to 60 per cent", does not reflect the commitments given by this Government. This Government has said that 60 per cent is the reference and the norm that we would wish to be able to reach in the medium-term, but the Prime Minister has never said that it is supposed to be done, as if we are doing it immediately.

Mr. Speaker, the Honourable Member, the Prime Minister has said that we would like to reach a target of 60 per cent debt to Gross Domestic Product (GDP) ratio. That is a different use of the English language than to say that it is supposed to be at 60 per cent. To say that it is supposed to be at 60 per cent suggests that there is a breach of the Law.

Mr. C. A. MASCOLL: Mr. Speaker, that is not a point of order with respect to what is said. I never gave a time period over which the national debt is supposed to be reduced to 60 per cent. Sir, it was stated by the Prime Minister that he is hoping, at some point in time, to reduce the national debt to 60 per cent of Gross Domestic Product (GDP). Therefore, it is only but fair that a point of order be with respect to what is said. I have never indicated a time period but I simply will not be derailed in this debate because it is too crucial a debate.

Mr. Speaker, the real issue is this, and the Honourable Member for St. Michael North East, in fact, has actually highlighted the real issue in this debate. The Honourable Member was able to cite a number of achievements in the 1970s by the Barbados Labour Party Administration, with respect to the Sewerage Project and to the Barbados Community College.

Mr. Speaker, even though during the last 10 years our national debt has moved from \$2.5 billion to \$4.2 billion under the Owen Arthur Administration, the question is what do we have to show for it? Sir, what do we have to show for the national debt galloping at such a pace? In fact, I now quote from last November 25, 2003, Financial Statement, Economic and Financial Policies of Government, at page 22:

"The Government, therefore, considers it reasonable to aim for a debt to Gross Domestic Product (GDP) ratio of 60 per cent over the medium and long-term, while being cognizant of the need at times to be flexible, as a consequence of economic necessity."

Mr. Speaker, why, therefore, do we need now to be flexible? What has happened in recent times to require the Honourable Prime Minister to increase the loans limit by a further \$550 million, following on an increase of \$400 million at June 2002? What has happened to cause this increase at this point in time, when it is being said that the economic circumstances are not what they were in the early 1990s?

Mr. Speaker, the first thing that has to be recognised, is that the so-called decision which was taken to reduce the Ways and Means limit, or the printing of money at the Barbados Central Bank, from 17.5 per cent to 10 per cent, was seen as a prudent fiscal measure because of the implications of printing money for any Caribbean economy.

Mr. Speaker, over the last two months, we have, in fact, seen, not only in the reports of the Barbados Central Bank that the current 10 per cent limit was approached quite rapidly in September 2004, where the existing limit for the printing of money at the Barbados Central Bank is \$194.6 million, but which is 10 per cent of the estimated revenue of Government for the current fiscal year.

Sir, if, as published at September, this limit of \$180.5 million is being approached ... In fact, there is every reason to believe that at some point in time since September, it has reached its limit of \$194.6 million, then the question is...

Asides.

H:No.48(125)1150 a.m.

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Hon. Miss M.A. MOTTLEY: Mr. Speaker, on a point of order. The Honourable Member is misleading the House. There is no dispute that the Government reached close to its limit but what he cannot assert is that it has breached its limit in the way that the Party, which he leads, breached consistently over and over not at 10 per cent, but at 7.5 per cent.

Mr. C.A. MASCOLL: Mr. Speaker, 17.5 per cent of the estimated revenue in 1991 was a mere \$210 million. In actual fact, 10 per cent of the current estimated revenue is now \$16 million less.

Hon. Miss M.A. MOTTLEY: Mr. Speaker, on a point of order. The Honourable Member is misleading the House.

Mr. C.A. MASCOLL: It is a fact that the Government of the day has reduced the limit from 17.5 per cent of estimated revenue to 10 per cent of estimated revenue. I never sought to suggest that on the basis of absolute numbers that the limit is being threatened. In fact, I will now begin to explain why there has been an approach to this August Chamber to once again adjust the limit.

If you take the Report of the Central Bank of Barbados, you would recognise that the Government is holding less than \$1 million in debentures, then you would understand that because the overdraft facility of the Central Bank of Barbados is approaching its limit and is in danger of being breached, then it puts this Government in a position where it has to come to Parliament to adjust the local loans limit.

Therefore, in the not too distant future, we will see a shifting from the overdraft facility to debentures. Sir, sooner rather than later, the Central Bank of Barbados will hold debentures so as to reduce the overdraft facility in order to safeguard the so-called limit.

Mr. Speaker, the truth is that there is no real prudence, however you look at it. I want to explain that while reducing the overdraft facility since 1994, this Administration has increased the Local Loans Act which we are currently debating by \$950 million. Sir, it increased the Special Loans Act by \$200 million and the Saving Bonds limit by \$150 million.

Therefore, I am suggesting to you that while there has been a camouflage with respect to the reduction of the overdraft facility more so because of the political implications of the reduction, than the economic consequences of borrowing, what we have here is Government on one hand, as is customary, playing its politics while not attending to the economic needs and concerns of the people of Barbados. Let me say categorically that the increases to the other limits would have more severe consequences for the economy than the overdraft facility being reduced to 10 per cent of estimated revenue.

Mr. Speaker, I go further because I really do have to ask why we would see the need to raise \$550 million at this stage. Let me say that the liquidity spoken to does not exceed \$300 million in the banking system and this in itself speaks to another matter. Why is it that we have a so-called tourism sector doing as admirably as being suggested by the Minister of Tourism, and with all the excess liquidity and capital available in the economy, and investors are not seeing it fit to invest in the tourism sector? Why is it not the case in the presence of so much liquidity that we are not seeing private persons establishing new hotels across Barbados? There has been some refurbishing but in the face of liquidity...

Hon. Miss M.A. MOTTLEY: Mr. Speaker, on a point of order. The Honourable Member is misleading the House again. In the Estimates this year, the Honourable Member made the same allegation about persons not investing in the tourism sector. On that occasion, the Honourable Member for St. Michael South spoke to the issue and indicated that there was over \$100 million in investment in the last few years in tourism that his Ministry has been treating to. Indeed, we have seen a number of them start to come off the ground from retirement villages to other expansion of existing hotel capacity within the tourism sector. One only has to drive through the South Coast and West Coast of Barbados to see construction in tourism and hospitality related properties.

Mr. C.A. MASCOLL: Mr. Speaker, an intervention is not worth its weight in salt because in actual fact, on the South Coast of Barbados the very point I seek to make is fully demonstrated. Sir, all the major investment occurring on the South Coast of Barbados is a direct consequence of almost \$200 million from Government being put into the GEMS of Barbados Project.

DR. W.F. DUGUID: Mr. Speaker, on a point of order. The Honourable Member is misleading the House.

Mr. C.A. MASCOLL: Mr. Speaker, refurbishing a hotel is substantially different to building a hotel. The Honourable Member for St. Michael North East just said that \$300 million in new hotel investment would have been made.

Hon. Miss M.A. MOTTLEY: Mr. Speaker, on a point of order. The Honourable Member is misleading the House again. I said that the Honourable Minister said there were \$300 million in new

investment. Sir, new investment can be the expansion of existing hotels as well as creation of new enterprises. If the Honourable Member does not know that, it is perhaps too much to ask him what to do as Leader of the Opposition either.

Mr. C.A. MASCOLL: Sir, I do not want to indulge in that level of politics. I will move on because the issues are starting to raise their heads in Barbados and the people of Barbados are starting to see what are really the critical matters confronting Barbados and matters relating to the impact on the livelihood. It is not about who has money in the bank, or who does not, but it is about the real issues confronting Barbados. One of the most critical issues confronting Barbados is the question of the national debt that has occurred.

Mr. Speaker, let me say, therefore, that as I speak to you, the Hilton Hotel is now being heavily invested in by the Government of Barbados.

H48/12:00

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Continuation of Mr. C.A. MASCOLL:

The Government has invested substantial sums of money into the Hilton Hotel. I, therefore, repeat my point that if it is that we have so much capital in the system and excess liquidity, why are we not seeing opportunities presenting themselves in the areas of tourism, manufacture, agriculture, international business and other productive sectors in the economy?

Sir, therefore, I do not have to reduce my politics to that level because there are too many issues for me to deal with in Barbados and I intend to do them ad nauseam, just like I dealt with issues of restructuring, bus fares, water works and other such issues. I will continue because there are several matters to be dealt with.

Mr. Speaker, the question is, if the Honourable Member for St. Michael North East is saying that Government does not intend to go to the capital market borrowing in the immediate future but there is something called World Cup to be dealt with, then by extension it means that the financing of World Cup Barbados...

Dr. W.F. DUGUID: Mr. Speaker, on a point of order. The Honourable Member in his speech is suggesting that the liquidity in the system is not being used for investment. I now refer to the economic and financial statistics and for comparison, let us compare 1991 private dwelling mortgages to those of 2004.

In 1991, there were \$33 million in private mortgage dwellings. In 2004, private mortgage dwellings at August 2004 were \$508 million and that means houses for poor people in this country. Sir, for the Honourable Member to say that the liquidity is not being used to the benefit of the people is wrong, and

he is totally misleading this Honourable House.

Mr. Speaker, there is another inaccuracy. The Honourable Member talks about industrial and commercial loans. In 1991 industrial and commercial loans were \$3.145 million and in 2004 it is \$48 million, over a tenfold increase. Certainly, the Honourable Member is misleading the Honourable House and I ask that those remarks be struck from the record.

Mr. C.A. MASCOLL: Mr. Speaker, to put the economic financial statistics in the hands of the Honourable Member for Christ Church West is like putting a forceps in the hands of a primary school child.

Asides.

Mr. SPEAKER: Order, please. Honourable Member, please. Let us proceed.

Mr. C.A. MASCOLL: I am saying that is simply a reflection of the absolute skyrocketing of building and land values in Barbados, not any substantial growth in construction. The figures that you quoted really have to be discounted and reflect the fact that there has been quadrupling of land prices and more than tripling of construction. Sir, a mortgage of \$150,000 that bought a three-bedroom home is now about \$340,000 or \$350,000, so, do not quote the foolish figures because they are foolish figures.

Mr. Speaker, indeed, I am very worried, and I wish to say this within the context of this debate. If we are not going to the foreign market for borrowings but we intend to raise \$550 million in our local loans limit, then it cannot be simply a cosmetic thing being done. It cannot be anything cosmetic unless, as is the game, the Government borrows because it is in the habit of borrowing.

Sir, I read from the Barbados Tourism Investment Inc. 2003. It says that two major investments were made during the year. An amount of \$4,260,000 was received from the Government of Barbados for onward investment in World Cup Barbados Inc. to fund Barbados hosting World Cup 2007 events.

Mr. Speaker, as I said last week, I have to be in a position as a legislator to be able to anticipate and understand the impact of policy. Therefore, if the Government does not propose to go to the foreign market for any borrowings and it proposes to raise money on the local market by way of debentures, then I expect that part of this \$550 million will go towards the funding of World Cup Barbados Inc.

Sir, I feel that it is only fair that the members of the highest decision making body in the land can be given the opportunities to deal with and understand the true implications of actions on the part of this Government. If it is the Barbados Tourism Investment Inc., which is already a 90 per cent shareholder in World Cup Barbados Inc., then it is only fair that we get an opportunity to be able to discuss the issues.

Sir, a company established by the Government of Barbados, formed under the Companies Act in 1998, of which Government is sole shareholder, is now receiving funds from Government to pass onto a company that is, I think, 93 per cent government-owned, therefore, it can happen without the Parliament of Barbados having any direct input or say into the process.

Hon. Miss M.A. MOTTLEY: On a point of order. This Committee's legislation which was the first Act of Parliament passed by this Honourable House, the Honourable Leader of the Opposition has the power, less he forgot.

Asides.

Mr. SPEAKER: Order, please.

Hon. Miss M.A. MOTTLEY: The Honourable Leader of the Opposition was given the power by this Parliament in this Session to be able to enquire into the financial statements and accounts of any entity in which the Government has more than a 50 per cent shareholding.

Mr. Speaker, on the Leader of the Opposition's own admission, the Government's shareholding in the company to which he refers, is, in fact, at 93 per cent and, therefore, he has powers that I do not have, as Leader of the House or Deputy Prime Minister of this country. Therefore, he is again misleading the House.

Mr. C.A. MASCOLL: Mr. Speaker, in fact, I have already said in private to the CEO of World Cup Inc. that I would expect him to come with his Mission to the BAC to ensure accountability and transparency. I am saying that these kinds of issues, as I will further demonstrate in this debate, are being conducted in a way that may not serve the interest of this country and that is the point that has to be made.

Asides.

Hon. Miss M.A. MOTTLEY: On a point of order. The Honourable Member is misleading the Honourable House. The Honourable Member is imputing that the Government is trying to shield from accountability and examination investments made in a company for World Cup Barbados.

Sir, the Honourable Member has the power under the Laws of Barbados and I am glad that he now acknowledges it. If the Honourable Member has the power to require information that not one of us on This Side other than the Minister of Sports or the Minister of Tourism under the Law can require, then there can be no hiding of what is going on.

H48: 12.10 p.m.

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Mr. C.A. MASCOLL: Mr. Speaker, I rise again, because that power, though it has now come, came as a consequence of the investigation into the GEMS. I will now tell you why the national debt is in the state that it is in at this time.

Mr. Speaker, we heard about the building of capacity as a major condition for economic advancement

in Barbados, but what happened is that many of these statutory bodies are able to borrow and the Government is able to guarantee the borrowings. They are called “contingent liabilities” and can be found in the Accountant General’s Reports. Therefore, every time a national statutory body borrows and it is guaranteed by Government, it affects the national debt of this land.

Since, 1994, as I said, we have had an almost doubling of the national debt, but what has happened to the so-called building of capacity? Mr. Speaker, I will tell you. The National Housing Corporation, over the last seven years, has raised \$170 million in loans.

Sir, do you know what is the housing solution for Barbados? Reversing to wooden structures. Not the building of another Farm, Eden Lodge or a Gall Hill, but after being able to borrow in excess of \$170 million, the housing solution is now a wooden structure, a 2x2 that can only hold one or two persons.

Mr. Speaker, I will go on. In the area of tourism to contribution to our national debt, the escalation of it is the GEMS of Barbados, with loans in excess of \$155 million, and undermining the small hotels on the South Coast. What is there to show for the in excess of \$150 million in loans at the GEMS for the tourism sector on the South Coast, except that there has been increasing competition for the established units and major concern expressed.

Mr. Speaker, when we talk about being able to borrow and it being reflected in the national debt of Barbados, the Transport Board borrowed in excess of \$100 million over the last few years. What is there to show for it? A transport sector that is in decline? A Transport Board that is in crisis and no solution as to where we are going, in spite of the increase of the national debt?

Mr. Speaker, we understand that the \$550 million being sought will increase the national debt, in the not too distant future. Sir, when we are supposed to be reducing the national debt, as a policy objective, to \$60 per cent of GDP, we are now here discussing increasing the national debt, which is a complete reversal of this issue, so it is very difficult not to be deceived.

Mr. Speaker, the Barbados Water Authority is a very special case which, in 1997, borrowed money for the first time under any administration. It was the Barbados Water Works but it is now the Barbados Water Authority (BWA). Sir, this BWA borrowed almost \$120 million over the last couple of years.

Asides.

Mr. C.A. MASCOLL: Why? Let me explain why it is so important to be able not just to come and discuss figures but try to get to the root cause of policy and the implications of policy on the part of this Administration.

Mr. Speaker, I am going to say here that the South Coast Sewerage Project is, in fact, responsible for the plight of the Barbados Water Authority at this stage. Sir, not many people know, even in this Chamber, that when the South Coast Sewerage Project was built, that the Barbados Water Authority had to contribute \$22 million to the capital expenditure of the South Coast Sewerage Project, in addition to loans of US\$62.2 million.

Sir, not too many people in here would know that the 1991 rate height contemplated the \$22 million that would go into the South Coast Sewerage Project. Sir, not too many people would know that the increase in the rate height actually raised the required \$22 million, and that they were raised between 1991 and 1995 but by 1996, the Barbados Water Authority, which has also contributed to the national debt, would have increased its revenue base in 1996 by \$4 million and, for the first time in six years, would have made a loss in 1995/1996 fiscal year. Asides.

Mr. C.A. MASCOLL: I have all the data. I am well researched.

I am saying, Mr. Speaker, that rather than have a profitable situation in 1995/1996 having increased its revenue by \$4 million, the Barbados Water Authority experienced a loss because administrative costs moved from \$6 million to \$10 million in one year. In fact, that was the 100th year of celebration of the Barbados Water Authority.

In fact, it is now evident that all water users in Barbados were able to subsidise the South Coast Sewerage Project and the reason why it was able to subsidise the South Coast Sewerage Project and why, in fact, Mr. Speaker, the Minister cannot go to the Fair Trading Commission (FTC), is because the FTC uses a particular basis for judging rate hearings which is a rate of return on the capital base versus profitability.

Sir, a 6 per cent rate, if applied to the existing base of the Barbados Water Authority means that the South Coast Sewerage Project would have a greater revenue requirement than the Barbados Water Authority. Sir, in actual fact, it is the Barbados Water Authority that brings in, in excess of 80 per cent of the revenue, but because of the new plant and, based on the formula of revenue minus cost, divided by capital minus depreciation, which is the fair rate of return, we have a situation where the South Coast Sewerage Project would, in fact, require more revenue than the Barbados Water Authority.

I am saying that is precisely why they have to avoid going to the Fair Trading Commission. If they go there, it would be quite evident that all Barbadians are being asked now to contribute to a sewerage system that they do not really benefit from as individuals, and that has to be looked at, Sir.

Mr. Speaker, I am indicating that while we have increased our national debt and we are seeking to do so again today that, in actual fact, there is not much to show because each and every major sector of the economy is under stress, and even the social sectors are under stress.

Mr. Speaker, on the whole question of fiscal discipline which we are hearing about today, let me say that there has been substantial off budget spending on the part of this Administration. Standards and Poor's, Central Bank and others have indicated the extent to which there has been off-budget spending.

House 48, sequence 128, 12:2014

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Continuation of Mr. C. A. MASCOLL:

Mr. Speaker, while you may not classify that as expenditure within the central Government, and it

will be shown as part of your fiscal deficit, it is money that has been spent and would therefore have implications for your economy. Therefore, I am saying that you cannot just push off-budget spending aside and expect that it would not have implications for your economy.

Merely classifying an expenditure for the purpose of hiding information from central Government does not minimise the economic consequences of the spending. That is what we are saying throughout this debate. In fact, this is an attempt now by Government to come once again to look for information or to provide information without providing the impact of the information on the people of Barbados.

Mr. Speaker, I have real difficulties and concerns in understanding why at this stage we would need to raise a loan limit by \$550 million when we are being told that the circumstances that prevail today economically are no way close to what they were in the early 1990s. We are now being told that we now have \$1.2 billion in foreign reserves as opposed to \$400 million in 1994 and that we now have a fiscal deficit that is controllable.

Sir, what we do not have now that we had then, is a potentially good manufacturing sector, an international business sector and an agricultural sector which we had to look forward to, so after almost doubling our national debt which we are seeking to do today by increasing the local loans limit, what do we have to show for it as a country?

We do not have a renewed and invigorating manufacturing sector. We do not have a renewed and invigorating international business sector. We do not have an agriculture sector that can take on the world, yet we have doubled our national debt, but what is there to show for it. We do not have an efficient effectively running transport system.

We do not have a health sector that we can be proud of like we were 15 or 20 years ago. We do not have a national housing policy that seeks to construct housing that can look to the future and even withstand hurricanes and give people some degree of safety and stability. We do not have a water network that is efficient and effective.

In fact, in the area of water, studies by Stanley Associates and Kholn Crippen, two Canadian companies, have shown that we lose 60 per cent of our water resources in the distribution channel. This was recognised back in the 1970s to the extent that the 1973\77 Development Plan made provision for the laying of pipelines across the length and breadth of Barbados at \$2 million for 50 miles of pipeline.

Rather than invest and secure our water resources, we took up money and invest it in the GEMS of Barbados, in a project at Warrens, in the Greenland Landfill and in the South Coast Sewerage Project that was inefficient and we are now taking money and putting it in the Hilton Hotel. In actual fact, what is there to show for the doubling of the national debt?

Sir, let us look at the whole question of the so-called solutions to water. We are in a situation where not too long ago we allowed a private company using BOO, build, own and operate technique, to build a desalination plant on Spring Garden. They now receive \$9 million from the Barbados Water Authority per year. One of the solutions for efficiencies, which was always a buy out clause, is for Government to buy the desalination plant from the existing Ionics company.

Sir, what is the use of buying a plant that produces 27 000 square cubit metres of water per day, multiply that by 220 if you want the gallons, and when it goes into the distribution channels, you are losing 60 per cent of it because of the inadequacies of the distribution channels. That is where the investment should be. That is where our focus should have been as a country.

So I am saying, Mr. Speaker, that when I look at this debate and I look at the increasing of the loans limit, I have not to look at that within the context of an economic space, but I need now to be able to analyse why are we coming back to this Chamber to get \$550 million to increase the local loans limit. What is there to show for it over the last 10 years under a Prime Minister who is supposed to be an economic guru?

Well, as everything else, we know what has happened. We lost over \$300 million in reserves in the last six months in Barbados, which is unprecedented. The previous highest loss in Barbados was between 1990 and 1999 with \$88.5 million in foreign reserves. We lost over \$300 in foreign reserves since March of this year.

Mr. Speaker, I therefore have to come back after lunch to continue my contribution.

SUSPENSION OF SITTING

Hon. Miss M. A. MOTTLEY: Mr. Speaker, I beg to move that this Sitting be suspended until 130 p.m. today.

Hon. R. R. FARLEY: I beg to second that.

The question that the Sitting do now suspend until 1:30 p.m. today was put and resolved in the affirmative without division and Mr. SPEAKER suspended the Sitting accordingly.

House 48 Sequence 129

12:30 p.m.

Tuesday, November 23, 2004

RESUMPTION

Mr. DEPUTY SPEAKER: This Sitting is resumed.

Mr. C. A. MASCOLL: Mr. Deputy Speaker, I rise to resume after lunch. Sir, let me start by dealing with the very basic issues in this debate. The Local Loans Act Cap. 98, is an Act to amend and to consolidate the Law relating to the raising of local loans by the Government of Barbados.

I wish to indicate, which I think is fundamental to the debate, that the securities which can be raised under this Act would include debentures and any other instruments issued in respect of the payment of a loan but it does not include treasury bills, tax refund certificates, tax reserve certificates or savings bonds.

Mr. Deputy Speaker, in fact, treasury bills are not included as part of the national domestic portion of the debt but, more importantly, any money raised under the Local Loans Act may be applied to the following:

- (a) Government's capital expenditure, and
- (b) Expenses incurred in respect of the money borrowed.

Therefore, in fact, the \$550 million which is being sought, can only effectively be applied to the capital expenditure programme of the Government. Sir, this is why I thought it was necessary, since the Honourable Leader of Government Business has indicated that there was no real need to panic at this stage with respect to the limit, that it was necessary to ask the question why are we, at this stage, seeking to raise as much as \$550 million in loans from the domestic market?

Mr. Deputy Speaker, to understand the implications of this borrowing, I want to quote from the Prime Minister's address to the national consultation on the Barbadian economy:

"The general objective is to reduce Government's borrowing requirements and to stem any domestic ruinous domestic credit creation for fiscal purposes that can add so greatly to the domestic purchasing power, as to ruin our external position."

Mr. Deputy Speaker, in short, the Prime Minister is here linking the level of borrowing to the potential to erase the foreign exchange position of the Government and in an aside, it was asked whether or not one could lose foreign reserves as a country.

Mr. Deputy Speaker, it is believed, and it was very well argued by the late Wendell McClean, that there is a one-to-one correspondence between what is referred to as the printing of money and the foreign reserves of the country. In fact, if ever one takes a look at the Barbados Central Bank's publications, the very first Table A1, which is the Monetary Authorities Table, identifies an identity which is the monetary base being equal to the net international reserves of the monetary authority, plus the net domestic assets.

Mr. Deputy Speaker, I wish to suggest that what has happened most recently in Barbados with respect to our foreign reserves, demands an inquiry. Sir, there is also reason to believe that the relationship between our printing of money and the foreign reserves, can, in fact work the other way, in that when one borrows from the Barbados Central Bank, it is possible and it has been proven to have damaging effect on the foreign reserves. It is also possible that when loans and such like have to be repaid to service debt, that can cause Government to have to print money. Therefore, the relationship can be either way. Mr. Deputy Speaker, I think that in a very strange way, the Government is anticipating increasing levels of debt service for the next two months.

Sir, in the Accountant-General's Report for 2003-2004, it is clearly identified that with respect to debentures, which is what this loans limit is about, that, at the end of December, 2004, the Government will have to redeem as much as \$80 million in debentures.

Mr. Deputy Speaker, in the event that these institutions do not roll over the debentures for whatever reason, it then becomes a major cost to Government, with respect to having to redeem the debentures. If that is so, given the current state of affairs with Government's overdraft facility at the Barbados Central Bank, Government will have to rely even more heavily on the overdraft facility, to be able to make such repayments.

Therefore, if, as is the case at September, the outstanding overdraft facility is already \$180 million, then it is quite easy to expect or to anticipate that limit of \$194 million would be under severe pressure. In fact, I have already said that the limit was reached and that I have every reason to believe that, in fact, it was reached.

Mr. Deputy Speaker, I think it is Government's duty to say whether or not that limit was reached at the Barbados Central Bank. It is also Government's responsibility, not the Opposition's, to indicate to the people of Barbados. I am suggesting that it is known that between September and October that, in fact, is the period when the country loses most of its reserves and that is the time when the printing of money occurs more so than any other time during the course of a fiscal year.

Mr. Deputy Speaker, to demonstrate that even further, I would now quote from the Honourable Prime Minister's speech during a debate to amend the Loans Act in 1998, and I read:

"The Government has now virtually put the Barbados Central Bank in a position where the Government is no longer in a net lending position to the Barbados Central Bank."

Sir, we know very clearly what are the implications of that development for the deterioration in the country's reserves. Sir, even as far back as 16 years ago, it was clearly implied and understood that the printing of money, particularly when the Government is in a net lending position, for example, as opposed to a net depositing position the Barbados Central Bank, then it has even more implications for the country's foreign reserves.

Mr. Deputy Speaker, as at September of this year, the Government was, in fact, in a net borrowing position from the Barbados Central Bank because the Special Deposits that were once in excess of \$450 million have now been reduced to well below \$130 million, and the advances or the overdraft facilities are in excess of \$180 million. Therefore, in fact, the very point which the Prime Minister, the then Opposition Leader made at the time, are that when borrowing more from the Central Bank than depositing, the potential for damaging the foreign reserves is even greater.

Mr. Deputy Speaker, that has become the case within the last number of months but I wish to draw the Honourable Chamber's attention to an episode that occurred around 1999. At the time, I accused the Government of printing over \$60 million in advances and treasury bills. The then Governor of the Barbados Central Bank, who is now the same Governor, told the people of Barbados that, in fact, it could not have been printing money because the Government, at that time, had more deposits at the Central Bank than it had borrowed in loans.

H:No.48(130)(130)140 p.m.

Tuesday, November 23, 2004

Continuation of Mr. C.A. MASCOLL:

Sir, Professor Howard came to my rescue in the discussion and explained to the Governor that you cannot say that because Government has deposits that it has not borrowed. In essence, it was another attempt to put political will over an issue that was critical.

Mr. Deputy Speaker, it is like saying that you have a thousand dollars on the bank, you go to secure a loan but because you have more deposits than the amount you borrowed as a loan that you have not borrowed from the commercial bank. This is exactly what the Governor of the Central Bank was saying at the time that because the Government had remained a net depositor, because of the Special Deposits accrued as a result of the \$150 million loan, that the Government had not borrowed, or was not printing money, and that cannot be the case. Sir, if you have deposits at an institution as an individual and you borrowed, the fact is that you have borrowed money.

Mr. Deputy Speaker, as I speak to you, Government is now a net borrower at the Central Bank of Barbados and, in the words of the Prime Minister, this would be extremely detrimental to the foreign reserves of the country.

I go further with his comments. He said:

“It seems to me, therefore, Mr. Speaker, that the care of which the Prime Minister speaks as being necessary for the management of debt in the future and the need to exercise the greatest control over the size of the national debt becomes important not only because of the size of the existing debt but because of the immediate export prospects that face this country and this is a consideration that is really one of the new dimensions in the Barbados debt situation.”

Sir, you can imagine that at that time the national debt would have been substantially less than it was now. I think it was around two billion dollars or less than that and the then Leader of the Opposition was warning the Government against increasing the size of the national debt as a result of increasing the local loans limit.

Mr. Deputy Speaker, we have increased the local loans limit by as much as \$950 million over the last two years and you can, therefore, understand why there has been such growth in the national debt from a mere \$2.5 billion in 1994 to well over \$4.2 billion in 2004.

Mr. Deputy Speaker, to put the national debt into context, I would like to quote some figures. If you divide the national debt of Barbados by the amount of people employed, then in 1994, it would have required an employed person to earn \$23 641 as his contribution to the repayment of the national debt at any given point in time. Sir, ten years later, that same employed person would now have to contribute \$32, 171 as his contribution to the repayment of the national debt.

In fact, those two figures suggest an increase of 36 per cent, a more than doubling of the increases of the wages of the workers of Barbados over the last 10 years. In essence, you can see that the national debt has doubled the increase of wages of Barbadians over the last 10 years. This indicated the extent to which the national debt has become a burden for the average Barbadian.

Mr. Deputy Speaker, it is typical to express the national debt as a per capita figure, but what we are seeking to do is to express it as a ratio to the number of people actually employed. This does not include the dependency population, those under the age of 18, or over the age of 65. It gives a fair indication of how our national debt has spiralled almost out of control over the last 10 years. Sir, as I have said before, we have very little to show for the increases that have occurred within our national debt.

I can identify the plight of the Transport Board, the Barbados Water Authority, the GEMS of Barbados, the Barbados Tourism Investment Inc. which was established as a private company to execute capital expenditure programmes on behalf of Government, and also the plight of other such entities within the fiscal landscape of Barbados.

Mr. Deputy Speaker, I want to show why the Prime Minister expressed such grave concerns about the direction in which our current account has been going. Let me explain that the current account of a country is the difference between imports and its exports which would include most merchant goods and services.

Sir, over the last 10 years, we have seen a significant deterioration in our current account position. In fact, Barbados has been exporting substantially less in real terms 10 years onwards than it was exporting in 1991 to 1994 and, because of that, and the over-performance in some instances of the import side, we have seen a burgeoning of the current account deficit on the balance of payments of Barbados to the extent where we have had the worst current account deficit in the history of Barbados during the first quarter of this year. Sir, this evidence is contained in the documents of the Central Bank of Barbados.

Mr. Deputy Speaker, this is important because, for the last 10 years as well, we have been identifying the need for the economy to be restructured and the need for us to pay attention to the export earning sectors of the economy. There is only one sector that can boast of any improved performance but, even in recent time, tourism when compared to four years ago has, in real terms, been declining.

While we can talk about the number of persons who visited Barbados over the last four years, it is important also to look at the expenditure. If you account for the purchasing power of the expenditure, Barbados' earning capacity, even in tourism, has taken some decline over the last four years. Again, Sir, that information is available if anyone wants to challenge it. When you try to give proper explanations for what is happening in Barbados and try to advance the need for restructuring the economy of Barbados to earn foreign exchange as opposed to simply borrowing your way, or having a case where you rely on real estate and property to bring capital into Barbados, then you are told that it is doom and gloom, only a few years later to recognise that what you were preaching has in actual fact come to pass.

Sir, we have seen precisely that in Barbados that instead of focussing our energy on trying to enhance

agriculture every year in the Budget for the last two or three years, we tried all kinds of policies that were designed to assist the agricultural sector. We then took the decision to change the Minister who has come under severe pressure within recent times because of a position which he took and expounded to the people of Barbados which was then revisited by the Prime Minister. The Minister has been somehow in the hot seat” with respect to these various Ministries.

Sir, it is unfortunate because there is no way in which I can believe that a Minister of his standing for so many years would not have known that he would have to consult with the Cabinet, or a subcommittee of Cabinet, because water or bus fares would not impact only his Ministry. Therefore, any decision to increase bus fares and water rates would not be confined to the Minister of Transport.

H48/13:40

Sequence 132

Tuesday, November 23, 2004

Continuation of Mr. C.A. MASCOLL:

It would have implications for social transformation, tourism and agriculture. Therefore, I would not expect that such a major decision would have been confined to a single Minister because of the implications of that particular policy on the overall economy.

I have no doubt,that having flown the kite and recognised that the public was not in favour, the pragmatist that he is, loaded with pragmatism but does not seek to identify any vision of philosophical basis for managing or carrying forward this economy. Whatever is popular will be done and that has been the practice for the Rt. Honourable Member for St. Peter for the last 10 years, because popularity is his remit.

It is not about doing the right thing because if it were about doing the right thing there would have been a more efficient and effective assessment of the circumstances surrounding transport and recognising that one sector is doing particularly well ,which is the private sector, for good reasons but the public sector has not been able to get its act together with respect to efficiency and effectiveness.

Sir, those two concepts should have constituted the principle upon which decision-making would have been made in the public utilities of Barbados.

Sir, they were articulated and we heard a lot of talk about productivity gain. We also heard a lot of talk about competitiveness and at the heart of both of those concepts is the notion of efficiency but, in the absence of being efficient, you cannot be competitive. Also, in the absence of being productive you cannot be efficient. What it really means is looking at the way you utilise your inputs versus your outputs. Those were supposed to be the tenets upon which a new economy would be built.

Sir, once decisions could not have been taken and made across the spectrum of the economy with respect to agriculture, tourism and the international business sector, we then heard of a new concept, the

creative economy.

What is a creative economy? Is it culture or arts? It has now moved away from being the issue surrounding building capacity and efficiency to a new buzz phase, a creative economy. Well, an economy has been created from its inception. It does not wait until now to become creative but that is how it is. It is about pragmatism, what is practical and popular, rather than making decisions in the interest of the country and determining that from 10 years ago you needed to have concentrated on the ability to earn foreign exchange, the ability to export goods and services and not just concentrate on getting money via the route of real estate and property.

Sir, this has been carrying Barbados. It was admitted by the Honourable Member for St. Michael North East but it is extremely evident on the first Table of the Reports of the Central Bank that while our current account deficit was worsening, we were fortunate to have an increase, especially in the year 2000 and 2001, in our capital and financial accumulation.

Sir, Barbados has limited land space and real estate and it will not be in a position to continue to sell its real estate or property. It cannot continue to borrow and the only effective strategy for sustainable growth and development is to get people working efficiently. It is not about providing jobs because you can provide jobs but are you providing work? Sir, there is a fundamental difference.

Mr. Deputy Speaker, even when you investigate the Barbados Water Authority and you ask the question why should the administrative costs or expenses at the Barbados Water Authority move by \$4 million, which is from \$6 million to \$10 million in one year, you have then to ask what was the money spent on? This has nothing to do with playing any politics about job numbers just being jobs and you can come and do whatever you like within the public sector.

Asides.

Mr. C.A. MASCOLL: Sir, it was never a sustainable path on which to develop the Barbados economy. I also want in this debate to unravel some other things because you have to read very closely the Prime Minister's words. He said on the same page

"I am satisfied that the programme of fiscal and financial discipline which this Government of Barbados has imposed and will continue to impose upon itself should give the assurance that no action by the State will generate or add to any of the economic problems our nation will encounter."

Mr. Deputy Speaker, this is good language, but the thing is that the Government found a way of spending money without it being accounted for on the central accounts of Government and, therefore, not being reflected in the fiscal deficit of the Government. He goes on:

"I am not unmindful of the fact that rating agencies have alluded to off budget activities such as the building of the new Hilton Hotel, the Government's involvement in commercial enterprise, especially the airport expansion, and its support for the programme of product development of the BTII, as extending the scope of proposed activities by the State into areas they deem not appropriate for the State or unsustainable, fiscally."

Mr. Deputy Speaker, I am going to repeat myself here because you cannot spend money without it having implications. This is why I am convinced that the way in which we spent money inefficiently and ineffectively on the South Coast Sewerage Project has now come back to haunt the Barbados Water Authority. Sir, the Barbados Water Authority was supposed to be responsible for the South Coast Sewerage Project and because it became bankrupt in July of this year, it can no longer take on that responsibility.

In fact, as I said in the pre lunch session, the 1991 rates would have contemplated \$22 million to contribute to the South Coast Sewerage Project. It is important, therefore, to understand that it is not only about the way in which you account for money, but the way in which it is spent that can have implications for...

Asides.

Mr. C.A. MASCOLL: Mr. Deputy Speaker, there is no doubt that this Government has found ways of spending money and getting around the system. As I said, for the first time in its history, the Barbados Water Authority borrowed money in 1997. Sir, the National Housing Corporation is now on a borrowing binge. The Barbados Transport Board is also on a borrowing binge and the GEMS of Barbados is another example.

Mr. Deputy Speaker, the airport expansion is another example of the use of Public Enterprise Investment Funds to capitalise the Airport.

House 48, 14:00

Sequence 133

Tuesday, November 23, 2004

Continuation of Mr. C.A. MASCOLL:

The same thing happened at the sea port, not with respect to the Public Enterprise Investment Fund but the ability of such an entity to be now able to borrow and for us, as a Government, to be able to guarantee the borrowings of such entities. Therefore, it is going to have implications for your fiscal position and the ability for the Government to manage effectively, the overall fiscal affairs of this country.

Therefore, for me, the sudden deterioration in our foreign reserves could have been contemplated, if we recognise that it does not matter how we account for spending, but that we have spent and, Sir, the way in which we spent money over the last couple of years would have eventually caught up with us in terms of our implications for foreign reserves.

In fact, as I quoted earlier, when the present Prime Minister was Opposition Leader, he recognised the extent to which such spending can have implications for the country's reserves. He observed it at the time but there is a difference of being a MP and a PM. Therefore, when you compare the MP with the PM, you can see that there is a difference of views and outlook based on your location. I am just saying

that it is not at all good for Barbados that we have reached such a position so quickly.

The other thing you need to do in terms of planning for the future, Mr. Deputy Speaker, is to be able to make an assessment of policies and even your loans. On 28th August next year, this country is going to have to repay a US\$40 million, which is BDS\$80 million that will be redeemed.

The Honourable Member for St. Lucy has repeatedly spoken to a loan that was taken out which has served over the years to be beneficial to Barbados because of the benefits derived from the appreciation of the U.S. dollar versus the Japanese Yen. Again, there is evidence but that would not be due until 2015.

Asides.

Mr. C.A. MASCOLL: All I am saying is that you cannot start to plan for the future without understanding your current commitments. Therefore, when all is said and done, Sir, and all that was said this morning by the Honourable Member for St. Michael North East having committed to the IMF, not to go on the foreign capital market in the immediate future...

Hon. Miss M.A. MOTTLEY: Mr. Deputy Speaker, on a point of order. The Honourable Member is misleading the House. I am unaware of any commitment by the Government of Barbados to the IMF, not to go on the foreign capital markets. If he is asserting that, he who asserts must prove, so let him prove it.

This matter engaged the attention of the Economic Statement debate last year and on that occasion, he was told by the Rt. Honourable Member for St. Peter that there was an Article IV consultation that there was no agreement. On that occasion he tried to assert that there would be private sector wage cuts but far from that, we had private sector wage increases and there was no such agreement then.

I am saying to you, Mr. Deputy Speaker, that it is misleading for him to suggest that there is an agreement between the Government of Barbados and the IMF, that the Government will not go on the international capital markets. The Government stated that of its own volition.

Mr. DEPUTY SPEAKER: Honourable Member could you rephrase what you have just said, please.

Mr. C.A. MASCOLL: Sir, the Prime Minister stated clearly that he is not going on the foreign capital market but that coincides with the view of the IMF. However, let me say here therefore that you can start to understand this increase in the loans' limit because here we are seeking to increase our national debt, contrary to the view expressed that it should be reduced.

We have also promised not to go on the foreign capital market and, if we are seeking to increase our national debt without going on the foreign capital market, then we have to go to the domestic market for such loans.

Asides.

Mr. C.A. MASCOLL: Mr. Deputy Speaker, there will be crowding out, as was admitted. If we are

going to go for as much as an additional \$550 million over the next year or two, could you understand the implications...

Hon. K.D. SYMMONDS: Mr. Deputy Speaker, on a point of order. The Honourable Member is misleading the House. At no time has it been suggested that this Government would be seeking within a year or two years. The next thing the Leader of the Opposition, given his want for exuberance in these matters would be saying is a week or two weeks. Sir, it is a blatant misrepresentation of facts and the Leader of the Opposition must know better.

Mr. DEPUTY SPEAKER: Please proceed, Honourable Member.

Mr. C. A. MASCOLL: Mr. Deputy Speaker, it is again the reason why sometimes I have to speak in such measured tones. Let me explain for the Honourable Member for St. James South. Sir, I said at the start of my post lunch session that there is an identity called, the monetary base, which is equal to your net international reserves, plus your net domestic assets.

Mr. Deputy Speaker, if the Government has to redeem the \$80 loan on the 28th August 2005, then it would be an outflow of foreign reserves. The foreign reserves would fall and there would have to be an accommodating local account that will rise. If Government does not have any resources, it will borrow from the Central Bank what is called the "Ways and Means". If Government can raise local debentures of \$80 million it would do so, but there has to be an offsetting local asset movement, as a result of the repayment of any loan.

Mr. Deputy Speaker, this is precisely why I am saying to this August Chamber that if you are not going to borrow foreign currency to replace any amortisation or repayment of principals of loans outstanding, then there has to be an offsetting local adjustment upwards. Therefore, Sir, I am suggesting to the Chamber that it is not simply a question of grandstanding.

Asides.

Hon. K. D. SYMMONDS: On a point of order. It has been said in this House before by the Rt. Honourable Member for St. Peter that the Honourable Member for St. Michael North West has a death wish for this economy and I am beginning to believe that there is some veracity in that matter.

Sir, there is something called "revenue earning". The Honourable Member for St. Michael North West does not know what tourism receipts will be in this winter season. He does not know what receipts from any other sector will be, but he is presuming that things would be bleak and devastating. In fact, this is his mantra every Sunday night when he pollutes the public ear that there is a decade of devastation and things would be so bleak that there can be no opportunity for Barbados to earn its way out of things. Sir, that is what this is all about and he must stop misleading the House.

Mr. DEPUTY SPEAKER: Please proceed, Honourable Member.

Mr. C. A. MASCOLL: Mr. Deputy Speaker, this is precisely why you need to listen to yourself because, at the end of his contribution he said that I am presuming that Barbados will not earn its way out of things. It therefore means that he is admitting that Barbados has borrowed its way, so if he is

suggesting that Barbados has to find a way to earn its way out of things, it has not done so as yet.

House 48, sequence 134, 14:1014

Tuesday, November 23, 2004

Continuation of Mr. C. A. MASCOLL:

Therefore, I am suggesting, Mr. Deputy Speaker, that he has to understand that for every foreign transaction there is a corresponding local transaction. That is why the late Wendell McClean always used to say that if local assets go up, net foreign assets would fall.

It cannot hurt to go and do some reading in the Nation Newspaper on this matter. That was a very contentious issue between the current Prime Minister of Barbados and the late Wendell McClean. At that point in time there was a difference of opinion between the word “the” and “a”. I am saying that there is need to consider understanding how it works.

Mr. Deputy Speaker, I therefore want to suggest that when you look at Barbados’ debt servicing over the next several years that you have to be concerned about the implication of our economy to service its way out of the outstanding debt. On April 9, 2009 we will have to repay \$150 million one time and on June 15, 2010 we will have to repay \$200 million one time.

Sir, I want the Honourable Members on the Other Side to be very serious about what I am saying because I am not here making sport. I am here looking at the reality of life in Barbados. I am looking at the inability of the economy to earn foreign exchange versus the need to service debt in the not too distant future.

Sir, I well understand why there is an underlying reason for \$550 million at this time. It is not just by the way. It is an anticipation of lots that would happen and lots that would have to happen. In fact, those large loans of which I spoke came out of the External Loan Act, but there are loans from the Inter-American Development Bank, the Caribbean Development Bank and other such loans that we need to contemplate the impact on the Barbados economy in the not too distant future. It is a major concern the way we have allowed our national debt to escalate over the last 10 years.

Sir, what has happens is that the chicken has now come home to roost and, in the not too distant future, we will have to think in terms of how we would repay the outstanding debt, particularly the foreign component.

Sir, let me say here that this is not a question of doom and gloom. We have put an inordinate amount of weight on the tourism sector to carry the economy. This is no wonder why the Minister of Tourism feels so proud about his performance because in a notion of inadequate performance, he can at least thump his chest that tourism arrivals have increased substantially, I suppose, over the last couple of years.

However, when you look at the foreign exchange earning capacity from tourism, it has declined in real terms. This has a lot to do, as he knows, with the discounting that has occurred. Let me explain at

this point, Mr. Deputy Speaker, because this was recently raised in the public domain.

Mr. Deputy Speaker, even though the Best of Barbados Programme has come to an end, the Minister of Tourism would know that it takes at least a year before you can realise the benefit of a marketing programme. He was recently in Britain at World Trade Market doing all kinds of promotions to persons across the world, so he would know that the impact of such a strategy would not be reflected or revealed until next year and beyond.

Mr. Deputy Speaker, in similar vein, the Best of Barbados Programme even though it came to an end this year, would have been in the market last year and the discounting of airfares and room rates would have compromised the revenue base within tourism and is, in fact, responsible for the fear that was recently expressed by the Prime Minister in the Central Bank not getting access to as much foreign exchange as it did in previous years which consequently caused a red flag to be raised by the Prime Minister and those involved in the process.

In addition to the fact, a merchant bank called "Citicorp" came to Barbados and engaged in specialised merchant banking which has had its impact on the reserves. For the benefit of the Honourable Member for Christ Church West, who has an interest in economics, this is how it works. Citicorp is a merchant bank and unlike a commercial bank, it has few clients but dabbles in large transactions.

It is therefore able to do its transaction far more cost-effectively and can therefore offer merchants a cheaper rate for transactions, particularly foreign exchange transactions. This is why it has been able to draw merchants away from the commercial banking system and into the specialised world of merchant banking.

In addition to the fact that Citicorp is about the second or third largest financial institution worldwide, I wish therefore to let them understand that in such a circumstance, it is not the activity of Citicorp that has caused problems in Barbados because all Citicorp is doing is taking away business from the traditional commercial banks, so they cannot blame Citicorp for the deterioration in the foreign reserves.

It is simply a question of people moving their business from the commercial banks to a more specialised merchant bank environment where they would get cheaper transactions cost and therefore being able to save as a consequence of their move.

However, it does not explain why it is that in spite of the increased arrivals that the Central Bank has not been seeing a commensurate level of foreign reserves coming into the till over the course of the last nine months.

Mr. Deputy Speaker, I am very serious on this matter because this is at the heart of our future. The Minister of Tourism must understand that he is effectively carrying the Barbados economy on his back. Asides.

Mr. C. A. MASCOLL: Mr. Deputy Speaker, the merger of the two banks would have put all the excess liquidity in the hands of one bank. That is something that also needs to be understood on the

Other Side. When they brought CIBC and Barclays together, what they have effectively done is to merge a large giant within the context of the Barbados economy.

While we speak here of a lot of excess liquidity, it must be understood that that one bank accounts for about 60 per cent of the excess liquidity within the banking system. The excess liquidity is not across the commercial banking system because there are some commercial banks that do not have excess liquidity. However, this one giant has been able to play to such an extent that it is now like a dominant partner within the local commercial banking system.

Sir, this is almost to the extent in which Cable and Wireless continues to be the dominant player within the telecommunications sector and is permitted to be because notwithstanding the liberalisation of telecommunications, Cable and Wireless has to be given an opportunity to earn profits like if it were still a monopolist. This was stated quite clearly in a previous debate in this Chamber, so even though the liberalisation took place seven years earlier, Cable and Wireless would ensure that it finds ways to get its monopoly profit and that it is doing.

House 48 Sequence 135

2:20 p.m.

Tuesday, November 23, 2004

Continuation of Mr. C. A. MASCOLL:

Mr. Deputy Speaker, similarly the consolidation of banks within the system will have a sort of dominant effect on the commercial banking sector, and we have started to see the impact of that. Therefore, let us not fool ourselves that Barbados is exactly where we want it to be, because it is not.

In fact, Barbados is not well positioned and, therefore, in the absence of a very good winter season, given the potential debt servicing that will occur next year, Barbados can find itself even more concerned about the implications of local borrowing and inefficient spending on the overall performance of the economy. Sir, nothing has stopped.

Asides.

Mr. C. A. MASCOLL: It is true. It is a fact of life. It is not about wishing. In fact, it is about being honest and upright in one's assessment of the prevailing circumstances.

Mr. Deputy Speaker, there is also something else I wish to address because with respect to the creation of off-budget spending, the Honourable Prime Minister said:

"We, however, see these as one-shot capital activities that will not contribute, in a sustained basis, to the size of the fiscal deficit, which, in fact, will add vital new productive and institutional capacity, to help build and support a modern economy."

Mr. Deputy Speaker, let us look at the off-budget spending. Where, in Barbados, has the off-budget

spending occurred? It has occurred at the Airport, and to this day the Airport has not been completed. In fact, the Airport was established without even there being provision for toilets for some staff, next to the Departure Lounge.

Asides.

Hon. N. A. LYNCH: On a point of order. Mr. Deputy Speaker, that is not correct. The actual approved plans for the Airport called for toilet facilities in all of the areas to which the Honourable Member speaks. Sir, clearly until the project is completed, all the toilets cannot be built in certain areas until that area is completed. Therefore, again the Honourable Member is misleading the Honourable House.

Mr. DEPUTY SPEAKER: Proceed.

Mr. C. A. MASCOLL: Mr. Deputy Speaker, it is a fact that PHIL Construction forgot to put toilet facilities for workers behind the Departure Lounge. In fact, the workers have indicated that has now become an additional expense to Government.

Asides.

Hon. N. A. LYNCH: Mr. Deputy Speaker, the plans for the infrastructural improvements at the Airport were canvassed by a committee which included the Airline Association and specific representatives of the airlines industry. Sir, everything was approved. PHIL Construction did not forget anything. They are the contractors and, therefore, did not prepare any plans. They would have built to the plans and, therefore, anything that was left out or omitted, as the Honourable Member is saying, would have to be a process to which the Airlines Association and the employees would have agreed.

Mr. DEPUTY SPEAKER: Proceed, Honourable Member.

Mr. C. A. MASCOLL: Mr. Deputy Speaker, in the original planning stages, it was not recognised that the airline workers would wish to have bathroom facilities. Therefore, as an addition or as an afterthought, the Government was, therefore, saddled with additional expenses to build the facility that is now being built at the back of the Departure Lounge.

Asides.

Mr. C. A. MASCOLL: That has been stated by the people. Sir, in any case, the Departure Lounge has not been built effectively. In fact, on any given day where British Airways, American Airlines, Virgin Atlantic and some others would have landed, persons have to line up, and I mean extremely long, to get to the bathrooms in the Departure Lounge. That is a fact of life. I saw it.

Asides.

Mr. C. A. MASCOLL: That is what I am saying.

Asides.

Hon. N. A. LYNCH: On a point of elucidation, if the Honourable Member would permit. Sir, because the Airport is being built in different phases and in different sections, bathroom facilities are not yet opened on the western side of the departure area. The reason being that part of the area where those bathrooms will be, is now being used to house the duty-free area, banks and other facilities. That is why one would find most people congregating down the eastern side where the bathroom facilities are located. When the project is completed, there will be bathroom facilities throughout the entire departure area, both on the eastern and western sides.

Sir, as it is now, if we were to allow persons into the bathrooms on the western side, they would have to go through Immigration, a very secured area, which, at this time, cannot be permitted.

Mr. C. A. MASCOLL: Mr. Deputy Speaker, monies that were taken from the Public Enterprise Investment Fund and the monies that were converted to equity out of the Consolidated Fund, are areas to which I want to speak because this debate is about fiscal management and accountability.

Sir, I well recall the issue of loans being advanced out of the Consolidated Fund to Needhams Point Holdings Limited and to the Grantley Adams International Airport Incorporated. I remember that not too long ago, we were told that Government has the authority, according to the Financial Administration Act, to lend to agencies but that if those loans were to be converted to equity, then they become expenditure. We were told that as long as the Cabinet makes a decision to lend money to any agency, that Government does not have to come to Parliament because until that money becomes equity, it will not be considered expenditure.

Sir, in the Accountant-General's Report, it says that the loans advanced to Needhams Point Holdings Limited and Grantley Adams International Airport Incorporated during the previous fiscal year, were taken over and repaid by the Public Enterprise Investment Fund.

Mr. Deputy Speaker, had Government taken the decision to convert the loans to equity, they would have had to seek parliamentary approval, but Government decided that in order to get around such a process, it would have taken \$50 million out of the Public Enterprise Fund and converted the loans to equity, without having to come back to Parliament.

Mr. Deputy Speaker, while that may seem to be okay on the Other Side, it has implications for the overall fiscal prudence and management of Barbados.

Sir, let us go even further. We had loans to Hotel and Resorts Limited and to the Caribbean Broadcasting Corporation (CBC) which have remained outstanding to this day. It goes on:

“The Caribbean Broadcasting Corporation (CBC) failed to make any repayments during the financial year, accumulating interest arrears of \$1.82 million at March 31, 2004.”

H:No.48(136)230 p.m.

Tuesday, November 23, 2004

Continuation of Mr. C.A. MASCOLL:

Sir, CBC has not been in a position to repay any of the loans...

Hon. Miss M.A. MOTTLEY: Mr. Deputy Speaker, on a point of order. The Honourable Member is misleading the House. It is preposterous to suggest that CBC got \$20 million in loans to produce "Morning Barbados". The reality is that there were two financial transactions with CBC, one in which Government undertook its shareholder obligations in terms of investing money to deal with shareholder obligations in CBC and the loan that was provided for the conversion of the digital project, which is well underway, with over seven to eight thousand subscribers having been already transferred. Sir, I understand it will be completed by the middle of next year.

Mr. C.A. MASCOLL: Mr. Deputy Speaker, this is exactly what I am speaking to because these loans are all part of our national debt. Whenever you look at the institutions, be it CBC, the Transport Board, the Barbados Water Authority or the GEMS of Barbados, they are not running cost effectively nor are they financially viable.

Hon. Miss M.A. MOTTLEY: Mr. Speaker, on a point of order. As I understand it, there is some misunderstanding as to the terms and conditions as to when the loan should start to be repaid, but that matter has now been resolved satisfactorily. CBC, therefore, accepts that it has a responsibility and knows when it will start to repay the loan. There is no intention on the part of CBC to avoid paying.

The Honourable Member has asked for annual reports of CBC. Sir, I have only been Minister of CBC for the last two years but I have started to bring reports as of today going back to 1998. I am trying to clean up a host of things so that as Leader of the Opposition, he can have his wish. I promised him to his face and publicly that he would have all the information he needs to do a full investigation of the Caribbean Broadcasting Corporation.

Mr. C.A. MASCOLL: Mr. Deputy Speaker, I am extremely happy to know that the Honourable Member for St. Michael North East is willing to oblige. I would like for the policy of being efficient and effective to run throughout the Government because, could you imagine that the Annual Report of the Barbados Water Authority for 2000 was only laid in this Chamber two weeks ago yet, Mr. Deputy Speaker, in trying to justify an increase in water rates, the Minister was able to quote net losses from the Audited Financial Statement for 2004?

Mr. Deputy Speaker, why should it take the next four years for us to be able to peruse the Annual Reports of the Barbados Water Authority when in recent consultation.....

Hon. K.D. SYMMONDS: Mr. Speaker, on a point of order. The Honourable Member is misleading the House. I was sitting next to the Minister on one of the occasions when he made his presentation and he was speaking to projected losses. I do not think that the Government is in a position to submit the audited Financial Statement, 2004 from the Water Authority to state assertively what are the net losses so the Minister would have been speaking to projected losses.

Mr. C.A. MASCOLL: Mr. Deputy Speaker, the one thing I have a reputation for is speaking truthful. Let me now recall from memory. Sir, at March 2004, the deficit per audited financial statements stood at

\$88 million for the Barbados Water Authority. This deficit is projected to be \$116 million at March 2005 based on the approved budget of 2004/2005.

Mr. DEPUTY SPEAKER: Honourable Member, what financial year are you quoting?

Mr. C.A. MASCOLL: Sir, at the end of March 2004, the Minister was able to quote that the organisation had made losses of \$21.4 million yet the latest Annual Report laid for the Barbados Water Authority is up to 2000. Why is it that the Minister is able to quote from a recent audited document but we take four years to get an annual report from the Barbados Water Authority? Sir, there is more in the mortar than the pestle.

Sir, if the Honourable Member for St. Michael North East has a policy of ensuring that the Annual Reports of CBC reach here in time, I want to know when we are seeking to justify an outcome that we can provide information but when we wish, on the side of the Opposition, to understand and appreciate issues we do not get access to information with the same speed and accuracy. Sir, I find it strange that we are now in a position where a Minister can go to justify water rates. Mr. Deputy Speaker, I repeat that water users in Barbados are subsidising the South Coast Sewerage Project and this is why we are being called upon now to have increases in water rates. Sir, it is quite evident that the Barbados Water Authority has had to carry a lot of load because of the South Coast Sewerage Project.

Mr. Deputy Speaker, you cannot ask people who have already made a contribution of \$22 million towards the project to bear and carry the brunt of the South Coast Sewerage Project which was inefficiently and poorly managed. In fact, the Barbados Water Authority in the Annual Reports was responsible for any cost resulting from the extension of the project.

I wish to put the debate in context because it is not just about \$550 million but about how it contributes to the overall national debt and, most importantly, what can we show for the almost doubling of the national debt over the last 10 years. It has occurred in every instance and the national debt can be seen in the most efficiently-run public utilities and organisations under this Administration.

Sir, the gist of my presentation today is that you cannot continue to increase the national debt and allocate resources to particular institutions that are not up for scrutiny.

H48/14:40

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Continuation of Mr. C.A. MASCOLL:

It is the only way that I can do this because this Accountant General's Report allows for me to look at all the outstanding loans that are guaranteed by Government, called contingent liabilities, to see exactly which organisation would have incurred the loan and under what circumstances and why.

The only reason I am doing this is so that I can begin to ask questions about the overall management of the economy. I am not saying that it is not my responsibility but I am saying that in the absence of having such information, I could not even begin to understand what the South Coast Sewerage Project really meant for Barbados in terms of the excesses that were spent and in terms of the inefficiencies.

Asides.

Mr. C.A. MASCOLL: Sir, it is about being able to make sense of the information and being able to analyse the information within the context of what is happening. It is quite clear now that this Administration has not only squandered money, but the implications of the squandering have come now to hurt the economy. We are now starting to see everything come together.

Mr. Deputy Speaker, we have the Transport Board competing against minibuses, taximen and ZRs, which are all profitable and use gas or fuel as a major input so why is it that on the one hand you could have a doubling of the taxi fleet in Barbados with a constant price over the last 10 years, but the major transport sector has been undergoing strain, inefficient and inadequate management?

Sir, look at the Barbados Water Authority and the Transport Board and in every instance there has been an increase in the employment levels. All I am saying is that you need to explain your position.

Sir, how come in a situation where you talk about losses, in one year, between 1995 and 1996, your administrative costs could have increased by 66 1/3 per cent? I do not know the answer but I feel that the people of Barbados need to understand the answers and then to understand the extent to which they are being carried for a ride and the burden they are being asked to bear because of an ineffective and inefficient management on the part of this Administration. This is the sort of thing that I am interested in.

Sir, why should we have the impact on the people? Why increase your national debt to the extent that we have but it cannot be reflected in increased performances across the various organisations that are supposed to execute it, particularly, social services for the people of Barbados? It has not happened in transportation nor water. It has not happen in GEMS or the National Housing Corporation.

Mr. Deputy Speaker, there is now a last minute rush to prove that there is a housing programme after 10 years but, to make matters worse, with respect to housing, in September 1997 the Government of Barbados raised a \$30 million bond. In December 1998 the Government of Barbados raised a \$20 million bond and, in a year's time, National Housing Corporation had raised \$50 million in bonds. It, therefore, means that the national debt went up by \$50 million.

In addition to that, other loans were raised, \$35 million from the Barbados Mutual Life Assurance Society, the National Insurance Board, \$35 million from CIBC Trust and \$13 million from the Barbados National Bank. I saying that we were raising all of these funds but the then Minister of Housing came into this Chamber and said that instead of using the \$30 million for building low-income housing, that he was going to build the Warren offices for \$22 million and that he would put aside the \$8 million on a bank account.

Mr. Deputy Speaker, this is now seven years that the Warrens offices were being built. Sir, all kinds

of private enterprises came and built offices around Warrens, and to this day the Warrens offices have not been completed.

It was being said that they are going rent offices out to acquire \$1 million in revenue per year, but if you spend \$22 million and you are receiving \$1 million per year, it would take 22 years to get back the loan that you invested in the building. Sir, what could you then do in terms of building low-income houses?

Sir, I recall the debate like now because I could not believe that Government is going to spend \$22 million building Warrens offices but it is hopeful that \$1 million would come in rent and after 22 years you would then invest it in low-income housing.

Mr. Deputy Speaker, that failed, so the new Minister of Housing is now all about public relations. There is a \$52,000 house with one bedroom, no land, foundation, plumbing or electricity. Once the Minister of Housing is involved in any venture you can expect the main newspaper in this country to highlight everything in colour, on the front and back pages, on front spread and promotion of the day.

Sir, when the Honourable Member held the portfolio of Minister of Health, there was an Environmental Bay and a Healthfest and now that she is Minister of Housing they would look for houses anywhere to ensure that this particular Minister gets her weight in gold. All you need is to have a proper public relations plan. It will happen and it has happened.

Mr. Deputy Speaker, when you are making contributions to real issues in Barbados at this stage, you have to look at Page 18, but if you are going to talk about other things you would find it on pages 1 or 3 when the people of Barbados want to hear the issues and want to discuss the real substance which people in Barbados want to hear and which is impacting on them.

Sir, let us debate the real issues confronting Barbadians. Let us debate issues affecting Barbadians and let us understand what the future holds. Therefore, when I am critiquing the Government's policy, it is in the hope that I would be able to live like you for as long as I can in a healthy sustainable way in Barbados. Sir, that is all I require because regardless of who is in charge of the governance of this country, we all have to live.

Therefore, the time has come to make sure that politics is serious and deals with serious issues about the people's future and that is all I am interested in. Mr. Deputy Speaker, sometimes they say that I am too serious, but I prefer to be serious because there are too many things lurking around and this Administration has had too many opportunities to hoodwink, camouflage and not truly be transparent in the affairs of the people of Barbados.

Sir, I can go on to discuss the implications of this measure on the governance of Barbados and go on to look at its impact. For example, we have had an education system in which EduTech has borrowed quantities of money that have been included in the national debt, but when you look at the national education system and the borrowings for EduTech, you cannot say that Barbados' educational system has improved.

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Continuation of Mr. C.A. MASCOLL:

Therefore, one really has to wonder what is happening with our young people. I repeat, there are more males under the age of 25 in Barbados than there are females. There are more males in primary and secondary schools in Barbados than there are females.

Mr. Deputy Speaker, what therefore can explain why, at tertiary level institutions, there are 245 females to every 100 males and the erosion in the quality of life for your males. Sir, you have to be concerned, if you are truly managing the affairs of this country, what will happen to our human resources into the future, if half of your human capital is being under trained, and does not have the desire to want to be trained.

Therefore, what you are having, Mr. Deputy Speaker, is that in spite of increasing your national debt, through all of these projects, you are not seeing the kinds of output or returns in your social sectors. Could you imagine what would happen in the not-too-distant future if 70 per cent of your enrollment at the UWI and the Community College is female? Could you imagine the implications for the family? Could you imagine the implications for a young lady finding a solid young man in a future Barbados? Can you imagine a well-rounded young man and contrary to what was believed in Barbados where they had four women to one man? It is foolishness.

In fact, in the next 20 years, there will be more men under the age of 45 in Barbados than there are women. Therefore, we have to be concerned with the way in which we are proposing to use our national debt and our local loans and I have to make the point.

Asides.

Mr. C.A. MASCOLL: Sir, I am also making the point with respect to the various social sectors that are being impacted on, by the lack of effective management of this economy. This is why I would draw on this debate to highlight that it is more than just about numbers.

I want therefore, Mr. Deputy Speaker, to just come home by putting this entire debate into perspective. It is really about making the best of a loan and if, as an individual, you were to borrow money to put in a business and you do not see the returns you would have failed, but you still have the burden of the loan to carry. If the Government borrows money to put into the GEMS, Greenland, Warrens, the South Coast Sewerage Project and any other activity and there are no real returns, the Government has failed.

In fact, when you test this Government on the basis of what it has provided with the increased national debt that it has incurred, this Government has failed to deliver to the people of Barbados, commensurate with the indebtedness that it has undertaken over the last 10 years. I have to query the

kinds of institutions we have formed, and the kind of manipulation of the fiscal system we have made, in order to provide an instant means for this Administration, but that the people of Barbados cannot see.

Mr. Deputy Speaker, I end by saying this. I know that within six months' time, we are going to be here discussing raising debentures for World Cup Barbados. I want to know why it is that we have had to establish the Barbados Tourism Investment Inc. for us to carry our investments through to eventually form World Cup Barbados, Inc.

Mr. Deputy Speaker, I am concerned about it because I understand the implications of being in a position where we cannot fully assess, analyse and be transparent about the way in which our resources would be fully utilised.

Asides.

Mr. C.A. MASCOLL: I understand that I am in charge of the Public Accounts Committee but, certainly, that would be after the fact. I can only come to Parliament with an assessment...

Hon. R.R. FARLEY: Mr. Deputy Speaker, on a point of order. The Honourable Member is, clearly by the words which have fallen from his mouth, indicating that there is an intention to be opaque concerning the transactions with respect to World Cup Barbados.

He said quite clearly that he is concerned about the fact that we went through BTII to get to the World Cup Company, and there is clearly a lack of transparency which could only be, Sir, that there is a deliberate attempt to deceive and to hide.

Sir, there is no difference in the structure or the ability of the Opposition to look into or influence what happens with World Cup, than it is with the BTA, the Central Bank or any other entity set up as a statutory body owned by the Government.

Therefore, the Honourable Member is misleading the House by suggesting that there is, by way of creating the structure, a deliberate attempt to deceive and that suggesting, Sir, is against the rules of this House.

Mr. DEPUTY SPEAKER: Honourable Member could you please rephrase those remarks.

Mr. C.A. MASCOLL: Mr. Deputy Speaker, I will because what I am suggesting is that the model has already been established. I have already quoted in the debate that I read in the 2003 BTII document that two major investments were made during the year. One is in the amount of \$4.26 million, received from Barbados for onward investment into World Cup Barbados, so it is quite clear, without it being known by the public that there is a model through which the World Cup would be financed.

Asides.

Mr. C.A. MASCOLL: I am saying that Barbadians did not know about it and that it has never been stated.

Hon. R.R. FARLEY: Mr. Deputy Speaker, on a point of order. The Honourable Member is seeking to foist on the public, hoping that they will not be able to discern these things, the false view that the Parliament of Barbados, outside of the Estimates debate where plans might be discussed by Honourable Members on This Side, or other opportunities for debate during the year, that there is some mechanism - which he knows does not exist - by which the Opposition or indeed the public will be involved in determination of the policies and programmes of the various statutory bodies.

Therefore, by inferring that in the case of the World Cup, this inability by him and his team to be able to influence policy beforehand, is an attempt to deceive, so he is trying to make the same suggestion of deception by a roundabout route. There are other mechanisms and, certainly, the World Cup Programme has kept the Opposition and everybody else fully informed, but I totally reject the suggestion he is making here that there is some attempt to hide this investment.

The Prime Minister of this country has been very clear, forthright and open, as has World Cup Barbados, Mr. Deputy Speaker, and has the involvement of over 200 volunteers in the creation of the Programme and 18 sector teams in the implementation of the Programme, Sir, which promote the greatest possible openness, so the Honourable Member should really forget this point and move on.

Mr. C.A. MASCOLL: Mr. Deputy Speaker, can it be denied that the financing of World Cup Inc. will come from local sources? No.

House 48, sequence 139, 15:0014

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Continuation of Mr. C. A. MASCOLL:

How will it happen? Through Government. By what means? Debentures. This is part of the reason why we are here today, but it was never stated. Yes, the Government told the public that it will be financing the Cricket World Cup. However, we are here today seeking an increase in the loans limit by \$550 million which is way beyond the existing liquidity in the banking system which cannot exceed \$250 million even though it was said that it is not really necessary because the limit is not under threat.

Mr. Deputy Speaker, what I am saying to you is that not all of the liquidity in the banking system will be invested in debentures, so, how could we not be clear why we are making the increase in the loan limit at this stage even when it was said by the Honourable Member for St. Michael North East that it is not necessary because there is no real threat to the existing limit?

Sir, there is, because the existing limit is less than \$30 million away as was stated this morning. I am suggesting that we really need to come to terms with why we are doing what we are doing.

Sir, I am not satisfied that the model that has been identified so far by this Administration is working because when you evaluate all of the expenditure resulting from the national debt, there is no proof that we are doing it cost-effectively, efficiently or in the interest of Barbadians.

I thank you, Mr. Deputy Speaker.

Hon. A. P. WOOD: Mr. Deputy Speaker, I sat through a very long discourse by the Honourable Member for St. Michael North West and there are a couple things from his discourse that stand out in my mind. The very first one is that he is anxiously looking forward for the Honourable Member for St. Peter to distinguish himself in a manner similar to himself when he was financial advisor to the Democratic Labour Party during the period of the economic holocaust in this country.

Sir, ever since 1994 when this Government took over the reign of power, he has had 10 long years preaching economic doom and gloom. He is waiting, and is getting more and more anxious, for somebody on This Side, particularly the Right Honourable Prime Minister, to distinguish themselves in a manner which he and the Honourable Member for St. John distinguish themselves as people who could preside over the total destruction of a country that we love so much. He has had 10 years and he will wait and wait but the administrators on This Side will continue to do our utmost so as not to have anyone of us fall into the same category as him, so let him wait.

The Honourable Member for St. Michael North West made certain remarks about the Barbados Water Authority. Sir, when we are fed with information, we should check the reliability of that information before we come into this Honourable Chamber to speak. Let me spend a couple of minutes bringing to this Honourable Chamber and, by extension, the Barbadian public some of the facts pertaining to some of the issues surrounding the affairs of the Barbados Water Authority and, in particular, the South Coast Sewerage Project.

This Honourable Member for St. Michael North West misled this Honourable Chamber this morning when he said that the last rate increase which was granted in October of 1991 produced an amount of \$22 million which the Barbados Water Authority made available to the South Coast Sewerage Project. Mr. Deputy Speaker, that is wicked, malicious and very untrue.

Mr. C. A. MASCOLL: On a point of order. Mr. Deputy Speaker, I said that the 1991 rate adjustment contemplated contributing \$22 million to finance the South Coast Sewerage Project which is the local counterpart. That is what I said.

Asides.

Hon. A. P. WOOD: Mr. Deputy Speaker, the Honourable Member went on to say in very explicit terms that the clients of the Barbados Water Authority are subsidising the South Coast Sewerage Project. The rate of increase, 25 per cent across the board, that was granted back in October 1991 in their time not only contemplated making a contribution to the Project, but because we are subsidising it, it is fairly obvious that the money was actually released for the Project. Mr. Deputy Speaker, do you want to know what is the truth?

Mr. C. A. MASCOLL: On a point of order. The Honourable Member is misleading the House. The Honourable Member well knows that because of the financial status of the Barbados Water Authority, the Government of Barbados borrowed US\$10 million from the European Investment Bank. It is stated that the Government raised a US\$10 million loan from the European Investment Bank to finance the South Coast Sewerage Project because, in spite of the fact that the Barbados Water Authority made \$21 million in net income between the years 1991 and 1995, it was only able to make a \$2 million

contribution to the South Coast Sewerage Project and then in order to meet the local counterpart amount which is \$22 million, the Government then turned around and borrowed US\$10 million from the European Investment Bank.

Mr. Deputy Speaker, the point I was making is that the Democratic Labour Party with the rates hike in 1991 took into consideration that the Barbados Water Authority would provide the local counterpart with \$22 million in loans, but even when it was raised, this Administration came in and instead of running surpluses in 1996 when their revenue increased by \$4 million they increased the expenses by \$7 million and run a loss of \$3 million in 1996. Therefore, it is this Administration that has to be responsible for not efficiently and effectively managing the Barbados Water Authority, not me.

Mr. DEPUTY SPEAKER: Proceed.

Hon. A. P. WOOD: Mr. Deputy Speaker, we just got the explanation there. This Honourable Member said this morning that the Barbados Water Authority contributed \$22 million to the South Coast Sewerage Project.

House 48 Sequence 140

3:10 p.m.

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Continuation of Hon. A. P. WOOD:

Mr. Deputy Speaker, the facts are that in 1991, the Ministry of Health Project Executing Unit was, indeed, responsible for the South Coast Sewerage Plant and that the Barbados Water Authority, via a transfer back then, made available \$2.1 million to the Project.

Mr. Deputy Speaker, that is why I say that when Honourable Members stand in this Chamber, they should tell the truth. I do not think that the Honourable Member did it on purpose but the Honourable Member for St. Michael North West also mentioned that the Barbados Water Authority was experiencing financial challenges.

Sir, let me put on record the fact that, notwithstanding the financial challenges of the Barbados Water Authority, notwithstanding the size of its debt to the Barbados National Bank, that for every month, every year, the Barbados Water Authority services its debts to the Barbados National Bank without defaulting.

Sir, for a number of years the Honourable Member for St. Michael North West has been saying that in respect to the South Coast Sewerage Plant and the Bridgetown Sewerage Plant, that the Government of Barbados has accepted its shareholders' responsibility for those projects and that Government, not through the Barbados Water Authority, has been servicing the loans for the construction of those two facilities.

Mr. Deputy Speaker, the Barbados Water Authority may be experiencing financial challenges, but for

the Honourable Member to come here and give the impression that the Barbados Water Authority was experiencing financial challenges, one would not get the impression that this entity has been servicing its debts consistently since January 1, 1997, the period which the Honourable Member has mentioned.

Mr. C. A. MASCOLL: On a point of order. The Honourable Member for St. Philip South could never ruin my reputation.

Asides.

Mr. C. A. MASCOLL: I am going to quote from your brief, since I have done a good job of it. This is a brief on Interim Rate Increase, Prepared for Meeting with Social Partnerships, Monday November 1, 2004. Clause 16 states

“With the last loan (\$40.6 million) fully disbursed by July 2004, the Barbados Water Authority became technically bankrupt at that time.”

Asides.

Mr. DEPUTY SPEAKER: Proceed, Honourable Member.

Hon. A. P. WOOD: Mr. Deputy Speaker, the Barbados Water Authority continues to service its debts on a monthly basis.

Mr. Deputy Speaker, let me state the way forward for the Barbados Water Authority. In order to launch into a capital development programme, it will require the Barbados Water Authority to have access to financial resources. The way forward to deal with some of its financial challenges would also be to restructure its debt, to take off some of the monthly burden in servicing its debt, that is, to get a sizeable loan on better terms.

Mr. Deputy Speaker, in very recent times, the Barbados Water Authority had sought to access finance up to \$100 million from the financial system. Sir, we were not short in having financial institutions in Barbados expressing an interest in supporting the Barbados Water Authority at this time. It is true that we got Government’s support in the form of a letter of comfort, to allow us to access that loan.

Sir, as we speak, the Attorneys-at-Law for the Barbados Water Authority are perusing the loan agreement and very shortly all the negotiations for the new loan would be completed. Some of those funds will be used to restructure the Barbados Water Authority’s debt and to have it meeting better terms and conditions. We will also be accessing some additional funds through that loan, to allow us to launch into a serious capital development programme.

Mr. Deputy Speaker, given the fact that the Honourable Member for St. Michael North West has used some portion of his time to speak to the affairs of the Barbados Water Authority... It is no secret to anyone and I was aware that he would have gotten hold of a document which was presented at a forum. Sir, the real facts of the matter are that among the challenges of the Barbados Water Authority is its infrastructure. Some of that infrastructure is very old and, therefore, we need to implement a serious

maintenance overhaul programme in Barbados.

Sir, I want to remind this Honourable Chamber that there was a time when the Barbados Water Authority would have generated considerable amounts of funds and would have put those funds into an account, to be utilised for that purpose. Sir, I want Honourable Members to remember that in early 1987, just after the 1986 election, when the Democratic Labour Party took over, the Barbados Labour Party would have built up reserves to the tune of about \$13 million, for the purpose of upgrading the Barbados Water Authority's infrastructure.

Mr. D. St.E. KELLMAN: On a point of order. The Honourable Member is misleading the House, not in terms of facts but in terms of direction.

I am surprised that can come from a Minister on the Front Bench who understands the Financial Rules that govern sections of Government which were not statutory boards at the time. I am also surprised that a Minister of such longstanding would seek to ask a department of Government to hold funds which they are not legally entitled to hold. I think the Minister understands quite well the point I am making and I know that he would desist from making that point.

Mr. DEPUTY SPEAKER: Proceed, Honourable Member.

Hon. A. P. WOOD: Mr. Deputy Speaker, the point I was trying to make was that back in the 1980s, this Administration would have built up reserves at the Barbados Water Authority, with the expressed purpose in mind of upgrading its main infrastructure. That reserves level was in the neighbourhood of \$30 million.

H:No.48(141)320 p.m.

Tuesday, November 23, 2004

Continuation of Hon. A.P. WOOD:

The Democratic Labour Party came in and instead of making \$13 million available to the Barbados Water Authority to develop its capital programme, they dumped it into the Consolidated Fund where anybody could get their hands on it.

Mr. C.A. MASCOLL: Sir, since the Minister wants to go back, in the Developmental Plan for 1973 to 1977, the Democratic Labour Party had clearly identified the need to relay the mains under the auspices of the Barbados Water Works. In fact, a project for \$2 million was already in the works to start a project that would finish in 1997, but the Government changed hands in 1996, and the Barbados Labour Party never followed through on the \$2 million to relay the pipelines.

Sir, the \$30 million of which the Honourable Member spoke was not in a statutory board because the Barbados Water Works eventually became the Barbados Water Authority and the then Prime Minister felt he could not allow workers to handle as much as \$30 million who did not have to be accountable to Parliament so he moved the money into the Consolidated Fund, but this did not mean that the money was not accessible to the Government.

Hon. A.P. WOOD: Mr. Deputy Speaker, I have made the point that the Barbados Water Authority built reserves of \$13 million in 1986. The upgrade of the main infrastructure of the Barbados Water Authority is a continuous process. Those mains to be upgraded now were not put into the earth in 1987, but were there for decades. I am saying that money that was set aside for the main upgrade should have been used for that purpose and not put into the Consolidated Fund for all agencies to used.

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 impression that the Democratic Labour Party came and found the money which was to be used for mains...

Hon. A.P. WOOD: Mr. Deputy Speaker, apart from taking the \$30 million away from the intended purpose, between 1987 and 1994 when the Democratic Labour Party left office, no attention of any material significance was paid to the upgrading of mains in Barbados. Honourable Members should say that they needed the \$13 million for another purpose, that they recognised the significant importance of upgrading the mains over seven years and they would have made a concentrated effort to deal with it but, Sir, there was very little invested in the upgrade of mains in Barbados between 1987 and 1994 when the Democratic Labour Party left office.

Mr. C.A. MASCOLL: Mr. Deputy Speaker, on a point of order. The Honourable Member is misleading the House. I wish to suggest that when the Democratic Labour Party left office between 1991 and 1994, they left a surplus of \$5.2 million in 1991; \$6.2 million in 1992; \$7.1 million in 1993 and \$3.3 million in 1994 giving a grand total in excess of \$21 million.

Mr. Deputy Speaker, this Government came into contact with so much money. They put it in the GEMS of Barbados, the South Coast Sewerage Project and Greenland but the Government could have allocated some of those funds towards the social sector like the Barbados Water Authority. There is no excuse for this Administration not making use of these funds.

Hon. A.P. WOOD: Mr. Deputy Speaker, notwithstanding what the Honourable Member said, there has been no significant spending on something that is extremely fundamental to the proper functioning of the Barbados Water Authority between 1987 and 1994. In 1997 when the Water Loss Study was done in Barbados, the estimate of a comprehensive upgrade for the mains in Barbados was of the order of \$263 million and between 1986 and 1994, if proper attention were paid to the upgrade of the infrastructure of the Barbados Water Authority, the cost to upgrade the infrastructure could not be in the neighbourhood of \$260 million.

Mr. D. St.E. KELLMAN: Mr. Deputy Speaker, on a point of order. The Honourable Member is misleading the House. My calculation tells me that between 1986 and 2004 is 18 years, that the Democratic Labour Party would have been responsible for eight of those 18 years which tells me that the Barbados Labour Party would have been responsible for the majority of those years.

In 2004, we cannot be arguing which Government is responsible for the laying of mains and that the Democratic Labour Party is responsible when the Barbados Labour Party knew since 1994 that the Democratic Labour Party who according to them, did not fulfill their mandate but they are now taking 10 years to fulfill their mandate, which the Democratic Labour Party did not fulfill in eight years which

means the Barbados Labour Party knew it for 18 years and did not fulfill the mandate which they are accusing the Democratic Labour Party of not fulfilling in eight years.

Hon. A.P. WOOD: Mr. Deputy Speaker, a few weeks ago an announcement was made of Government's intention to adjust the water rates.

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Continuation of Hon. A.P. WOOD:

Mr. Deputy Speaker, I think that I have a duty to tell this Honourable Chamber what the facts are. I am going to go very quickly but I am not going to miss any details.

Sir, through the proposed rates the Barbados Water Authority is expected to raise \$22 million based on current consumption levels.

Mr. DEPUTY SPEAKER: Honourable Member, you have five more minutes.

Hon. A.P. WOOD: The operational deficit at the Barbados Water Authority expected by the end of this financial year is \$16.4 million. The new rate structure relative to the current structure is as follows

There are two rates in the household category. Those who are consuming 0 to 34 cubic metres per month would pay at \$1.50 per cubic metre. Sir, within that household category, those who are consuming in excess of 34 cubic metres would pay \$2.12 per month. At the moment businesses are paying \$2.12 and the ships are \$3.50 per cubic metre. We are proposing a four-block structure in the household category, 0 to 8 cubic metres, 9 to 20-cubic metres, 21 to 40 cubic metres and over 40 cubic metres. In the 0 to 8 cubic metres, the rate is \$1.55 per cubic metre, in the 9 to 20 cubic metres, the rate is \$1.94 per cubic metre, in the 21 to 40 cubic metres, it is \$2.91 per cubic metre and over 40 cubic metres it is \$4.86 per cubic metre. Sir, the rate for businesses is \$2.91 per cubic metre and the new ship's rate is \$5.05 per cubic metre.

Sir, what is important is the percentage of the clients that lie within the various categories. We have to remember that there is a minimum charge of \$20.00 which is in existence and which will not change. In the household category those who are consuming 0 to 8 cubic metres per month, 44 per cent of the Barbados Water Authority's clients lie in that category. In the 9 to 20 cubic metre consumption level, a further 24 per cent lie in that category. In the 21 to 40 cubic metres a further 21 per cent of households lie in that category and in excess of 40 cubic metres, the remaining 11 per cent of households lie in that category.

Sir, these proposed rates are underpinned by a philosophy which speaks to three guiding principles. In a water scarce country, we are saying that conservation should be one of the highly guided principles, also affordability and user-pay, but the two most important ones are affordability and conservation.

Mr. Deputy Speaker, we are saying that the 44 per cent in the 0 to 8 cubic metres consumption

category and if you multiply 8 by \$1.50 you will get \$20.00, which is the minimum charge. The 44 per cent that lies in that category will not be touched because, as is the case now, the minimum charge takes care of them.

Sir, between 9 and 20 cubic metres, with a sub interval in there, 9 to 11 cubic metres on average, they will also be taken care of by the minimum charge. So, the new rates only kick in at consumption levels 12 cubic metres and over.

Mr. Deputy Speaker, it is not what you hear on the Call-in programmes and what the Democratic Labour Party may be spreading. The fact is, in excess of 50 per cent of the Barbados Water Authority's clients in the household category will be untouched by the new rates, but you do not get that impression when people call in on the Call-in programmes, or when Honourable Members on the Other Side walk around, preach doom and gloom and make negative statements about what is being proposed.

The fact of the matter is, over 50 per cent of the households will be untouched with the new rates and the \$22.1 million which we expect to raise will allow us to erase the operational deficit and gain an additional \$5.6 million, which is a meagre sum to go towards a much needed capital development programme.

Mr. Deputy Speaker, we are not going to be stopping there because we cannot come to the Barbadian public and ask them to support an increase which would allow the Barbados Water Authority to gain some much needed funds, but we will also have to deal seriously with the areas of inefficiency at the Barbados Water Authority, and this is where I agree with the Honourable Member for St. Michael North West. Sir, we have identified in a very comprehensive way what measures we will have to implement ranging from technical, financial and organisational measures to deal with the organisational challenges at the Barbados Water Authority.

Mr. Deputy Speaker, the Barbadian public can rest assured that it is not all about raising finances and maintaining the status quo, but that it is about putting on a parallel track a serious programme for restructuring and reorganisation at the Barbados Water Authority, which would give the institution an opportunity to raise some much needed funds to help it through the restructuring period, while at the same time, meeting its mandatory expenses.

Sir, it is very unfortunate that I did not get more time to speak to other matters but the Honourable Member for St. Michael North West wants to know what we have to show for the increase in the national debt over the last 10 years. I would expect that every Honourable Member on This Side would be in a position to do what we have done successfully in 1998 and 2003, put the programmes of achievement before the public of Barbados for the period that he wants us to give an account of our stewardship. We would do that in the same way we have done it on two previous occasions, to the satisfaction of the public who has once again given the mandate to continue to lead them.

I thank you.

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

Mr. D. St.E. KELLMAN: Mr. Deputy Speaker, I want to start by mentioning a statement made by the last speaker. The Honourable Member said that he regretted the turn of events and that he did not have the opportunity to be able to speak on other matters.

My interpretation of that is, that the Honourable Member is saying that he is very sorry that we have now combined the two Heads together and he would have preferred if he had an opportunity to debate the Heads separately so that he would be able to fully explain himself. Sir, that is a matter for him because he is a Member of the Cabinet and whatever message he wants to deliver he can do that. It is not for me to do it for him.

H48/ 15.40

Sequence 143

Tuesday, November 23, 2004

Continuation of Mr. D. St.E. KELLMAN:

Sir, this is a rather interesting debate in that on 20th November, 2001, the Government of Barbados came to this Parliament to borrow US\$150 million. At that time, I told the Government I thought it was unfair to the banking system and the investors of Barbados to come to this Parliament and seek to borrow such large sums on the foreign market, when there was over \$1 billion in liquidity in the banking system in Barbados. I thought they were being unfair to the local investors to be paying out 7.375 per cent on a loan, when Barbadians were only able to get 3 per cent on their savings.

I asked the Government at the time to consider if it would be the best option, when you look at the whole opportunity cost to continue to pay such large sums to foreign investors at the expense of local investors, when all the banks in Barbados were saying that they had money to lend and could not find people to borrow.

Today, Sir, I have seen a situation where this present Government has reversed itself and most significantly, it has reversed everything that the late Tom Adams stood for, because it was the late Rt. Excellent Tom Adams in the 1976 to 1981-reign, who said that the problem with the Democratic Labour Party is that they did not borrow enough externally and instead of borrowing money, they actually allowed their current accounts to be used in the accounting sense and not in the way the economists would use it.

Sir, I heard somebody purporting to know of the late Rt. Excellent Errol Walton Barrow making the point that you had to do something. They should not associate with that point because, the late Rt. Excellent Errol Walton Barrow I knew always argued using the accounting terms, which is that your current accounts should always produce a surplus to help with your capital accounts, and this is something that I also support.

Sir, anybody who knew the late Rt. Excellent Errol Walton Barrow could associate with this comment but not the person who opened the debate this morning. It makes sense, and that is why I have always said that anything in figures is very important. Words are not very important so give me figures.

Sir, the Financial Statistics is one of the most important documents for politicians like myself. It allows me to tabulate whatever I want and to prove that the Barbados Labour Party is wrong, every time. This Government has always borrowed externally, more than the Democratic Labour Party, and the statistics from the Central Bank of Barbados, in their Economic and Financial Statistics, will prove that point.

Sir, when the Democratic Labour Party left the Government in 1976, they were borrowing at a local rate of \$13.91 million net, on a yearly basis and \$3.383 million on the foreign market. I even took in all the other Governments before the Democratic Labour Party because, I was actually using the balances at that particular time but, I said that the Democratic Labour Party was in Government for 15 years so let me divide by 15. Actually, if I had used the whole span, we would not even be able to notice the average debt but, I took the whole thing on our backs.

Sir, by 1986, we left it at \$13.91 million on the local market. The Barbados Labour Party was borrowing at \$50.44 million net per year on the local market and \$53.09 million on the international market. This shows that their international borrowings were higher than the local borrowing. Sir, between 1986 and 1994, the Democratic Labour Party increased the local borrowing to \$1 billion and the foreign borrowings to \$130.4 million.

This is a very interesting point, because this would have taken into account, the bullet loan about which they often speak. The amount of money they said was from a bad loan which would have created interest payments and including in this, the Democratic Labour Party would have repaid the Japanese loans which were badly borrowed by the Barbados Labour Party. If anybody doubts me, when I make this point, they could go to this same document, look at the foreign currency and they would recognise that the Japanese loan, the Yen, was able to double in value, after the Barbados Labour Party borrowed the money and the time they came to repay the money.

This not only means in principle that it doubled, but, it also meant that every interest rate increased. The Japanese Yen was floating, so there was nothing constant about it, Sir, which meant that not only the interest which you would expect to increase, but the principal doubled.

Sir, when the Barbados Labour Party speaks about bad loans and they refer to the EURO loan, which was given to us in Pounds Sterling (£) and came to £30 million, we received that when the Pound was \$4. Today, Sir, I have never seen the Pound reached \$4. They are behaving as if we are dealing with a fixed currency. We are dealing with a floating currency, which means that every time we came to repay interest or principal we had to use the rate that it stood at the particular point in time.

Sir, it means that instead of having to pay the higher rate, we had to service the loan in a lower rate. I will say to this House that when you are not equipped on financial matters, and when you do not have the necessary background to deal with these things, it would be good to stay away from them. I will not stay idly in this House and hear charges being made to the Party of which I have supported since 1971 and know the charges to be incorrect and do not produce statistics, especially when you have a

document like this, which I would call the financial bible of the House.

Sir, it allows you to see how the currencies move. It also allows you to understand the ones that are fixed and the ones that are floating. It is very important and we also have to understand that from this same document, we are able to find out which Government borrows what and which Government repaid what, what was outstanding at a political point in time and, what was borrowed at a particular point in time.

Sir, the record is clear that the Barbados Labour Party is a Government known for borrowing heavily on the international market. It is interesting that I have seen a trend developed recently. After 2000, that trend was continuing but, if you look at the statistics now from 1994 to 2004, you will see that they have now borrowed \$1 billion on the local market and \$588 million on the foreign market.

Sir, this says two things:

- 1.The Barbados Labour Party has finally accepted that the Democratic Labour Party is correct.
- 2.The \$588.8 million is so high that they do not access foreign loans anymore.

Sir, I will like to find out from the main spokesperson on the Other Side, if I am right in assuming that they have accepted that because of the interest rates we are correct. If so, Sir, how come they did not take the advice and financed their local investors, but they financed the foreign investors.

Mr. Deputy Speaker, one might believe that making a statement like this is a simple matter but it is not. Do you know what we are speaking about on that \$300 million?

House 48, sequence 144, 15:5014

Tuesday, November 23, 2004

Continuation of Mr. D. St.E. KELLMAN:

Mr. Deputy Speaker, what we are speaking about is that the cost in interest for servicing that loan of \$330 million is about \$442 million. That is equivalent to \$221 million in foreign exchange in hard US dollars that could have easily remained in Barbados at a time when we had money in our banking system.

I am saying that this Government must account to the people of Barbados for that because they have committed the people of Barbados to \$442 million to service a \$300 million loan which is equivalent to \$742 million in total payments when we had over a \$1 billion in our banking system at lower interest rates. Sir, that is economic madness.

Sir, I told the Government on October 20th to let us meet in the middle because if they needed money to cushion the impact, I would allow them to borrow half of it on the foreign market and the other half on the local market which, to me, was economic sense. They did not accept my advice and now three years after they are in here telling me that it is better to borrow on the local market than on the foreign

market.

Sir, I am demanding an apology from the Honourable Member for St. Peter and his Cabinet for giving them advice which they did not accept and now they are costing the country BDS\$442 million or US\$221 in foreign exchange.

Sir, it occurred at the time when the Government was able to convince me that they had no problem with the foreign reserves. If the Government was suffering for foreign reserves, I could understand that they were using the opportunity to borrow the money to increase their foreign reserves, but they were bragging of having over \$1 billion in foreign reserves.

Sir, today is judgement day for this Government because they have now admitted that what I said to them in November was correct. Sir, what is interesting is that it took place on the 20th November and today we are in here the 23rd November, a very significant month. Sir, whenever something significant occurs in Barbados, it rains. It happened in November when I gave the advice and it happened in November when the Government accepted the advice, but it has cost the country US\$221 million.

Sir, I do not have any consultants or any advisors, but the same way that I pointed them in the right direction to find out when they are doing right or wrong, they could have done the same thing.

What worries me, Sir, is that it is this same Government that gave the sugar industry the advice to borrow \$3 million from the Caribbean Development Bank in the early 1980s to build Portvale Factory. Sir, the Caribbean Development Bank, having borrowed a bad Japanese loan, offloaded that loan on the sugar industry.

Even though the sugar industry borrowed US\$3 million, the Caribbean Development Bank made the sugar industry repay that loan in the Yen which substantially bankrupt the sugar industry because by the time we finished paying the \$6 million in principal, we still owed \$6 million in principal. The first time in history.

Normally when you borrow \$6 million and you pay back \$6 million you do not have any principal due. This tells you, Sir, that borrowing money is not about an interest rate. I have been trying to put this in the heads of the Honourable Members on the Other Side for many years. The Honourable Member for St. James North could confirm that I have been trying to tell people that because you are borrowing a loan at 13.35 per cent interest rate and it sounds high, it is not necessarily high because if you borrow the money when the particular currency that is floating that you are borrowing is also high in the international market, it means then that the possibility of it getting higher is not there and there is a possibility it will come down and your servicing will be much lower.

Sir, these Honourable Members on the Other Side are always talking about oh, you borrow at 13.35 per cent, we are borrowing at 7.35 per cent. Sir, the beauty about that is that they can borrow at 7.35 per cent and I can borrow at 13.35 per cent and I can end up paying smaller rates than they with the same loan because of the currency in which we are borrowing.

Sir, everybody knows that our currency is tied to the US dollar and once we borrow on the US dollar, the payments will be constant and predictable. When you borrow the Yen, the Pound, the Euro or any

floating currency, you can never predict what is happening. That is why it is always advisable to borrow when they are at their strongest end. That is the best advice.

The Democratic Labour Party borrowed the Pound when it was strong. The Barbados Labour Party borrowed the Yen when it was low and weak. It means that if the Yen was weak, there was leverage for it to climb. That is why within less than five years the Yen doubled and it meant that if we borrowed \$120 million, we ended up paying back \$240 million in principal and double interest rates. That is what caused the problems in the early 1990s.

Sir, even though the Democratic Labour Party had to pay that amount of money because of the bad borrowing by the Barbados Labour Party, what is interesting is that when you compare their status in terms of borrowing at the end of 1994, they had a net borrowing of \$130.4 million or \$16.3 million per year of every year they were in Government.

Sir, instead of people marching, they should have been praising the Democratic Labour Party of having to service the loans, of being accused of borrowing heavily and badly but yet still keeping the foreign limit of those loans in a reasonable stead. Instead of that, people who were gullible allowed people who were not financially equipped in knowledge to mislead them and give the impression that what the Administration at the time did was wrong.

Sir, we are hearing that this Administration is well, but they are borrowing at \$58.8 million per year in good times, when the foreign reserves are high and when there is growth. However, that is not what you normally hear in good economic times. One would more believe that the period 1986 to 1994 would have been the times when the economic conditions were good because when you look at the net borrowing you would understand that particular point. Sir, when we come to this House, we are not going to be sectoral when we are discussing important matters like these. We are going to get a holistic view, we are going to put the figures out there and we are going to debate them.

Sir, I am challenging this Government to deny that they have not done better over the last 10 years in managing the foreign borrowing, than the Democratic Labour Party even when we were in crisis. Sir, for economic growth, one would have expected that there would have been an offset also.

Sir, I have said to my comrades that they have to be very careful how they accept the words coming from the Other Side. We had a debate in here two weeks ago, but I am not going back to that particular debate or reflecting, I am just going to give an example of how things can occur.

I heard the Honourable Member for St. Michael North East making the point this morning that the Prime Minister of Barbados was able to say to the insurance companies of Barbados to set aside not only 25 per cent but to increase their reserves by 25 per cent.

Sir, that is a very interesting thing. Can you imagine that there are companies that claim that they are not making money but they can still increase their reserves from 20 per cent to 25 per cent? Sir, in order for them to do that, their expenditure would have to be less than their revenue, so, if it is not less, what the Prime Minister is actually telling them is to put their premiums in place so that they can do that. You can study the logic behind that, Sir.

Sir, two weeks ago the Minister of Public Works came to this Parliament and reversed the Prime Minister by saying that the local insurance companies should not set aside reserves for motor insurance, that it is one thing for those with house insurance, but that they should rely on the reinsurers.

House 48 Sequence 145

4:00 p.m.

Tuesday, November 23, 2004

Continuation of Mr. D. St.E. KELLMAN:

Mr. Deputy Speaker, while the Honourable Prime Minister is saying not to rely on the reinsurers but on one's own sinking fund, the Minister of Public Works is saying, that we have to give up what we have to the reinsurers outside of Barbados.

Sir, the Honourable Member for St. Michael North East can talk about conflict within the Democratic Labour Party when, in the same breath, she was explaining to this Honourable House that she has a major problem on her side, where there is one policy for house owners and another policy for motor insurers, and that one is financed differently than the other, that is, whereas the house owners should not allow the reinsurers to dictate to them, the motor insurers policy owners should bend over backwards and should accommodate the reinsurers.

Mr. Deputy Speaker, there is one thing in my life that I want to be, that is consistent, and to have an understanding of what I am speaking. Sir, it is clear to me that there is a major conflict, and that there is even a conflict now within the Barbados Labour Party because they do not know whether to use the local market or to use the foreign market. Sir, as it now stands, since November 2001, they have reversed themselves and are now concentrating more on the local market, instead of the foreign market, to finance the economy of Barbados.

Mr. Deputy Speaker, the Barbados Labour Party talk about double standards within the Democratic Labour Party. Sir, we can defend ourselves because there is both a history and a reason to us. Sir, we have always believed that growth is the important thing to deal with debt. We do not believe in rolling over one debt in order to pay off another. We believe in increasing the capacity of the country, its resources and its production and services, in order to reduce that debt. Sir, until the Other Side understands this point, we are not going anywhere.

Mr. Deputy Speaker, we are also facing another major problem, where, very soon, Barbadians will not be workers in their own country because they have been misled over the years. Sir, Barbadians must understand that they have to make fundamental changes and that in the same way the Americans have been able to use moonlighting to develop themselves, Barbadians must also do that. Barbadians must make themselves attractive in the work place. They have to understand that Barbados is a small country, that we do not have that much resources, and that we must continue being competitive. Therefore, the only way that we can remain competitive is if the workers would make themselves employable.

Sir, Barbadian workers are facing a particular challenge and I say to them that they have a good way of getting out, that is, they have to move away from working overtime and move towards moonlighting. There are good reasons why persons should move towards moonlighting because a worker's 8:00 a.m. to 4:00 p.m. job gives that person the particular knowledge of that job, but when that individual does moonlighting, there is the possibility that he or she could expand his or her knowledge and experience of that job, which would make him or her to become more competitive in the marketplace.

Sir, workers must not allow working overtime, to which they are not legally bounded, to trap them. Sir, working overtime serves its purpose for certain people but it does not serve the workers purpose. Persons have to understand that there is competition and that it must be fought in order to be ahead of that competition.

Mr. Deputy Speaker, there are some persons who will get angry and say that I am speaking otherwise but I am a realist and have to understand that when my people are being challenged, that I must think in their interest. Politics is about thinking and we need some more thinkers in here.

Asides.

Mr. D. St. E. KELLMAN: Mr. Deputy Speaker, we have to understand that when this money is borrowed, it has to be repaid. Sir, I am not even worried about the local loans because at least the country belongs to the locals and if the money is borrowed locally, at least people will know that they have a share in the country. Sir, when the money is borrowed from foreign entities and we do not have the money to service those loans, can we tell those foreign entities that we do not have the money? No, we cannot. That is why I am saying it was bad, that after borrowing \$75 million, then to come back and borrow \$150 million, that accumulates to \$442 million in interest.

Mr. Deputy Speaker, we have to admit that we have done wrong and that we need to increase our capacity to service that debt of \$442 million in interest. Sir, nobody can tell me what we have done, since 2001, to be able to service that particular debt.

Sir, we, as a Parliament, have to understand that we cannot simply continue borrowing, changing the Local Loan Act, and then coming to Parliament to get approval for foreign loans. What I need to see in this Parliament are concrete proposals for the farmers or vendors. I need to see the vendors of this country getting duty-free vehicles, so that they can take the produce away from the farmers and take it all across Barbados, so that the farmers could remain in their grounds and produce. Whereas other persons can do that, vendors or farmers are not getting the duty-free concessions which would allow them to move away from the fields, to take their produce into other parts of Barbados.

Mr. Deputy Speaker, I need to see fishermen getting duty-free concessions, so that when there is a glut in Oistins, the fishermen can take the fish and can sell them across Barbados. On the other hand, when there is a shortage of fish in Oistins, the fishermen can come to Moon Town and take fish to Oistins to their customers. That is what I want to see.

Sir, vending cannot be seen as we have seen it 300 years ago, as if the vendors are competing with somebody else who wants money. Vending must be seen as the capacity of someone who wants to help develop the country, so that farmers can increase their capacity to help the Gross Domestic Product

(GDP) of the country.

Mr. Deputy Speaker, therefore, because of the fact that some persons may not look like us, we can see them as having all rights but when they look like us, it means that we must be dependent on others. Sir, the problem in this country is that we are developing a dependency syndrome, where we believe that our local people must depend on politicians but as long as others come from outside, then the politicians must depend on them.

Sir, this is a dangerous trend and sometimes people wonder why the young people in this country behave the way they do, but I understand why, because it is the hypocrisy that they are seeing daily in this country, where their fore-parents have worked hard but even though they have worked hard, they cannot see their contributions, while some other “fly-by-nights” can come and people would acknowledge their contributions.

Sir, whether we are white, black, grey, cross-white or anything, we need to develop Barbados. We need everybody on hand and we need the same condition and terms for them to help develop this little rock called Barbados, to keep it the way we know it. We cannot see some persons as having something, while we see the others as beggars. We are in the month of Independence, therefore, I want to see everyone being treated as an independent person and not as a dependant person. This dependency syndrome should have been removed, and it was removed.

Mr. DEPUTY SPEAKER: The Honourable Member, could you show me what sort of relationship this has to the Bill?

Mr. D. St.E. KELLMAN: Mr. Deputy Speaker, do you mean foreign loans? If you are independent, you can produce but if you are dependent, you will have to wait for someone else to produce. Sir, I know you well. You have worked hard and you understand the importance of producing and the importance of dependency. You know about dependency syndrome very well because many days when you are in your office, you can see it.

Sir, we need to move away from that and you understand because I care for you. We need to see more independent persons so that as we walk the streets, we can feel that we are rubbing shoulders with our equal and not with people who are coming to ask a favour. Sir, I know you would like to see everybody as having the capacity to give and not to ask.

Sir, with this Validation Bill, 2004, we have to find the solution of moving away and coming to Parliament to borrow. We have to come to Parliament to find ways to produce and to increase capacity. I would have been happier if we were here discussing how we were going to make Barbados productive. Sir, I was born here. I have no interest in going anywhere. Therefore, it is in my interest to make sure that this little rock is protected and that the capacity of everyone, whoever they are or from what family background they come from, are equal and have the capacity to deliver.

Sir, I need no one depending on me. I will be happy seeing people behaving as though they have all the worth in the world like anybody else. There are some persons who believe that as long as they have, they can send scratch grain from their pockets down, for people to grab and to scatter for it.

H:No.48(146)410 p.m.

Tuesday, November 23, 2004

Continuation of Mr. D. St.E. KELLMAN:

I want to see a Barbados where every man is accounted for based on his capacity to produce and not based on his capacity to ask. In Barbados, we are too far advanced to be at that stage and I know that everyone in this House would like to see that. Sir, politics cannot only be about the vote. We must understand that growth of the country is the development of the country, but some people believe that once the country is developed that their political life is going in the opposite direction.

Sir, that thinking is narrow-minded. We should change the whole focus and see progress in one way. We should not see growth based on vote but on the betterment of life for our people. We should not look down our noses on people because they sell fish or are vendors because they too add to the capacity of the country to help increase its GDP.

Sir, I hope the Barbados Labour Party would never speak after today of the \$30 million loan, or about the early 1990s of the Democratic Labour Party, because in their own document, the lie has been destroyed. They cannot tell anyone this any longer because we have educated our people to read, understand these documents and to explain them to their parents, if they do not understand them.

Sir, the Barbados Labour Party must understand that they were given the advice. If they are now saying that they were not given the advice, they would be lying on the Hansard of Parliament where it can be found on Tuesday, November 20, 2001, which is only three years ago. I have always said to the Minister of Tourism that he was a good duplicator but it is clear to me now that the whole Government and Cabinet have recognised that they need to duplicate what I am saying and implement it.

Sir, the question is time. I also heard the Honourable Member for St. Joseph telling people that manufacturers should not see manufacturing as if they must have separate buildings and that when one manufacturer leaves the business that another one should walk in. Sir, I said to that Honourable Member that he was reading and following me well and no wonder he sits close to the Honourable Member for St. Michael South because he has adopted all the strategies used by him and is now implementing them in his Ministry.

Sir, I thank you very much.

SUSPENSION

Hon. R. R. FARLEY: Mr. Speaker, Sir, I beg to move that this House be suspended until 425 p.m.

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

The question that the House be suspended until 4:25 p.m. was put and resolved in the affirmative without division and Mr. SPEAKER suspended the House accordingly.

H48/16:14

Sequence 47

Tuesday, November 23, 2004

RESUMPTION

Mr. DEPUTY SPEAKER: This Sitting is now resumed. The Honourable Member for Christ Church East.

Hon. R.R. FARLEY: Mr. Deputy Speaker, I rise to join in this debate to answer a question that has been asked by the Honourable Member for St. Michael North West in his long laboured presentation. He went through his usual twists, turns, loops and hoops as a soothsayer of doom and gloom, hoping that he might be the only person in Barbados that understands economics, therefore, hoping that the things he may say might be construed in the way that he would want them to be construed, and that he would have some followers in the doom and gloom camp.

Sir, the Honourable Member asked the question, what have we got to show for the increase in the national debt? I want to answer that for him because there is quite a lot to show. The Honourable Member, trained economist as he is, really attempted to use numbers in a way that could have been easily misunderstood.

Sir, the Honourable Member knows the difference between absolute numbers and relative numbers and he has to accept the point because he knows that over the process of time that you would have the national debt and several other indicators arising, as you would have the Gross Domestic Product because our economy today is much larger than it was 10 years ago.

Sir, we are in an economy which is over a \$5 billion economy in terms of our Gross Domestic Product. We have a per capita income in the region of \$18,000 and that was not the case years ago. Therefore, when you are looking at the issues of national debt, one has to look at them not only in their absolute terms but one has to look at the relativity, what does it relate to?

Mr. Deputy Speaker, the Honourable Member also sought to give the impression that by increasing the limit under the Local Loans Act, that the amount by which the limit is increased is an indication of the next year's financing needs. Sir, that is not necessarily the case, although I must say that I can understand his confusion because the experience of his side is one in which they raised the limit almost every year.

Sir, in November 2, 1990, the Democratic Labour Party Administration raised the limit by \$100 million and by 1991 they raised it by an additional \$100 million. In nine months, August 27, 1991, they had increased the limit to \$447 million and again, on March 28, 1994 they raised the limit by a further \$303 million.

Mr. Deputy Speaker, let us not say things to attempt to fool anyone else. The reality is, as the economy expands, as Government's financing requirements expand commensurate with the expansion in the economy, one would have strategically to raise the limit within the Local Loans Act. Mr. Deputy Speaker, the difference between This Side and That Side is that we do not have to do it every year as their record shows.

Sir, when the Honourable Member for St. Michael North West sets about seeking to suggest that this \$550 million increase represents next year's financing increase, I can understand the source of his confusion because that is the framework in which he is accustomed operating, but it not so on This Side.

I also want to make the point that concern was raised about whether the economy would perform in such a way as would ensure that servicing our future debt will not pose any problems.

H48: 16.30 p.m.

Sequence 148

Tuesday, November 23, 2004

Continuation of Hon. R.R. FARLEY:

I want to point Honourable Members to the fact that over the last 10 years, we have undertaken a number of fundamental reforms of this economy. To date, the economy is not only larger, but it is more diverse and robust than it was 10 years ago.

Sir, we have not only done work on the productive sectors, but we have changed the framework within which those sectors operate, and the conditions which would engender the emergence of new sectors in our economy. For example, the reform of the social security system, the reform of our pension system, the corporatisation of a number of State entities, and the privatisation of the Barbados National Bank, which has created a new, very dynamic financial institution that is financing the development needs, Sir, not only in the public sector but the private sector.

Sir, also the introduction of competition in the telecommunications sector, the reforms we have made to the sugar sector and further reforms to stabilise it and to put it on a new path for the future, the tax reform, the lowering of Income Tax rates, not just in the past but projected into the future, the lowering of Land Tax rates eliminating a number of persons on the Land Tax role, measures which are before us today.

Sir, all those are important aspects of restructuring the economy with new legislation to guide the financial sector to avoid things like the Trade Confirmers collapse to avoid the intrusion of dirty money into the financial system and, again, matters affecting confidence and a number of matters to encourage domestic savings.

The Rt. Honourable Member for St. Peter has been very clear and consistent. He indicated that one of

the features of Independence - and perhaps, Sir, it is significant that we are having this debate close to Independence celebrations - is that a country has to finance its way in the world.

We need to borrow on the foreign exchange markets to support foreign exchange earning projects and projects, which would have to spend foreign exchange as well. We also need to mature and develop our financial sector so that we are able to raise a substantial part of the capital which is required to finance our development.

We are not in a position, Sir, to obtain concessional financing by grants from foreign Governments. We are not eligible for any assistance from US Aide or to get money from the World Bank. Sir, even within institutions like the IDB, we have been the subject of a lobby by some Members to have Barbados, the Bahamas and other middle- income countries pay a differential higher rate of interest. It is not permitted by the rules, but what they have done, Sir, countries like the United States have abstained in votes on approval for financing prowess.

Sir, we not only have to look toward institutions like the CDB but to our own markets. We need to mobilise the tremendous savings of Barbadian corporations and individuals to finance our own development. We have therefore, Sir, as part of our reforms, created financial instruments which ordinary Barbadians are able to buy. They earn the investment income, and they also assist on financing development. Sir, financial sector reform has been an important contributor to the availability of significant liquidity, which allows us to be able to utilise some of that funding to finance our development.

Sir, the Honourable Member asked what have we achieved and I want to speak to that. He obviously was dwelling under some rock, or in some other dark place, or maybe he was so affected that they had to swim out of their meeting in Oistins on Sunday night and he is still traumatised from that experience but, Sir, 35 000 jobs and counting, were created by this Administration over the past 10 years.

Sir, that is what some of the money which has been raised on the domestic and international markets to finance our development, has contributed to single digit unemployment, from 24 per cent to under 10 per cent, and this is what financing developing is all about, Sir.

Sir, would he want us to turn back that, and not incur any debt to speed up our development, so that we can maintain high unemployment? Is that what he is saying? Sir, we are repositioning our economy. The work which we had to do with the tourism sector, stabilising manufacturing, in other words, countering the effects of trade liberalisation, giving the productive sectors on the front line, such as agriculture and manufacturing specifically, a life line, technical assistance and other supports, so that they are able to weather that storm, while at the same time, Sir, pushing tourism and international services, so that they are able to earn more, in order to allow us to enjoy a brighter future.

Sir, when we look at the record what has it shown? I will speak in a minute to the Public Sector Investment Programme. This Administration has also facilitated significant private investment, some of which, Sir, has been triggered by a carefully crafted public investment programme.

For example, Sir, we are not going to be able to encourage private investment in the tourism sector, if we do not provide an adequate infrastructure by way of your roads. We are not going to be able to

make tourism the centre of your economy if we do not use public funds to create a South Coast Sewerage Project and a West Coast Sewerage Project to ensure that the environment is pristine. We are not going to have tourism as a centre of your economy, if we do not have, like we have, Sir, a \$50 million Beach Improvement Programme to secure and stabilise some beaches that were threatened, improve beach accesses, and create additional beach facilities.

Therefore, the Public Investment Programme is there to stimulate private investment, and make use of financing available through public issues. Sir, what have the results shown? Villa Nova, an inland hotel opened under our watch. Sandy Lane was completely restored. It was knocked down and built again, Sir, and the additional golf course built as well.

Asides.

Hon. R.R. FARLEY: Sir, I am told that it is described as a Seven Star Hotel. There are usually only five stars on the scale but a Seven Star is so spectacular. The Sugar Hill Tennis Team residential investment, with holiday homes to the Tony Blairs of this world, Sandy Lane to the Tiger Woods of this world, giving us attractions that we would not have had otherwise.

Sir, we had investment in the telecommunication sector, pouring significant sums of money into the country and allowing Barbadians to benefit from lower prices, such as the investment by Digicel and AT&T which are significant private sector investments. We have also had expansion in the retail sector, both for duty-free and for local shopping. We have had expansion in private housing developments at well, such as Millennium Heights and several others, too numerous to mention.

Sir, I want to speak directly to the Public Investment Programme, because the Honourable Member for St. Michael North West asked the question, what do we have to show for the increase in the public debt? Sir, he was obviously inferring, given that he had no answer to give, that there was nothing to show. I can only use the limited time I have, Sir, to show how much. I cannot give all because they are too many to mention.

House 48, sequence 149, 16:4014

Tuesday, November 23, 2004

Continuation of Hon. R. R. FARLEY:

Sir, let us step out of this Parliament and have a walk through Bridgetown. There is the Broadwalk; the Spirit Bond; Swan Street; the Cheapside Market; the old Town Hall; the new Princess Alice Bus Terminal; Pelican Village; work is going on all like now at Trevor's Way; the expansion at the Bridgetown Port with additional berthing facilities and the work that has started on a new Coast Guard facility. Sir, the people's money is going to finance the people's development.

Sir, the Honourable Members on That Side do not get the point.

Asides.

Hon. R. R. FARLEY: Mr. Deputy Speaker, please signal me when I have five minutes more so that I do not miss out on the liberty to deal with the Honourable Member for Christ Church East Central. He is the new Pinnochio. I believe he went to the plastic surgeon to get his nose fixed between Sunday and now, but we will deal with that.

Sir, we have not only financed those developments, we also did work at the Airport. The Honourable Member for St. Michael North West said that the Airport is not finished, but of course it is not finished, but who financed it. It was financed through public funds for the economic development of our people. Sir, how are we going to facilitate this tourism expansion if we are not able to accommodate the number of aircraft that will be coming to Barbados?

Sir, do you know that Barbados is in a position where we are such an attraction that sometimes on a busy day aeroplanes are circling for their landing slots just like at O'Hare, Atlantic and Heathrow and these other international Airports? Sir, that is an indication of the happy challenge that we have to expand the facilities to meet the demand, and that is what we are doing. We are building additional parking aprons in addition to expanding the departure and arrival areas to ensure that we could handle the numbers.

Sir, if the Honourable Member for St. Michael North West had accompanied me to the Fun Walk on Sunday morning, he was probably writing a script for Sunday night, he would have seen the new Hilton Hotel. Sir, I am sure that all of those thousand people who converged on Pebbles Beach, the finishing spot for the Fun Walk, looked up in wonder and awe at the Hilton Hotel. It is a fantastic building with 350 rooms. It is doubled the size of the last Hilton Hotel. It is not as any monument.

Sir, with new rooms you could obviously charge higher rates and with a larger number of rooms you could employ more Barbadians. Does the Honourable Member understand what a hotel is in relation to economic activity in Barbados? I am sure that the Honourable Member knows full well because he himself said it.

Sir, the years when the Hilton Hotel and Sandy Lane were out of service the Honourable Member was able to point to the foreign exchange earning decline because he knows these things full well. However, if you listen to him now, you would not believe so. I know him well and I know that he knows better than his speeches would suggest.

Sir, the investment of public funds in that enterprise is to further our economic development, not just at any aggregate level. The impact would be felt at the level of the individuals. Ask the housekeeper or the lady who makes up one of those 350 rooms in the Hilton when they get their pay cheque if the utterance of the Honourable Member for St. Michael North West is any help; no. It was the construction of the building.

Put that same question to the people who will be taking care of the airconditioning, maintaining the electrics and the landscaping, the taximen who would move the tourist around and the beach vendors and you would get an answer for the Honourable Member for St. Michael East's question. Sir, the Honourable Member asked what we have to show, well I am giving him the answers.

The Honourable Member should know as well that in terms of the transition in the trade liberalisation

period as well as in the post-September 11th period we had to give support to a number of productive sectors. We had to give \$10 million to support the hoteliers to make sure that we were able to maintain that unit of production, to ensure there were no closures and to keep the airlines flying into Barbados. Then there is the \$30 million tourism loan fund to finance the refurbishment of small hotels in Barbados. This is an investment of public funds in expanding the productive capacity of this country. Sir, nowhere in any of the public debts that Barbados has incurred has this country, and certainly not this Government, engaged in building any monuments to people's folly.

There are no white elephants in here. There are no arches around. There is no turning of Nelson from facing one direction to facing the other on the same spot. There is no half-way house, no examination centre, whatever it was supposed to be.

Asides.

Hon. R. R. FARLEY: We have to use it. Sir, the Sherbourne Conference Centre was an example of how not to do a project. The fact is that it is there and we will use it. We are not going to leave it idle.

Sir, we put real money behind the productive sectors. Sir, let me not stop there. We created an Industrial Investment and Employment Fund to the tune of \$25 million to provide financing for manufacturers in Barbados to help them retool, to get new technology and to put new production systems in place. Again, out of these public monies that the Honourable Member is criticising we gave \$7 million a year in technical assistance to the manufacturers over the last several years that has helped those in food to become HACCP compliant and to be able to meet the international standards. Note the approval of food manufacturing.

Sir, the "100% Bajan" Campaign, a post-September 11th campaign is funded by this Government. We swore that we would do what is necessary to help the manufacturers and so said so done. We are investing public funds in our economic development and our future. There are no white elephants in here, Sir.

Sir, I need not mention the Enterprise Growth Fund and Fund Access. Over 500 new small businesses were created and given financial assistance. The use of public monies is for economic development to ensure that we are able to grow and develop. Sir, there is so much more that I wish I had more time, but I want to touch on a couple of other things quickly.

Sir, I want to let the Honourable Member for Christ Church East Central know that public funds by way of debt to create new capacity have been fully and properly engaged in the educational sector, particularly EduTech, and in the education reform programmes dealing with curriculum reform, human resource development through teacher training and the civil works, the rebuilding of our schools which were left to decay and fall apart by the Democratic Labour Party and the building in of technology with the putting in of computers and software.

Sir, when we came into office in 1994, the Honourable Member for St. Michael North East had to undertake a condition survey of all of the 103 Government-owned schools.

4:50 p.m.

Tuesday, November 23, 2004

Continuation of Hon. R. R. FARLEY:

Mr. Deputy Speaker, the Honourable Member was lucky that he was not washed away on Sunday night. Sir, in terms of progress, 31 schools were completely rebuilt, refurbished and expanded and those were 31 of the worst schools. The Honourable Member, who should know better, who was the beneficiary of some of the training, who was intimately involved in this project, got in a public forum and said there were about 14, 15 or 16 schools that were refurbished.

Mr. Deputy Speaker, not only was the Honourable Member a beneficiary of the training but he turned around and trained others. He was the EduTech co-ordinator for his school, the Christ Church Boys' School. The Honourable Member now has the gall to pretend that he is a stranger at the gates and that he does not know anything about the EduTech programme.

Mr. Deputy Speaker, I want to remind the Honourable Member that not only have we refurbished those 31 schools, but that the Honourable Member for St. Michael North East would have started with the worst of those schools and that we have continued. There are four more schools that are currently in train, with another four or five to be done next year.

Sir, of those schools that are finished, a total of 17 have already been fully-outfitted with computers and computer software and with teachers teaching in this new paradigm. Sir, 75 per cent of teachers have been trained in the general computers appreciation certificates and for those schools that have already been repaired. They have gone onto the next step in training the teaching methodologies and the integration of technology in education. Sir, even for those 17 schools that are fully installed with equipment and software, there is hands-on guidance as they press on. Sir, I am not going to spend anymore time on that but the Honourable Member needs to have his facts straightened.

Mr. R. D. JONES: On a point of order. I do not know from where the Honourable Member for Christ Church East is getting his information because unless there is a misunderstanding or misinterpretation of the figure 60 to 70 and of the figure 34... In other words, I was giving the Honourable Member three schools more than he is now claiming.

Mr. Deputy Speaker, the exact statement was that, in fact, 60 to 70 schools should have been completed with the commencement of the EduTech programme and that to date only 34 have been done. In fact, the Honourable Member has told me that there are 31 schools. I was adding three that should not have been added, and the most substantial point was relative to other structures and systems to promote the programme because it is well known by all and sundry that the points that the Honourable Member has stated...

Mr. Deputy Speaker, I do not deny that I was involved in the initial part of this project. I am a product of educational technology in education at the old "predogoggy" of education. I would never reverse from that posture but the particular statement is totally inaccurate.

I said 60 to 70 schools should have been completed by now because it was supposed to have been a seven-year programme, but that there are only 34 schools that have been completed and, therefore, I wanted to know why the other schools have not been completed. Therefore, the Honourable Member has now provided the statistics and the clarification and does not have to respond to the question that I had asked two weeks ago.

Hon. R. R. FARLEY: Mr. Deputy Speaker, the Honourable Member for Christ Church East Central knows that the only reason why more schools have not been completed is that in many of them, when we went to do the work, the schools were worst than we had originally thought. There were schools where, for example, the consultants had specified repairing the halls. At the St. David Boys' School, for example, one of its blocks had to be removed. There were many others where, rather than fixing a building, we had to change it.

Asides.

Hon. R. R. FARLEY: Mr. Deputy Speaker, that is not the only achievement that we have had in education. The Honourable Member for St. Michael North West said that we have spent all of this money and have nothing to show. Sir, there is a 55 per cent increase enrollment at the tertiary level between 1994 and 2004, which has moved from a level of around 7,000 to around 13,000, between the University of the West Indies (UWI), the Samuel Jackman Prescod Polytechnic and the Barbados Community College.

Mr. Deputy Speaker, let me rephrase that, I am getting my figures all mixed up. There was almost a 100 per cent increase in the aggregate at the tertiary level between the Samuel Jackman Prescod Polytechnic, the University of the West Indies (UWI), and the Barbados Community College, from over 7,000 to 13,000 over the 10-year period. The funds have gone to provide additional classroom space and teaching staff.

Mr. Deputy Speaker, for example, the Samuel Jackman Prescod Polytechnic now uses four secondary schools after hours, in order to deliver its programme. Sir, the Honourable Member talked about the results.

Asides.

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

Hon. R. R. FARLEY: Mr. Deputy Speaker, I do not have to remind the Honourable Member about the other initiatives in the Ministry of Education Youth Sector such as Project Oasis, which is a phenomenal programme, the Youth Development Programme or the Barbados Youth Service. I do not have to remind the Honourable Member of how public funds have been used to improve the opportunity for our talented sports persons to improve themselves.

Sir, for example, in the Department of Sports, we have used public funds to provide \$4 million in grants to national associations and to individual athletes over the past 10 years. We have done likewise in training our Olympians and our football and our volleyball teams. We have built 16 new pavilions

across the country to provide community facilities in many constituencies. We still have many more to build.

Mr. Deputy Speaker, there are 11 new hard courts that were built, while 12 existing hard courts were resurfaced. There were 23 new and additional playing fields developed, including playing fields in the St. Michael North West. Sir, there are 28 playing fields that are now lit. There were 29 hard courts that could have only been used in the daytime that are now being used at nights because of the installation of lights, including hard courts situated in the constituency of the Honourable Member for St. Michael North West.

Sir, the Honourable Member does not know where the public's money has gone, neither does he know why the public debt has increased. These are long-term assets and they are financed by long-term money.

Mr. Deputy Speaker, the Honourable Member for Christ Church East Central should be happy because under the Honourable Member's Administration, his football games could have only been played during the day, other than at the National Stadium. Now, as President of the Barbados Football Association, the Honourable Member can wear his other hat and can arrange a number of nightly tournaments all across the island.

Mr. Deputy Speaker is very happy about that too as he is a football person, but Mr. Deputy Speaker, would want to know that the matters relating to Christ Church West Central are high on the list as well because there is a deficit there in terms of facilities. Mr. Deputy Speaker is, at present, in the Chair and cannot speak, so I have to speak for him.

Asides.

Hon. R. R. FARLEY: Mr. Deputy Speaker, a new Stadium track has been laid.

Sir, in conclusion, let me say that the record of this Administration is clear. There have been improved physical infrastructure, an improved social sector, significant reforms in our financial sector, in our fiscal affairs, and significant reform in the support for the productive sector.

Sir, the reformation of those sectors has all been part, not only of the use to which these funds have been put over time, but also to building the capacity and the base, which will ensure that economic expansion and the repayment of the increase of debt, would not prove to be a problem for future administrations and future generations.

H:No.48(151)500 p.m.

Tuesday, November 23, 2004

Continuation of Hon. R. R. FARLEY:

Mr. Deputy Speaker, I am, therefore, very happy to support this expansion in the loan limit as well as the introduction of the budgetary measures from our previous Economic and Financial Statement.

Mr. DEPUTY SPEAKER: I hope that by the end of this financial year the Gall Hill facility will be sorted out because it has almost been 10 years in waiting.

Mr. R.D. JONES: Mr. Deputy Speaker, it is this type of animation backed by information that members of this House would see. Unfortunately it took a bit of inaccurate reporting to get my colleagues on the Other Side to let the people of Barbados know some of the things the Ministry of Education has been doing. Sir, as we look at this Bill to amend the Local Loans Act by \$550 million, it is interesting to know that the Honourable Member for Christ Church East has given us a litany of the kinds of things that the Ministry and Government have been doing.

I particularly want to pay attention to issues relating to the infrastructural component of education. I will not deny that an attempt is being made to improve the overall infrastructure of the school plant in the country. The point I have been making and will continue to make was that at this point in time, after five years of the commencement of the project that we should be at the stage of Phase 5 of the EduTech programme.

The Minister has admitted that because of bad estimation, bad planning and bad understanding of the infrastructure of the schools that they have substantial cost overruns in relation

Hon. R. R. FARLEY: Mr. Speaker, on a point of order. The Honourable Member is misleading the House. You were very much here as I am, Sir, and nobody in the hearing of my voice, not even the Honourable Member for Christ Church East Central heard me make any such statement or suggestion. The Honourable Member has forgotten that he is not in Oistins on Sunday nights, that he is in Parliament, and that we are guided by certain standards. The Honourable Member needs to withdraw and move on.

Mr. DEPUTY SPEAKER: Honourable Member could you please rephrase?

Mr. R.D. JONES: I will rephrase the comment, Sir but it came from the mouth of the Minister of Education, Youth Affairs and Sports. He said that as they approached the physical plant, they encountered more areas of infrastructural weaknesses within the plant and, therefore, had to expend more money than they had first done in relation to their estimation.

I am making the point that if the kind of concrete analysis was done, they would have understood that they needed the resources up front and would not have gone into cost overruns on the particular projects. Mr. Deputy Speaker, that is the only point I was making.

Hon. R. R. FARLEY: Mr. Speaker, on a point of order. The Honourable Member is misleading the House. The Honourable Member is displaying a complete lack of knowledge on the matter which he speaks and the Honourable Member from St. Michael South Central should correct him, Sir.

Mr. R.D. JONES: Sir, I will not be distracted from the point I am making because there is a common tactic which can sometimes be employed to distract, that is, to constantly interrupt.

Sir, the Ministry of Education, Youth Affairs and Sports cannot emphatically state that there have not

been cost overruns on the existing structures we are speaking about. One understands that there would have been an increase on enhanced scope of work because, as an educator, I was part of an environment where there had to be extension to the scope of work. Sir, I was involved from the beginning in this project so I understand of what I speak. The people of Water Street and the surrounding areas of Christ Church Boys' School are happy because we needed an enhanced structure there.

Sir, Christ Church Girls' School is an area that is now completely flooded out and the main building has been completed washed away over the last two days. Sir, the Junior Minister will not speak on this Bill, but she should have been there to ensure the comforts of the students in that area. The Junior Minister should deal with these issues relative...

Hon. Miss. C. Y. FORDE: Mr. Deputy Speaker, on a point of privilege. The Honourable Member should be the person to look after his constituents. When the Ministry is aware, it will be there in full force to ensure that every school in Barbados looks after the needs of its children.

Mr. R.D. JONES: Mr. Deputy Speaker, Christ Church Girls' School was to be part of Phase 3 of the EduTech. The teachers, children, parents, principals and the PTA, none of them know when the school will now be part of the programme because of the paucity of information. I can put my neck on the block that they are fully aware that school is in need of serious work and refurbishing.

Sir, I am only the messenger. The bulk of these persons do not come from the constituency of Christ Church East Central but from Christ Church West Central. The intervention of the Honourable Junior Minister demonstrates a level of junior behaviour that is unbecoming. The Honourable Member for Christ Church East needs to speak to his junior Minister because it is important that when persons are challenged in the environment in which they have to work and children have to go to school that there must be a serious response on the part of the Member of Government.

Asides.

Mr. R.D. JONES: I am aware that work was done on the school during the vacation but it seemed to have been made worst and, therefore, one needs to focus on these particular issues.

Sir, persons need to stop grandstanding and pounding their chests because they may be criticised from time to time. They have to stop thinking that they should defend every single issue and accept the facts as they are.

Sir, the project is lagging substantially behind. We recognise that the bulk of Government's buildings over time have not been treated adequately as far as repairs and maintenance are concerned.

H48/17:10

Sequence 152

Tuesday, November 23, 2004

Continuation of Mr. R.D. JONES:

Therefore, you need to step up to the plate and accept the responsibility to find ways and means to accelerate the programme so that it is covered within the period of time that we are talking about. We are talking about \$426 million, almost as much as the \$550 million that we are asking to increase the local borrowing limit.

Sir, these are the facts and issues. We have a small unit within the Ministry of Education dealing with such a massive project and I have said this before. It is not to pull down or destroy but to uplift so that, at the end of the day, the people of Barbados do not have to repay those resources.

I do not grandstand and feel happy that you are two years behind in relation to the project. I do not get that kind of gratification. I do not get that kind of erection from that kind of process.

Asides.

Mr. R.D. JONES: One has to find the ways, means and techniques to ensure that we bring in those projects on time.

Sir, do you know what the problem is? This Government and this Ministry under the leadership of the Honourable Member for Christ Church East is known to bring in these projects later and later, over budget most of the time because for some reason they seem not being able to get it right.

Sir, I want to make one point. This year, September, might be the first time that we did not have 10 to 15 per cent of the schools opening late. This is a compliment. I like to be fair. Maybe, there is an improvement in those kinds of things as a result of these kinds of contributions. That has nothing to do with the Junior Minister of Education, Youth Affairs and Sports.

Maybe, when there is dramatic improvement in school meals, then I would address the concerns raised by her but right now I am addressing these issues to the Senior Minister in the Ministry of Education, Youth Affairs and Sports.

Mr. Deputy Speaker, I want to go further than that. I do not want to sound as though I am quarrelling but I advise, that is my nature.

Asides.

Mr. R.D. JONES: There have been lighting and pavilions but these are things that Governments do. Government build these monuments across the country to be used by people and one does not want to deny that. Let us consider a few issues. Some of them are highly inadequate even though important because persons would say to you, the lighting is poor but we will still play.

Therefore, the call is, as we spend the people's money, to increase the capacity of the lighting but it is an important first step. That is the point that I am making. I am not beating on the Minister's head.

Sir, come Sunday the Minister and I would be in Parish Land for the conclusion of the Cheffete

Christ Church Tournament. We will be there together, so I am not beating up on him. All I am saying is that there needs to be substantial and dramatic improvement in some of these areas.

Let us go beyond that. As I traversed parts of Barbados yesterday and this morning, we are talking about spending money wisely, there are some things that we as human beings will not be able to do because nature makes certain decisions. While we plan nature makes certain decisions. There still must be things that we can do to militate against the ravishes of nature and this is where I now want to pull the Minister of Public Works into this.

Sir, it makes no sense that parts of Barbados is constantly being flooded when there should be a quarterly or annual assessment of problems which can arise as a result of bad maintenance of our roads, wells, gullies or whatever physical landscape that we have.

We have had substantial flooding across the length and breadth of Barbados. I made the point earlier that there are certain things that we cannot do relative to nature but, at the end of the day, we have to ensure that we deploy our resources in such a way that we can militate the worst effects of that.

Therefore, when we look at places like Wilson Village in Christ Church East Central the water is just eating up people's homes and the land that they plant their crops. If you visit Hilton Road, and the Honourable Representative for Christ Church South knows this well because I have been speaking to him for months now - the last thing that he said to me today to his credit is that he will join the Minister of Public Works and take him to an area and ensure that some work is being done there.

I hope that when the Minister comes to Christ Church that he would not only go to Christ Church South but he will go to Christ Church West Central, Silver Hill and Maxwell, and he will come to Christ Church East Central as well. I know all of the problem areas and I will take him to Newton Terrace.

Asides.

Mr. R.D. JONES: The Honourable Member for St. Michael North will block him out because wells are dug in the areas where he lives but further up the road we need wells for those people who live up there as well. The Honourable Member is satisfied because when I traversed his area yesterday there was no flooding there but as I moved further up there was flooding.

Mr. DEPUTY SPEAKER: Honourable Member, please address the Chair.

Mr. R.D. JONES: Sorry, Mr. Deputy Speaker, my apologies.

Sir, the Honourable Member for St. Michael North is happy but further up there was flooding. Money is only useful within our context for the alleviation of the hardship of the people of Barbados. That is what it useful for, not to be placed in anybody's pocket to be put into a private fund for somebody's aggrandisement or somebody travelling across the world. It is for the alleviation of the problems of the people of Barbados.

Sir, if we are going to raise the Local Loans Act by \$550 million and utilise it substantially for the

alleviation of the problems, hardships and challenges which are faced by the people of Barbados, then there can be no quarrelling. There might be other difficulties arising out of it if it is spent badly because we have hundreds of examples of bad usage of the monies of the people of Barbados in projects which I will not now name because it is well-known to the people of Barbados and they are well-known to the Honourable Members on the Other Side.

Sir, let us not get in here and genuflect, bow and thump our chest as though there have not been bad utilisation of some of the resources within this country. They might have been some in the past, and they might well be some in the future but we are saying that in the future you need to have more careful planning, management and better implementation of those plans so that the out-turn is better satisfied.

I am asking the Minister of Public Works, now that he is here, to make his journey over the next week or so, starting with Christ Church first and working his way up north, if you have not yet gone to the north. Please, come to Christ Church and let us point out to you where persons are being made uncomfortable as a result of the flooding.

The Minister can also go to St. Philip or any part of Barbados because there is no part of Barbados that should be neglected. Just bring the equipment and dig the wells properly. Let us utilise the engineers in the Ministry of Public Works or wherever they may be to ensure that persons are comfortable within the context. I stand ready to take you through parts of Lodge Road and various areas that have been flooded and we need to correct.

H48: 17.20 p.m

Sequence 153

Tuesday, November 23, 2004

Continuation of Mr. R.D. JONES:

In conclusion, Mr. Deputy Speaker, let us seek to uplift how we use and spend our resources. When we on This Side speak, it is not in condemnation, but it is an encouragement to do better. There might be some of you on That Side - not the Honourable Member for St. Thomas who continue to interject by asides - who can do better in delivering the services to the people of Barbados, as we seek to borrow and spend their monies, but Sir, we have to do better.

Mr. Deputy Speaker, I thank you.

Hon. G.A. CLARKE: Mr. Deputy Speaker, I rise in support of this Bill before the House. I would want to ask the question because the Opposition from the time they come to this Parliament they have been criticising the Government's policy, as it relates to the borrowing of money, both local and foreign borrowings.

I believe that the average Barbadian is not too concerned about the debt but about how we spend the money. I also think that if money is spent wisely and people can see what is done in the various constituencies to develop the infrastructure of Barbados, then money is well spent.

For example, my father 50 years ago never had a mortgage on his house. He had eight children. I came after and I have a big mortgage for 20 to 30 years. The point I am making is that you cannot compare what happened in the 1950s and 1960s to what is happening today. People are borrowing more money because they are working for more money at this time. Sir, you cannot compare apples with pears. Therefore, we have to look at what is happening at the time.

In 1950 the GDP of Barbados was less than \$26 million. Today we are operating a \$2 million economy and people are borrowing.

Mr. Deputy Speaker, I want to make the point because the Opposition on one hand is saying that you are not supposed to borrow and on the other hand, they are saying that we must do more. For example, the Honourable Member for Christ Church East Central is asking for more to be done in his constituency and all Honourable Members are asking for more to be done.

Mr. Deputy Speaker, over the last 10 years, from 1994, this Government spent over \$600 million in road rehabilitation - for example, the Bridgetown road improvement, stretching from Black Rock to the outer Bridgetown, passing Eagle Hall through to Highway 7, Dash Valley, St. George, St. Martins to the Crane in St. Philip, Orange Hill to Greenwich Village, Baxters Road and Swan Street in Bridgetown.

I want the Leader of the Opposition to tell us if the average Barbadians are more concerned with the debt or about the tenantry roads that were repaired. Mr. Deputy Speaker, they are not talking about the roads that we have across Barbados.

Sir, we have to improve our infrastructure and, in the words of the Rt. Honourable Member for St. Peter and Prime Minister of Barbados, this Government's philosophy is fundamentally different from the Democratic Labour Party, because he said that he wants to stop poor people from being poor. Sir, we want poor people to walk on better roads, but this is not so with the Democratic Labour Party.

Sir, in 1994 when the Democratic Labour Party left office, they had a Venezuelan programme going and money was available and they did not borrow. Many of the roads were left undone by the Democratic Labour Party. Therefore, by the time we came to office, we had to resuscitate a lot of the roads.

Sir, records show that between the Rural Development Commission, the Urban Development Commission and the Ministry of Public Works, this Government spent over \$600 million to develop roads, build bridges, develop the Scotland District and improve drainage across this island. We borrowed the money from the IADB, local concerns and from international agencies, in order to make Barbados strong. We will continue to do this and this is where the difference lies between the Democratic Labour Party and this Government.

Sir, when the Democratic Labour Party left office, they had \$20 million in the Housing Credit Fund. They did not spend it. People could not get loans. Why? Because the Democratic Labour Party did not care about the people, but about keeping a little money aside.

I am saying that we, on This Side believe, that the people of Barbados are concerned about improving their infrastructure. What shall we do, Mr. Speaker, at this time when the island is under a flood watch? The north of the island is under water. We have bridges broken away. We have bridges dug up. What should we do? Should we allow them to remain like that or should we repair them? Should we be concerned about borrowing the money or should we be concerned about repairing the roads?

The Democratic Labour Party is saying to us not to repair them, do not get the money, let the roads remain as they are. We have flooding in Goodland Christ Church. The Honourable Member for Christ Church South already took us there and we saw problems caused by drainage, which we are about to fix. We have done a lot of work in the Goodland area. We have done a lot of work in the central area. We have improved the canal at Headley Land. It cost the Government more than \$4 million but there is no more flooding there.

We have done canalisation in Mount Brevitor at Richmond Pond which used to cause flooding in Speightstown but you do not see the same flooding occurring today. We have done a lot of work there and we are constantly doing work.

Asides.

Hon. G.A. CLARKE: Of course, we have today and every November, according to the Meteorological Service, a heavy down pour of rain. I was told today that in 1991, over 20 mm of rain fell in the country. We have not got that far but we are saying, Mr. Deputy Speaker, that as Parliamentarians, we have to understand that we need to borrow for not just for road improvements but, in the next couple of years, a lot of work has to be done to shore up the infrastructure of this country.

We have a beautiful airport which we have borrowed for, and we have beautiful infrastructures across the South Coast and the West Coast. We have to improve our roads and traffic management. It is going to cost this Government in excess of \$2 million in the next four or five years in order to improve our roads. Where are we going to get the money? Should we sit and say that we cannot do it because we cannot borrow? Sir, we have to borrow both from local sources and from international sources.

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Continuation of Hon. G. A. CLARKE:

This Government is committed to the Cricket World Cup and no matter what the Democratic Labour Party says, we have to go out there and find the money. The Democratic Labour Party is going down by Kensington Oval and encouraging the people down there not to move. We saw a delegation of high-ranking Democratic Labour Party members down there when they know that we are committed to the Cricket World Cup. I want the Democratic Labour Party to understand that we as a country are committed to the Cricket World Cup and we have to relocate people and improve roads and drainage in this country.

Mr. C. A. MASCOLL: On a point of order. It is incorrect to say that the Democratic Labour Party

encouraged the residents around Pickwick Gap not to move. We were simply asking for the best treatment to be meted out to the residents because it was a question of variances between what the residents had applied for by way of valuations and what the Government was willing to offer in respect of the acquisition of their properties.

Therefore, it was felt that there was need for greater representation to be given to the people within the Pickwick Gap area. It was only after the Democratic Labour Party made such an attempt that there was any comment on the part... We are quite aware of the meeting that the Honourable Member and the Minister held at Pickwick Gap, but what we are not aware of...

Mr. DEPUTY SPEAKER: Proceed, Honourable Member.

Hon. G. A. CLARKE: Mr. Deputy Speaker, the matter is that we are committed to a process for this country to go forward, therefore, we have to put certain infrastructure in place. All we are saying is that the Democratic Labour Party must cooperate with the Government on this issue. Meetings were held by the Ministry of Housing, Lands and the Environment and the landowners and a fair market value has always been given. There is also a process in which persons can appeal if they think that they are being unfaired.

Sir, I am sure that the Ministry of Housing, Lands and the Environment is doing their utmost best to ensure that the people are treated in the best way. In fact, I would think that the residents in that area, with the exception of one, are committed to be relocated in order to improve Kensington Oval. We are committed to this Cricket World Cup and we have to borrow money, and the Democratic Labour Party must support the Government on this issue.

Mr. Deputy Speaker, we talk about wanting Barbados to improve in sporting events. Therefore, we have to build more sporting facilities across Barbados. We have a number of hardcourts and we have well-lit playing fields. There is a new well-lit pavilion in St. Philip West. I passed there the other night.

Sir, I want the Honourable Member for St. Philip West to get up and praise the Government for borrowing money to improve facilities in St. Philip. We also have to repair the roads. We have to do these things and we have to borrow for them, if not we will not go forward as a nation.

Mr. Deputy Speaker, I also want to speak briefly on the \$170 million that the Honourable Member for St. Michael North West said that the Ministry of Housing, Lands and the Environment borrowed over the course of the last ten years. We did borrow a lot of money in order to provide loans, but we lent a lot too. When the Democratic Labour Party was in office they lent less than \$12 million in loans, but this Government lent over \$44 million in loans to poor Barbadians to repair their homes.

Let us talk about these things. We have not taken the money and spend it foolishly. Many persons got house spots, many were able to repair their homes and many mortgages were provided. We did a lot of work in order to stop Barbadians from being poor. Is the Honourable Member saying to us that we must stop now and watch the money and that we do not need to borrow? This country can borrow. People would only lend a country money if it has the ability to pay back. We have the ability to pay back, so we must agree in this Parliament that we have to go forward. We have done a lot of work in

the last 10 years but there is still a lot to be done, and we have to continue to do what we can.

Sir, the Democratic Labour Party talks about the Warrens Complex which is nearing completion. The Democratic Labour Party thought it would never be completed. It is being completed by the Ministry of Housing, Lands and the Environment.

Sir, if there is one thing we can agree on is that the country would always have to borrow. I do not know of any country in the world that does not have a debt. There are some countries that have more debt than their Gross Domestic Product, but we are not in that bracket. This country has one of the best ratings in the world. Every time the Government puts out a project, international banks ask us if they can fund the project.

The Democratic Labour Party must not go around trying to encourage people to think that we are putting this country under stress. The country is not under stress and we have to continue to borrow. I want to see more borrowing because we have to develop a strategy for traffic management and we have to borrow money. We have to develop this country.

Mr. Deputy Speaker, we want to make this country the best small country in the world, so this Barbados Labour Party Government will not stop until we become the best developed country infrastructurally in the world and until our people become not only talented...

Mr. C. A. MASCOLL: On a point of order. Under the Democratic Labour Party, even during the difficult economic times, according to the Human Development Index Barbados was considered the number one developing country, but it has now fallen.

Asides.

Hon. Dame BILLIE MILLER: On a point of order. Mr. Deputy Speaker, the Democratic Labour Party insists on misrepresenting this. From the time there was a UNDP Human Development Index, Barbados has been the number one developing country and it continues to be so till this day. Barbados has been overtaken by developed countries but never by a developing country. Do not tell me I am wrong, that is a fact.

Mr. DEPUTY SPEAKER: Proceed, Honourable Member.

Hon. G. A. CLARKE: Mr. Deputy Speaker, we have to continue on a path to making this country strong and prosperous. Therefore, in order for us to do so, we have to borrow. We do not have an income every year to provide for the infrastructural development. Every year we must go into debt and we will continue to be in debt. The deficit is sometimes between 2 and 3 per cent. Sir, I do not want the people out there to believe that if the Democratic Labour Party gets into power, and I know they will not in the near future, that they will not have debt. We must not fool the people that debt is bad. Everybody in Barbados is in debt. People must borrow in order to go forward. We have to borrow in order to provide these developments for the people.

Mr. Deputy Speaker, let us look at what is happening across Barbados today. Today, civil servants are better off.

House 48 Sequence 155

5:40 p.m.

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Continuation of Hon. G. A. CLARKE:

Mr. Deputy Speaker, we spend approximately \$20 million annually to improve rental accommodation for civil servants. Sir, we were not like the Democratic Labour Party. The record shows that between 1991 and 1993, the Democratic Labour Party had money in a Housing Credit Fund which could have been used, but they still sent home over 4,000 people.

Sir, we repaid that money, and I am sure that if the Democratic Labour Party were to be put in the same position, that rather than borrowing money to keep people working, they would send them home. We believe that we must keep our unemployment figures below 10 per cent.

Mr. Deputy Speaker, we believe that the people of Barbados must come first, and that we will keep borrowing to keep people working. Sir, people have to work and to pay their bills, and this country must continue borrowing to develop the infrastructure.

I thank you, Mr. Deputy Speaker.

Dr. D. C. ESTWICK: Mr. Deputy Speaker, I rise to make a contribution to this debate, but I am somewhat bothered because there seems to be some Honourable Members, particularly on the Other Side, who seem to be misinterpreting the implications of a national debt, as it is interpreted within the macro economics of a country.

It is not a simple matter of whether or not one borrows. You have to determine when you should borrow and how much you should borrow. You must determine what you are borrowing in relation to your fiscal deficit. You must determine your borrowing in relation to your trade deficit and in relation to your balance of payments.

Sir, therefore, to sit here for the whole day and to hear individuals with this pious and platitudinal type of approach that you have to borrow and that you have to borrow under all set of circumstances is, indeed, a flight of fancy, one that any economist who is worth his salt will never follow.

That is why I am happy to hear the Right Honourable Member for St. Peter making the comment on a number of occasions, contrary to all that I have been hearing today, that we have to bring the deficit and our spending under check because the Honourable Member is now aware of the crisis that he has created over the last 10 years. Sir, that is where I will spend my time in this debate.

Mr. Deputy Speaker, we are amending the Local Loans Act.

Asides.

Hon. K. D. SYMMONDS: On a point of order. I only rise for the clarity of the record because while all of us in here would have agreed that we have heard the Right Honourable Member for St. Peter speaking about bringing a deficit under check, the record must not be so read or so interpreted as to reflect that anybody has heard the Honourable Member suggesting that he has created a crisis.

Mr. DEPUTY SPEAKER: Proceed, Honourable Member.

Dr. D. C. ESTWICK: Mr. Deputy Speaker, this Local Loans Act must be interpreted within the context of where the particular previous limit was set. The last limit was set in 2002 and by Law that limit was \$2.2 billion. We are now, in another two years, seeking to enhance that limit by \$550 million, therefore, giving the borrowing capacity to this Government to the tune of \$950 million.

Mr. Deputy Speaker, what I find interesting is that when I look at Appendix B, page 28, 2004-2005 Estimates, what was obvious was that the local loans total outstanding, not utilised, was approximately \$2 billion. Therefore, there was \$193 million that could have been accessed by this Government. Sir, if I am to add that \$193 million to the \$550 million that is being asked for, that pushes the total up to \$693,204,000. Sir, that is unprecedented, and that is where I will start my discussion in this debate.

Mr. Deputy Speaker, on multiple occasions I have said that this Government has created a serious macro economic crisis in Barbados, by the practice of excessive borrowing, excessive spending and excessive importation. This Honourable Prime Minister, a very omnipotent and omniscient Prime Minister he is, must be blamed for the creation of these economic circumstances in Barbados.

I have heard the Right Honourable Prime Minister on record as saying, and many of his Cabinet Members anecdotedly reciting ad nauseam, that Government deliberately entered into a counter-cyclical fiscal programme, in order to expand the economy.

Mr. Deputy Speaker, what this means is that Government has deliberately decided to spend significantly more money than they expect to collect in revenue. What I am contending today is that the crisis that was developed has occurred because there was no national developmental plan associated with that level of expenditure but that it was used for politically expedient motives.

Hon. A. P. WOOD: On a point of order. Mr. Deputy Speaker, I do not take any joy in interrupting the Honourable Member for St. Philip West, but I cannot sit any longer without responding to the statement made by the Honourable Member, that there is this macro economic crisis in Barbados which has been created by the Right Honourable Member for St. Peter.

Mr. Deputy Speaker, we associate such extreme economic language with economies that are performing in the way in which the Barbados economy was performing in the period 1991 to 1993. Sir, while I will agree, and the Right Honourable Member for St. Peter has also admitted, that we had a current account challenge which we will take all necessary steps to deal with, I will also agree, and the Right Honourable Member for St. Peter has said that we will bring the fiscal deficit down to levels which can be sustainable, and that we will encourage more private sector activity in order to lead our development.

Mr. Deputy Speaker, there is nothing that could be further from the truth than persons making statements that there is a macro economic crisis in Barbados.

Mr. DEPUTY SPEAKER: Proceed, Honourable Member.

Dr. D. C. ESTWICK: Mr. Deputy Speaker, there are four fundamental facets to the development of a fiscal crisis which are directly related to macro economic instability. Sir, the four principle factors are

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Continuation of Dr. D.C. ESTWICK:

A growing and unsustainable fiscal deficit, one that is recorded in the Report of the Central Bank of Barbados of May 5, 2004, and in the 2002, 2003 and 2004 consultations with the IMF as having increased to 9.5 per cent of GDP.

Sir, that is an unsustainable position, a high unsustainable national debt and a national debt where we now have over 72 per cent of GDP but in the IMF records it is at 76 per cent of GDP. The other fundamental position is a widening and growing visible trade deficit. If the Honourable Member wants me to educate him, I will do so, Sir.

Mr. Deputy Speaker, between 1994 and 2004, the visible trade deficit has been widened by \$900 million under this Administration. Sir, three fundamental criteria have been established, an unsustainable fiscal deficit, an unsustainable national debt and an essential component of the balance of payment position. If the Honourable Member wants to read, I challenge him to review Article Four Consultation with the IMF, 2000 where it clearly says on page 2 that if this Government did not borrow US\$150 million in 2001, we would have had a foreign exchange crisis in Barbados.

Mr. Deputy Speaker, this Administration has made a fundamental and cardinal error. It made the infantile and juvenile error of financing the fiscal deficit from foreign loans as indicated in many of the Reports of the Central Bank of Barbados. They then pursued an even more diabolical strategy of financing the national debt from project funds that came into Barbados for domestic projects.

If the Honourable Member wants to find out whether this is true or not, he should look at the Central Bank of Barbados' review of the economy for the first six months of 2004 where it says on page 5 that the fiscal deficit was financed mainly by foreign sources by way of project funds.

Mr. Deputy Speaker, can you imagine that we have got to the stage where we are financing a fiscal deficit by taking up money which came into Barbados for projects to finance the deficit? We are now at a point where we have almost exhausted the overdraft facility of the Central Bank of Barbados. This is the crisis which I referred to and the Honourable Member for St. Philip South can defend it.

Hon. R. R. FARLEY: Mr. Speaker, on a point of order. The Honourable Member is misleading the House in terms of the deficit. The deficit is the difference between current revenue and total

expenditure. In the case of presentations made to this Parliament, the Honourable Member would always see very clearly outlined that the deficit occurred in the financing of capital projects.

It stands to reason that a capital project would be financed from foreign or local sources and foreign sources can be commercial loans or project funds. Sir, the Estimates of Expenditure and other documents presented to this Honourable Chamber will indicate that.

Sir, where project funds are specified as a source of financing, the capital component of the expenditure, and, therefore, part of the deficit, how can the language of “taking up” project funds to finance the deficit be used? The Honourable Member is imputing that we are doing something improper when in truth and in fact, that is part of the plan. The Honourable Member clearly does not know what he is talking about and is, therefore, misleading the House.

Dr. D.C. ESTWICK: Mr. Deputy Speaker, I will not be caught up in that sort of rhetorical positioning because it is a pointless exercise and I will proceed.

Mr. Deputy Speaker, this Administration has increased over ten years the national debt of this country from \$675 million in 1994 to \$2 794 million as of December 31, 2003. I am now submitting to the people of this country that the reason this Administration is now providing for an opportunity where they can assess money from domestic sources is because the prolific borrowing that has occurred over the last 10 years has not only been used for financing the deficit and propping up the net international reserves which have now created a set of balance of payment pressures because the foreign exchange earning sectors are underperforming.

As a result, based on the debt to GDP ratio and based on the growing debt service ratio to GDP, the Government is locked into a position where it has to borrow on the domestic market.

Hon. A.P. WOOD: Mr. Speaker, on a point of order. The Honourable Member is misleading the House. I have never once heard the term “the debt service ratio to GDP”. If the Honourable Member is inventing such an economic term, I would like him to explain to this Honourable Chamber what exactly is the debt service ratio to GDP.

Dr. D.C. ESTWICK: Mr. Deputy Speaker, I will not waste my time with the Honourable Member. I will draw reference to the Annual Statistical Digest of the Central Bank of Barbados where it refers to the external debt service ratio. Sir, it may be jargon that has the Honourable Member thumping his chest but it does not alter the reality of what I am saying.

Mr. Deputy Speaker, by pushing the national debt higher and higher in Barbados, we are creating a situation where we have to pay back the debt which will have implications with respect to the Ways and Means Account of the Central Bank of Barbados. I want the Honourable Member for St. Philip South to know that I understand the concept of monetary base, net domestic assets and net foreign assets. Sir, the Honourable Member should not waste his time because he cannot compromise me.

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Asides.

Mr. DEPUTY SPEAKER: Order, please. Allow me to listen to the Honourable Member.

Dr. D.C. ESTWICK: Mr. Deputy Speaker, it cannot be denied that in 1994 we did not have a deficit of 2.3 per cent of Gross Domestic Product and it cannot be denied that in 2004, if we accept the International Monetary Fund's interpretation and include our Budget financing, it is over 9 per cent.

Sir, the Democratic Labour Party did not create that. It was created under the Barbados Labour Party. It cannot be denied that the national debt has moved by over \$2 billion in 10 years. It cannot be denied that the trade deficit was widened by \$9 million in the last 10 years and the Democratic Labour Party did not create that.

Sir, the problem this country faces is that we have an administration that refuses to use the traditional methods to reduce the fiscal deficit in this country. This administration has opted to diminish the Central Bank reserves. It has decided to finance the deficit through domestic loans.

Asides.

Hon. G.A. CLARKE: Can the Honourable Member for St. Philip West explain to us what are the traditional methods of reducing the deficit?

Mr. DEPUTY SPEAKER: Proceed, Honourable Member.

Dr. D.C. ESTWICK: Mr. Deputy Speaker, do you know what is sad and as Barbadians wherever they are listening to this debate, they are listening to a group of men who are attempting to discount the significance of the implications of increasing the national debt of this country at a time when we have a fiscal deficit that is uncontrolled, the trade deficit is out of control and our foreign exchange earning sectors are not performing. That is the problem and they will be judged for that.

Mr. Deputy Speaker, the Honourable Members on the Other Side seem not to be aware that we have a situation in this country where once you increase the domestic loan limit, you affect the national debt of the country. It is important to appreciate that by increasing the national debt, and in this case the domestic component, you are a principle competing with the private sector for access to domestic capital. The importance of that principle...

Hon. A.P. WOOD: On a point of order. Sir, I am not going to sit by idly and allow the Honourable Member for St. Philip West to make these wild and ridiculous statements.

Mr. Deputy Speaker, the act of increasing the local loans limit does not lead to an increase of the national debt unless there is actual borrowing over and beyond what the level was at the time the Local Loans limit was increased. Sir, by agreeing in this Honourable House that the Local Loans limit can be

increased, that could only affect the national debt if the Government engages in some borrowing.

Mr. DEPUTY SPEAKER: Order, please. Proceed, Honourable Member.

Dr. D.C. ESTWICK: I will restate my position. Sir, whenever you have a situation where we have a high domestic debt component and we increase that capacity, we are creating a situation where we can push a national debt higher than the 72 per cent of the Gross Domestic Product, which the Honourable Member for St. Peter says is unsustainable and he wants to reduce it. The fundamental thing about that is that I am hearing Honourable Members on the Other Side speaking counter to all the positions that the Prime Minister has taken.

Sir, the Government needs to do two things to solve this problem. The problem that exists is one of a structural deficit in Barbados which was created and it permeates almost every statutory entity, private and economic sector in this country.

Mr. Deputy Speaker, this Government is on record indicating that they are going to be spending. Yet, when I look at the 2002-2003 Estimates and the actual expenditure, this Government's revenue was \$1 800 000 000 and their expenditure was \$2 300 000 000, a deficit of \$400 000 000. Again, when I look at the projected revenue for 2004-2005 and the projected estimate, the same Administration that said that they were committed to reducing expenditure and deficit, it is higher. The revenue that was projected as \$1.9 million and the expenditure \$2.4 million.

Mr. Deputy Speaker, there is no commitment to what they say. There has been no commitment to reduce expenditure at all and I want to know how they are going to reduce the deficit if the projected revenue is significantly less than the projected expenditure.

Sir, this Administration continues to make another fundamental error. One would believe that the other aspect of a traditional fixing of the fiscal deficit problems apart from reducing expenditure is to increase revenue. This Government has done the complete opposite.

This Administration has made a commitment themselves to decrease direct taxation, increase tax allowances from \$15,000 to \$25,000, decrease the base of tax from 25 per cent to 20 per cent, decrease the marginal tax rate, increase the homeowners allowances, decrease the number of items subject to the 60 per cent bound rate, decrease the land tax base, decrease corporation tax from 40 per cent to 25 per cent by 2006 and phase out the taxation on banks.

H48: 18.10

Sequence 158

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Continuation of Dr. D.C. ESTWICK:

Sir, the critical point here is how are they going to increase the revenue, as a fundamental principle of

dealing with a deficit? This Government has locked themselves in a position where they will continue to attempt to finance the deficit from borrowing, and that is what we are setting today. I will not be led down a path of not understanding. It is quite clear to me what is going on and I will speak to the people of this country, openly.

Mr. Deputy Speaker, these tax concessions will decrease Government's revenue and worsen the fiscal deficit position. These measures will not stimulate the investment that the Honourable Member from St. Peter may be hoping for...

Hon. A.P. WOOD: Mr. Deputy Speaker, on a point of order. The Honourable Member cannot come in here and make statements that do not have any basis. If the Honourable Member can tell me, I do not know if the others want to hear, what is his concept of an appropriate economic model for Barbados, one that speaks to the economic dynamics, one that could tell me that he has fed into that model, those economic changes which we say we will do, and what will be the ultimate result.

Sir, unless he can do that, he cannot come in there and say that these things will lead to a reduction in revenue, because we on This Side can counter that by saying that a reduction in taxation is expected to lead to a stimulation of private sector activity and a stimulation of spending activity, all with the expressed purpose of trying to generate higher levels of economic activity.

Dr. D.C. ESTWICK: Mr. Deputy Speaker, do you know what is interesting about the debate is that the Honourable Member needs to understand that there is something called deduction from the phenomenological level. It is drawing an inference, and you can draw on that inference and you do not have to incorporate it, because it is not an empirical test. He needs to understand that, wake up and learn and not challenge me again.

Asides.

Hon. A.P. WOOD: Mr. Deputy Speaker, on a point of order. The Honourable Member must show some knowledge and understanding about what he is speaking. Sir, for anybody in here to believe that he could stand up and say that because the Government has taken a decision to give tax concessions, and reduce the Land Tax rate that this, in and of itself would lead to a reduction in a fiscal intake.

Sir, he has not demonstrated to anybody in here that he has any understanding about economic principles on anything that he is talking about. The balance of opinion in this matter cannot rest on what he says because he has no knowledge about what he is speaking.

Mr. DEPUTY SPEAKER: The Honourable Member, could you withdraw the last statement, please.

Dr. D.C. ESTWICK: Mr. Deputy Speaker, it is for the people of Barbados to decide whether or not I am talking nonsense. The Honourable Member for St. Philip South cannot grade me because he cannot grade himself. Do you think this is a primary school?

Mr. Deputy Speaker, I want to go back to a fundamental principle here because it is important that we understand what has happened in Barbados. I want the people in this country to appreciate that if in

1994 there was a fiscal deficit of 2.3 per cent; in 1995 this Administration increased it to 2.6 per cent; by 2001 this Administration increased it to 2.8 per cent; by 2002 this Administration increased it to 3.8 per cent; by 2003 this Administration increased it to 6 per cent and when they realised that they were having difficulty, they came up with off-budget financing. If the IMF did not come into Barbados and oppose it on the grounds that you are spending taxpayers' money, because 4 per cent of off-budget expenditure is giving you a deficit of 9 per cent, the point is that you should stop lying.

Mr. Deputy Speaker, I am going one step further.

Mr. DEPUTY SPEAKER: Honourable Member, could you rephrase what you have just stated, please?

Dr. D.C. ESTWICK: Mr. Deputy Speaker, I will rephrase. Sir, the Government executed unknowingly.

Sir, do you know what I found to be surprising? I do not know if this Administration collectively had on blinkers or ear plugs, but you want to tell me that they did not recognise the warning signs in this economy? Even though there was a fiscal deficit of 6 per cent of GDP, do you know that they extended the deficit from \$270 million to \$281 million, and I am now to believe that they know what they are doing?

I also know, Sir, that when one includes the \$257 million in off-budget financing, which is the taxpayers' money that has to be accounted for in the central Government, this Government has created a structural fiscal deficit problem in Barbados and we will not go out of the deficit crisis, Sir, on 2.5 per cent of GDP. Mark my words.

Mr. DEPUTY SPEAKER: Honourable Member, you have another minute.

Sir, I want this Honourable Chamber to recall that in 1994, this Prime Minister told this country that he was going to exercise fiscal prudence. He said in the 1994 Manifesto that the Barbados Labour Party would incur only the modest fiscal deficits that will not require us to resort ruinous printing of money. He also said that he was only going to borrow up to the limit of the interest payment and external loans. This is the same Prime Minister that pushed the national debt from \$2 billion in 1994 to \$4.2 billion in 2004, the same Prime Minister that pushed the fiscal deficit from 2.3 per cent in 1994 to 9 per cent in 2003/2004.

Sir, are we dealing with a Jekyll and Hyde personality here? I firmly believe that this is a matter of trust and confidence. I personally have lost my confidence in the Rt. Honourable Member for St. Peter to lead this country prudently because, what he said in 1994, he went back on by 2004 and he created the deficit problem and the national debt problem.

Sir, I will end on this point that if the Rt. Honourable Member for St. Peter did not borrow US\$150 million in 2001, this country's external current account was in such a deficit position that we would have had a balance of payment twice as high in Barbados and twin deficits in this country.

Mr. DEPUTY SPEAKER: Honourable Member, your time has expired.

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Hon. K. D. SYMMONDS: Mr. Deputy Speaker, I will resist the temptation to respond to some of the things that were intelligible falling from the lips of the Honourable Member for St. Philip West. Sir, it might be a good thing, when we come to the point of revising the Standing Orders, as I gather we will, if perhaps for the benefit of the Honourable Member we might look at the process of written pleadings so that those of us who are unable to glean anything from what he attempts to say might at least have the benefit of it in writing, if it has value.

Sir, having said so, I want to bring us to the root of why we are here because, in spite of it all, I think that the fundamental point has been missed. Sir, we are just seeking to amend the Laws applicable to the raising of local loans by the Government of Barbados. Chapter 94 of the Laws of Barbados govern this matter. I do not know if the Honourable Members on That Side put themselves to the trouble of even looking at the legislation, but in the Schedule of the legislation it is made very clear what the parameters of any possible loan can be. Simply put, we are talking about defraying Government's capital expenditure purposes.

Mr. Deputy Speaker, the discussion that had ensued today has been wide-ranging. However, I will not comment on the totality of it, save but to say that we cannot properly speak to the economy of Barbados and the development of the economy of Barbados unless we try to put it into some sort of context. Sir, it is perhaps very tempting when one is in Opposition to simply look at the rudimentary and the basic arithmetic of profit and loss and to screech into the wilderness about I see debt and so on.

Sir, I thought that the useful contribution by the Honourable Member for St. George North was very relevant in the sense that there has to be some developmental perspective behind that which we seek to do. It is not to say that at any time in the history of this country the exercise which we are contemplating has not been governed by law nor is it correct to say that there is not an abundance of opportunity lying within the bosom of the Leader of the Opposition to maintain vigilance over all that we might do as a result of this legislation. All it requires for him to do, if he has doubt, is to raise the matter by way of the body which he alone retains control over, which is the Public Accounts Committee. Sir, you cannot begin an argument by building a glass house only to knock it down. There has to be some sort of context within which you speak.

Sir, we are speaking about economic growth and about the ownership and control of resources in this country. Sir, I want to say a few things from the bottom of my heart. Barbados in the year 2004 still carries with it certain acute similarity to the Barbados of 1904. When we talk about economic and resource ownership and control, we have to recognise that there are big companies now that have shareholders who may own, but control often lies in the managing director, his board and his technocrats.

Sir, we are speaking about a situation where we are also going to be looking at the restructuring of our sunset industries. I make the point that Barbados in 2004 still places a heavy reliance on the sugar industry, as did the Barbados of 1904. Now that we are looking at the twin deficits of the trade deficit

and the fiscal deficit, the question facing any responsible Government would have to be to what extent is it prudent for us to seize the day to begin to transform or advance the process of transformation in this economy.

Mr. Deputy Speaker, we are not going to be simplistically able to do so by waving a magic wand. There has to be an understanding of the anatomy of Barbados' domestic economic arrangements. If the Honourable Members on That Side do not wish to hear it from me, perhaps it would be a useful thing if they would just put themselves to the trouble of reading some of the literature in this region.

Sir, way back in the 1970s, the former Prime Minister of Jamaica, Michael Manley, wrote a book "The Politics of Change" where he documented this debate quite well, because the fundamental issues facing Jamaica were identical to the issues facing a range of Caribbean countries and, quite frankly, are almost identical to some of the issues facing Barbados today.

Sir, it is not for the first time that the Caribbean has had to deal with the issue of economic transformation. The politics of change requires that we sit down and look at industries which are not performing but upon which we have relied very heavily for a protracted period of time.

Sir, given the international trade arrangements and the international climate changes, we have to wake up to the fact that those industries are now in their sunset. How do we replace them? How in the process of replacing them do we preserve jobs? How do we retool? Sir, we have to look at the issue of resource ownership in Barbados. We have to determine whether or not the private sector in whom we have invested...

As I said, I see a similarity between 1904 and 2004. If those on That Side are content to sit back and relax and feel that is acceptable, then I must part company with them.

Sir, in my view, a private sector which is largely committed to the distributive trade, in spite of its abundance of resources, with the greatest respect, is a private sector which is in large degree limited and is not offering the maximum and optimal opportunity for employment of the people of this country.

I believe strongly that one salesman can order 12 dozen shirts as effectively as he can order one dozen shirts. I do believe that if there is a lot of liquidity, I have heard the figures, I want to be governed by them. I am not going to be contentious with them this evening. I have heard the Leader of the Opposition suggesting that it is \$250 million or \$350 million.

Sir, a carrot has been dangled by the Right Honourable Member for St. Peter in the last financial statement given to this Chamber almost a year ago to the day. He said that the Government of Barbados must see itself as an entrepreneur. The State as an entrepreneur was a term used by the Prime Minister in that debate. I remember the agitated reaction from the Honourable Member for St. Philip West, it is like a genetic code with him.

Sir, we have to stop and think the thing through. If the carrot had been dangled in front of the private sector, and if we have not been satisfied at the level of return, but if Government sitting in the capacity as a responsible policymaker recognises the need to restructure fundamental industries and sector and the need for us to question how effectively resources are owned and managed in this country, then what

does Government do? Does the State in an economy like this not have as a moral duty to retain the right to act as entrepreneur.

Sir, if you are going to do so, then what tools do you use? That is as simple as this debate can be reduced. The absurdity to which we have just been treated that the stimulation of economic activity cannot take place by the reduction of taxes is, I would have to say, almost unheard of. If you go the United States of America, they practise it. If you go to the United Kingdom they practise it.

House 48 Sequence 160

6:30 p.m.

Tuesday, November 23, 2004

Dr. D. C. ESTWICK: On a point of order. The Honourable Member is misleading the Honourable House. What I said was that in the context of the economic circumstances in which Barbados now finds itself, that type of tax reduction would not result in the level of stimulation required to move Barbados out of its structural deficit problems.

Mr. DEPUTY SPEAKER: Proceed, Honourable Member.

Hon. K. D. SYMMONDS: Mr. Deputy Speaker, I do not intend to defile this Honourable Chamber with the kind of piece-meal approach to development which is being offered by the Honourable Member for St. Philip West. I will stand squarely on the four corners of the point that if the reduction of personal income tax enables a person in this country to have some additional savings that they may invest elsewhere, that it is to redound to the country of Barbados. I stand on the point that if there is a reduction in the corporate taxation in this country, it will allow a company to invest in another entity.

Mr. Deputy Speaker, I stand on the point, as I have seen in my constituency, where the reduction in land taxes in this country has allowed property owners to turn around and reinvest, to the benefit of greater employment. Sir, that is a reality in Barbados and if that does not apply where the Honourable Member for St. Philip West rests his head, then that is a matter entirely for him, but I will stand squarely on the point.

Mr. Deputy Speaker, I will also say that we have to confront the reality and that it makes no sense with us staying in here as middle-class black people, shouting across a well of a Chamber at each other. We need to go out there and agitate in the communities, in the highways and byways, to get people to understand that there is too much aversion to risk-taking in the corporate community of Barbados. That is where the problem lies.

Mr. Deputy Speaker, I go further. The excess liquidity that we are talking about is just sitting there, earning nothing. It sits in a bank and earns nothing, and if a responsible Government that is in the interest of positioning itself; in a position to transforming some of our sunset industries; in the position to ensure that there is a broadening of the base of ownership in this country; in a position to ensure the continuity of economic growth, to which we have become accustomed, if that Government decides to make use of some of the money that is sitting in the bank, in the interest of the people of Barbados, then

I think it is a good and worthy thing.

Mr. Deputy Speaker, I return to the point. The first call on the liquidity in this country was there for the private sector of Barbados, and it is still. Sir, having heard that, how then does one justify the argument? It is a politics of confusion and convenience that has been put before this Honourable House by the Democratic Labour Party. On the one hand this morning, the Leader of the Opposition would have persons believing that there was nobody interesting in investing. Those were his words.

Sir, after lunch, almost as though there was a rush by the investors to this country, the Deputy Leader of the Opposition will tell you that we were crowding out investors.

Sir, it cannot happen both ways. It is a clear position by the Government of Barbados that the first opportunity has been given to the private sector and so it should remain but that there is also a moral imperative on the part to ensure that the development interest of Barbados should continue.

Dr. D. C. ESTWICK: On a point of order. Sir, at no time in my submission did I indicate that the private sector was being crowded out. What I said was that at any time you increase Government's paper in the pool, you run the risk of competing with the private sector. That is a completely different meaning.

Mr. DEPUTY SPEAKER: Proceed, Honourable Member.

Hon. K. D. SYMMONDS: Mr. Deputy Speaker, Barbados is a special place existing in a little bubble. We are the most special and blessed planet on the county because I know of nowhere else or of any entity on this planet, in which there is not some element of competition between the public and private sector. I have never come across one anywhere. I think the time has come for us to start being candid and stop being milli-mouthed about the economic development opportunities in the country.

Honourable Members have to be candid. If Honourable Members want to talk about development, then I go with the opportunities that we must see, as a moral imperative, the State acting as an entrepreneur. Sir, at this juncture, I wish to speak to Article IV Consultation, which we have heard so much about.

Hon. A. P. WOOD: On a point of order. I rise to bring some clarity to this matter of crowding out effect. Sir, from what I have been hearing on this subject so far, is suggestive that there being no assistance, the Government's investment via the crowding-out could, indeed, enhance development in the private sector development.

Mr. Deputy Speaker, there are numerous private investment studies done which include public investment as an exogenous variable. Sir, the economic impact on some of those studies on the dependent variables, which is the private investment variables, comes up positive and with statistical significance.

Asides.

Hon. A. P. WOOD: Mr. Deputy Speaker, the key is the funds which the Government uses, which it

gets from mopping up liquidity in the system. Therefore, if those funds are invested in activities which would, indeed, create the right kind of economic conditions to spur private sector investment activities, then there is complementarity between what the Government is doing via public investment and what the private investors are able to do.

Mr. DEPUTY SPEAKER: Your point is taken. Proceed, Honourable Member.

Hon. K. D. SYMMONDS: Mr. Deputy Speaker, I am grateful to you and to the Honourable Member, and I hope that lesson has helped the Honourable Member for St. Philip West. Sir, this attitude reflects a level of mischief which I think is unbecoming of Honourable Members.

Mr. Deputy Speaker, I was on the Article IV Consultation, to which the Honourable Member had referred. Sir, the Article IV Consultation makes reference to the fact that Barbados has borrowed \$200 million in 2001, but it was not simply an exercise in vacuo of money being borrowed. Sir, in 2001, this country, like the entirety of this region and, indeed, I should say the entire hemisphere, went into a state of convulsion, virtually overnight, after September 11, 2001.

Sir, I do not know, and again I continue to say that there has to be something milli-mouthed and two-faced about the approach to economic discourse in this country, which is going to accept that Antigua and Barbuda would have subsidised and discounted air travel; it will accept that Jamaica discounted air travel; it will accept that the Bahamas did so, all with a view to protecting a vital tourist industry in those countries.

In Barbados, we went on an international market to borrow, on the advice of international financiers, who pointed out that because we were in such an excellent position and because the forecasting post-September 11, 2001, was so bleak, and because the confidence in the Barbados Government was so high, that that was the best time to borrow.

Sir, we all know that you cannot borrow money when you cannot repay. The best time to borrow money would be when you do not really need it. Sir, they told us that we were in the ideal position to borrow and having capitalised on that opportunity, the Government is now being pilloried because of the fact that we did that which every country in this hemisphere, almost without exception, has turned around and done.

H:No.48(161)640 p.m.

Tuesday, November 23, 2004

Continuation of Hon. K.D. SYMMONDS:

They like to talk about the Article IV Consultation, but, Sir, I decry in the strongest possible terms the servile and slavish commitment of this new found political type which this Democratic Labour Party has thrown up that sees the IMF as a bastion of all that is good for the country.

The reality of the situation is that if we did not create the 100% Buy Bajan campaign and ensure “Best of Barbados” package deals, we would not have been keeping workers at Chefette Restaurants

employed at a time when fast food restaurant employees were going home in other countries. Sir, we would not be keeping civil servants or hotel workers in Barbados employed at a time when they were going home in other countries.

Mr. Deputy Speaker, this might not mean much to the Leader of the Opposition because he said that he would have shut down the GEMS of Barbados and sent home the 500 or 600 workers. Sir, that is the form of a mealy-mouth type of two-facedness in politics because you cannot be for the poor man today and sending him home tomorrow.

Mr. Deputy Speaker, I am sorry that the Honourable Member for St. Lucy is not in his seat because he said this debate would judge the Government and, Sir, Government is prepared to be judged by this debate because there is nothing to be defensive about.

If there was an element of sincerity in what we heard from the Other Side today, they would recognise that it is patently obvious that one has to so position oneself that if the private sector is not taking the initiative that Government can act as the entrepreneur.

Mr. C.A. MASCOLL: Mr. Deputy Speaker, on a point of order. I rise because the Honourable Member is misleading the House. To suggest that any policy of the Government can only be evaluated on the basis of how many persons are employed would mean that there would never be any bad projects or spending on the part of any Government anywhere in the world. You could always justify that what I have done would redound to the benefit of one or two people and on that basis there can be no suggesting that a Government has performed badly, spent money recklessly or has wasted money.

When the Honourable Member for St. James Central is seeking to suggest that the GEMS of Barbados project can be justified solely on the amount of people employed, it means there should be no sale of any hotel in the GEMS yet the hotels are being sold.

Hon. K.D. SYMMONDS: Mr. Deputy Speaker, I am mortified that that type of intervention can come from a person who urged people to privatise every statutory corporation in the country who advised the previous Government that there should be wholesale privatisation in Barbados.

Mr. Deputy Speaker, there is a developmental concept behind this exercise. Sir, it might be helpful if Honourable Members would think before they spoke about those who elected them. I listened to the Honourable Member for St. Lucy and you would not think that it was a person speaking from rural Barbados. If there is any example how this type of amendment to the loans limit could be used by Government to help sectors of the economy, it would be in rural Barbados, and one example would be found in the cattle industry.

Sir, a few months ago, we had a national consultation on the economy. Dairy farmers said that milk production and cattle rearing was down. We live in a food import developing country and I speak to you in the context of the need for this country to attempt to find ways to feed itself to ensure rural development. I urge the Opposition to remember that all and sundry cannot work in a hotel, therefore, the opportunity for us to develop and empower the farming community in this country is something we cannot allow to go by.

Sir, we cannot allow an entire sector to collapse. Therefore, the protection of that sector would be one reason why one would wish to creatively use the sort of funding to which we would have access. This is about ensuring the development of the productive capacity of Barbados when the traditional established private sector either will or cannot do so.

Sir, when we talk about changing the sugar industry to a sugar-cane industry, the funding is going to have to come from sources.

Sir, we usually look at the tourism industry because it is convenient for the Opposition to beat their chest about tourism. The Barbados Labour Party Government brought a Tourism Development Act in the year 2001/2002. After the Act had been passed, we now have to ask ourselves how varied had tourism been made because there is a view by our entrenched private sector that what they do as a matter of habit and custom should continue without variance.

Mr. Deputy Speaker, with the greatest respect, that matter of habit and custom is equivalent to saying that they are brainwashed and do not know how to do it any different. A productive Government must find it possible to create art galleries and theatres where none had been created. Sir, the Pinelands Creative Workshop has a product in the context of that which has come to be known around the world as a creative economy.

The Leader of the Opposition today said that he did not know what was a creative economy. For his benefit I want to say that we are trying to give meaning to what is done by people who use their talents in the context of the cultural craft.

Mr. Deputy Speaker, the transformation of the tourism industry is another area in which Government can creatively use access to this kind of funding.

Mr. C.A. MASCOLL: Mr. Speaker, on a point of order. The Honourable Member is again misleading the House when he suggests that we are now creating a creative economy. In actual fact, the relationship between culture and tourism was far stronger in the 60s, 70s and 80s when bands played all over the hotel circuit and there was all kinds of cultural phenomenon in Barbados. Sir, we made good use of the cultural ability we had and exploited them for whatever reason.

H48/18:50

Sequence 162

Tuesday, November 23, 2004

Continuation of Mr. C.A. MASCOLL:

Now that we have seen a reversal, there is now a new concept of a creative economy when there were big bands that played across the hotel circuit. We had all kinds of plays across Barbados and years ago. NIFCA was more exciting than it is now and in all the cultural elements of Barbados the Value Added Tax had been retreated.

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

Mr. C.A. MASCOLL: On a point of order. To say that we are now creating a creative economy is nonsense and absolute rubbish.

Hon. K.D. SYMMONDS: I am going to spend one minute in responding to the Leader of the Opposition because it tells you how blinkered and unsuited he is to the leadership role that he plays in this country. If the Honourable Member is going to look at culture as a band playing in a hotel, when today in this Honourable Chamber there are Members of Parliament who are helping their constituents to prepare Soap Operas for television for exportation across the hemisphere when the Honourable Member only sees it as a three-man band shaking a “shack shack” in a hotel, it tells you why the public of Barbados was right when they deemed him to be unsuitable and unsuited to high office. Long may you remain over there in the wilderness, Sir.

Mr. DEPUTY SPEAKER: Honourable Member, you have another minute. Proceed, please.

Hon. K.D. SYMMONDS: Mr. Deputy Speaker, I am always prepared to be guided by you, but I fear that I have been counting the interruptions. I feel that I am owed another five minutes but if you say one minute I will be guided.

Sir, I now refer to the question of cruise tourism. One of the major initiatives announced by the Right Honourable Prime Minister within the last year has been the fact that we in the region should capitalise on the industry which would be competitive with the entire world and that is the cruise tourism.

Sir, we have to find creative ways of mobilising the private sector, even if it means partnering to some extent with Government. I cannot hear from the Opposition any sense of understanding of these things. All that I have heard from them for the entire day, with the greatest respect to them, is that the limit that allows us to borrow that we would go into terrible and insufferable debt. It is as though none of them have an overdraft that they facilitate themselves and their interests and then pay it off. It is as though none of them understand the elementary context. Mr. Deputy Speaker, if you understood that you can have the facility, that if you needed it you could use it responsibly, then we would not have spent a whole day in this Honourable House.

Sir, a man who professes to hold a degree in economics with first class honours from a reputable university and he could so do disservice to his training hurts me.

Mr. DEPUTY SPEAKER: Honourable Member, thank you very much. Your time has expired.

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

Mr. R.L. SEALY: Mr. Deputy Speaker, the reaction of the Honourable Member for St. James Central is probably most apt to the contribution that we just heard. The Honourable Member needed a neck brace to save himself from that deep slumber that he was in during most of what we just heard.

Hon. Miss M.A. MOTTLEY: On a point of privilege. The Honourable Member is new to this

Chamber, but I think he would learn that one does not reflect on the conduct of colleagues in their seat in the way he has done. I am asking the Honourable Member to apologise to the Chamber and to the Honourable Member.

Asides.

Mr. DEPUTY SPEAKER: Honourable Member could you please proceed?

Mr. R.L. SEALY: Mr. Deputy Speaker, we are in here to deal with an amendment to the Local Loans Act and I believe that if the Honourable Member for St. James Central did serve one...

Hon. Miss M.A. MOTTLEY: On a point of privilege. Mr. Deputy Speaker, I did not hear your ruling. The Standing Orders on which I rely are those which impute improper characteristics to Members because he is suggesting the Honourable Member is not doing the people's business and that the Member is behaving in a way that is unacceptable. Sir, I have been in both Houses of this Parliament for almost 13 years and the behaviour that I have understood from the time that I entered in the Other Place in 1991, under the late President, Sir Frank Walcott, and in this Chamber from 1994 with all of us in here, does not permit of that type of behaviour from Honourable Members.

Mr. DEPUTY SPEAKER: Honourable Member, I would like you to rephrase the statement.

Mr. R.L. SEALY: Mr. Deputy Speaker, I just reflected on the fact that during the course of the presentation of the Honourable Member for St. James Central, his senior colleague was a little less than attentive to what he was saying.

Sir, what we need to consider is what we have had in this Honourable House in terms of the overall position of this country as we seek to increase the limit under the Local Loans Act that Government can borrow. I would have thought that having had a number of contributions from the Other Side that we would have had a clear idea of precisely why it is that this Government finds it necessary to increase the capacity on the local market.

In fact, there was an occasion in 1992 when the Local Loans Act was amended and the limit was increased and the first person who spoke for the then Opposition was none other than the late Sir Harold Bernard St. John. He said during the course of that debate and I quote, "The Honourable Minister would have told us, notwithstanding the very long debate, the specific proposals to which this additional capacity would be expended." I think that is good advice that his colleagues could have taken on board.

I have heard that we are going to be supporting Sunset Industries and that will be doing EduTech. We also heard something about the World Cup. Sir, I simply feel that we should hear something specific. During the course of the wrap-up, I hope that the Leader of Government Business could tell us exactly where this \$550 million will be deployed because...

Hon. Miss M.A. MOTTLEY: On a point of order. Clearly, the Honourable Member does not realise that what is being proposed here is not to use \$550 million right away. All that we are seeking to do in this Bill is to increase the limit by \$550 million such that the Ministry of Finance has the flexibility to

raise money on the domestic markets for capital projects as is necessary.

Sir, you do not want the Ministry of Finance or the Government to be in a position where they would breach the Law and because we are coming close to the existing limit, you come back and increase the limit. There is no proposal before this Honourable House to spend any of that \$550 million in the immediate future.

H48: 19.00 p.m.

Sequence 163

Tuesday, November 23, 2004

Continuation of Hon. Miss M.A. MOTTLEY:

Mr. DEPUTY SPEAKER: Please proceed, Honourable Member.

Mr. R.L. SEALY: Mr. Deputy Speaker, the legislation says clearly in the Schedule that monies are raised under this particular piece of legislation for capital projects, so are we to understand that they do not have any capital projects? They would just wake up a morning and decide to refurbish Kensington Oval or build a hotel? What nonsense is this we are being treated to?

Mr. Deputy Speaker, the fact of the matter is that the Government is getting close to its limit of 2.2 and if you look at what has been happening over the past year, it has been galloping like crazy. The reason why we are in here now, during a national disaster, is because the Government has to get this legislation pushed through before they will break the Law. They cannot go any further with the Ways and Means because they are up to the limit there at the Central Bank, so that is the reality.

Mr. Deputy Speaker, I am only saying that we deserve to find out why this additional capacity is required. I quoted from the late Sir Harold St. John and he was guiding, a then young Minister of Finance in the Honourable Member for St. John, and I am only repeating the same advice that he tendered. We cannot just increase the limit for the sake of increasing it, because let us understand that this Government's record is fairly checkered where incurring debt is concerned. Let us understand that between 1976 and 1986, we saw the national debt go from \$261 million to nearly \$1.3 billion.

Sir, to the credit of the Adams' Government, at least there are things that you can see, not that I am any fan of that particular Administration. There was an ABC Highway that was highly criticised, but it functions now. At least there is a Central Bank with a Frank Collymore Hall that serves a purpose. At least there is a sewerage plant and I know the Honourable Member for the City would be glad to hear, there is a Barbados Drug Service that impacts peoples' lives.

Mr. Deputy Speaker, since 1994, we have had a Government since 1994 that has taken debt to ridiculous levels, nearly \$4 billion and have nothing to show for it, when the Honourable Member for Christ Church East talked about playing fields and tiling Pelican Village...

Hon. K.D. SYMMONDS: Mr. Deputy Speaker, on a point of order. The Honourable Member

misleads the House when he goes so far as to say that there is nothing to show.

This morning, the Leader of the Opposition asked what could be shown and so one could not interrupt him. Sir, once the assertion is made that there is nothing to show then, it takes us to page 86 of the Accountant General's Report for the year 2003\2004. Sir, you can go through the list which reads: a northern access road, contributions to LIAT, the Tourism Development Urban Rehabilitation, the Fish Port Facility at Bridgetown, the Glebe Polyclinic, the Coastal Conservation, the South Coast Sewerage Project, the Bridgetown Road and Safety Improvement. Sir, it is an exhaustive list of two pages. I would urge the Honourable Member to retract the comment.

Mr. DEPUTY SPEAKER: Please proceed, Honourable Member.

Mr. R.L. SEALY: Mr. Deputy Speaker, I would encourage the Honourable Member who just took his seat to take that piece of cotton out of his pocket and wipe his spectacles and look at the column next to that and see the amounts of monies involved, such as US\$2 million and US\$5 million.

Mr. Deputy Speaker, we want to know where billions of dollars have gone. In addition to running up the national debt, we had record levels of taxation. I could not believe the Honourable Member for Christ Church East, someone whom I have a bit of time for, beating up his chest about the money being spent on education.

Can we understand a Barbados Labour Party Government preaching to a Democratic Labour Party about spending money on education? Is that what we have come to now and indicating that one of the reasons for having a national debt is because you are spending money on education?

Mr. Deputy Speaker, the history is very clear as far as the Government spending money on education is concerned. The Democratic Labour Party cannot be preached to by anyone, least of all the Barbados Labour Party, because if they had their way, the Government's spending on education would be very small. Sir, I would speak on the question of where we spent the money.

Mr. Deputy Speaker, the Honourable Member for Christ Church East spoke about the Grantley Adams International Airport as part of the reason for the high national debt. The fact is that the Public Enterprise Growth Fund has nothing to do with any national debt. It has to do with privatisation funds. Sir, proceeds from enterprises that have been privatised have put \$72 million into the Grantley Adams International Airport as equity investment.

The Needhams Point that he spoke about, took \$63 million out of the Public Enterprise Growth Fund, so let us just accept that the Government must realise that they have precious little to show for what has occurred over the past 10 years, in terms of running the national debt to the level where it is at now. Therefore, I think it is the Opposition's responsibility...

Hon. R.R. FARLEY: Mr. Deputy Speaker, on a point of order. I hate to interrupt the Honourable Member who is training hard, trying to make a point. He however cannot and I will not allow him, Sir, to even suggest that in my earlier presentation, there was either inaccuracy or dishonesty.

The Grantley Adams International Airport is also financed by a loan from the European Investment

Bank which is part of the national debt. Sir, he is training hard, he may hurt himself soon, trying to make the point that items which I mentioned did not, in fact, form part of the national debt.

I just wanted him to be aware of that point.

Mr. R.L. SEALY: Perhaps, what you could do is explain to the people of Barbados, whether the Euro 15 million loan is going to be secured by Grantley Adams International Airport and, if that was not part of the reason it was corporatised in the first place. Mr. Deputy Speaker, I made the point that he was struggling to explain what the Government had to show for this debt.

Mr. Deputy Speaker, if we, as an Opposition owe anything to the future generations of this country, we have to ask a couple of questions. This limit was increased in 2002 by \$400 million. It is now being increased again by \$550 million. Sir, there must come a point where you have to ask a question. There must be a relationship between your national debt and your national economic performance. Has the economy increased to the great extent that we can just decide to take on another billion dollars in local debt?

Mr. Deputy Speaker, the Honourable Member for St. James Central spoke about the elementary process of having an overdraft limit. He is right because the first thing any planner, banker or accountant will tell any individual that critical to having an overdraft limit is planning. Your overdraft limit must bear some relationship with your earning capacity.

Asides.

Mr. R.L. SEALY: Sir, of course, I heard from the Honourable Member for St. Michael North East that it is not necessary to have a plan, and you just increase it for the sake of increasing it, because you are about to burst it, but that is the kind of...

Hon. Miss M.A. MOTTLEY: Mr. Deputy Speaker, on a point of order. The Honourable Member is misleading the House. It is fortunate that others have the capacity to hear beyond him and, therefore, if he chooses to continue to expend his energy and effort in making ad hominem remarks and insults to people of this House, rather than applying his ear to wisdom and doing some reading and ingesting for a change...

Mr. R.L. SEALY: Mr. Deputy Speaker, I am not aware that to quote an Honourable Member, verbatim is an ad hominem attack but, nonetheless, the point that I am making is that this is a very serious debate.

House 48, sequence 164, 19:1014

Tuesday, November 23, 2004

Hon. Miss M. A. MOTTLEY: On a point of order. The Honourable Member is misleading this House and is treating the House with contempt. I will repeat myself. I never indicated that we were borrowing money without a plan or without anything else. I indicated that we were bringing this amendment here to give the Government the legal leeway to be able to manage its debt portfolio for

capital projects in a way that is legal and, in fact, marks itself from the actions of the Democratic Labour Party between 1991 and 1994 when they used all forms of debt instruments without the legal authority to do so.

Mr. Deputy Speaker, for the Honourable Member to say that he was quoting me verbatim is a deliberate untruth. Mr. Deputy Speaker, I am not in here to trifle or to play games with him who feels that his sole contribution to this House is to hurl ad hominem insults to people on This Side. If that is what he feels the people of St. Michael South Central elected him to do, well that is a matter for him, and if that is what his Leader feels happy that he is doing, that also is a matter for him.

Mr. Deputy Speaker, as Leader of this House I do not intend to participate in a process that misleads persons in breach of the Standing Orders. It is up to you to rule, Sir.

At the end of the day, Mr. Deputy Speaker, the only one who continues to disrespect the rules and traditions of this Chamber out of the 30 people who have been elected is the Honourable Member for St. Michael South Central.

Mr. R. L. SEALY: Mr. Deputy Speaker, the important and fundamental point here is that if you are going to facilitate and eventually increase your national debt to these dizzying proportions that we have seen it reached, we have to be in a position to explain to future generations the reason we are doing it because we are leveraging their future.

Mr. Deputy Speaker, again I say that this is a serious debate and one in which the Government clearly has to present some more answers. I hate to return to the Honourable Member for Christ Church East, but he held the portfolio for economic development only a few months ago. He is an influential member of this Cabinet and he actually credited job creation as being one of the reasons for the national debt. Sir, most of the jobs that have been created by this Government have been provided in the public sector. I am just cautioning the Government because we have travelled that road before and we know the consequences that can lead to.

Hon. R. R. FARLEY: On a point of order. The Honourable Member is clearly into distortions. I indicated quite clearly in response to the question from the Honourable Member for St. Michael North West about what do we have to show that there were a number of economic reforms and utilisation of the debt. I set out a number of conditions and situations and a set of results.

I indicated that the public debt was used in part to provide public infrastructure through financing a number of capital projects to restructure the economy and to induce private sector investment, all of which together would have produced the 35 000 jobs. I did not make the simplistic point that the Honourable Member is trying to make that the public debt created 35 000 jobs. It is not as simple as that.

Mr. R. L. SEALY: Mr. Deputy Speaker, I am a member of the Standing Orders Committee and when I get there I will make some suggestions about Honourable Members getting up on points of order and redoing their speeches, but that is another matter.

Mr. DEPUTY SPEAKER: Honourable Member, you are really showing contempt for the Chair.

Mr. R. L. SEALY: Contempt for the Chair? How is that?

Mr. DEPUTY SPEAKER: I make rulings and you cannot question this Chair.

Mr. R. L. SEALY: I am not questioning you. Mr. Deputy Speaker, we cannot get away from the fact that as far as the average Barbadian is concerned a lot of what we have to show for this situation with our national debt involves the Project at Warrens, the South Coast Sewerage Project, the GEMS of Barbados, the Greenland Landfill and a whole lot of wastage.

Mr. Deputy Speaker, this Government is struggling to show what it has to give the people of Barbados for putting them in this situation.

Mr. Deputy Speaker, other developing countries have gone down this road in this debt trap with some very serious consequences. I do not accept this is just a routine raising of the local loans limit under the Local Loans Act. You must reach a point where there is a relationship between your Gross Domestic Product and your debt. As a matter of fact, the Prime Minister during the Budget speech of last year and in his presentation to the consultation at Sherbourne was precisely making the point that the debt to Gross Domestic Product ratio is too high and it needs to be lowered.

Mr. Deputy Speaker, I am not an economist, but in my field I come into contact with enough mathematics that I know that if you have a quotient which is your debt to Gross Domestic Product and you want to lower it, you either have to increase the denominator or lower the numerator. Simply put, this either means that the debt must come down, or the economy must grow, or there must be a combination of the two. It is as simple as that.

Unfortunately, Mr. Deputy Speaker, we have not heard anything from That Side to explain where exactly we are taking this country with this increased debt because it flies in the face of what the Honourable Member for St. Peter has been saying. We need to get this issue clarified. We need to understand it, not for the Democratic Labour Party but for future generations that are coming after us.

Before I take my seat, Mr. Deputy Speaker, I have to speak to this because we speak about ...

Asides.

Hon. A. P. WOOD: On a point of order. The Honourable Member is saying that this Barbados Labour Party Administration has nothing to show for its increase in debt over a ten-year period. That is what the Honourable Member for St. Michael South Central keeps saying. Mr. Deputy Speaker, the Honourable Members on the Other Side have very short memories and they do not like us to remind them of what transpired during the period of their reign.

Mr. Deputy Speaker, I want to speak to this particular link between accumulation of national debt and performance of the economy in a summary way to make my point. Mr. Deputy Speaker, in 1990 the national debt was \$1.86 billion and the performance of the economy at the time was negative 3.3 per cent. For subsequent years the economy continued to worsen and you would think that based on their argument that there would either be a stagnation in the debt levels, but in 1991 there was an increase in

the national debt and the economy had a minus 3.9 per cent growth.

House 48 Sequence 165

7:20 p.m.

Tuesday, November 23, 2004

Continuation of Hon. A. P. WOOD:

Mr. Deputy Speaker, in 1992 the national debt increased again and the performance of the economy was minus 7.2 per cent. In 1993, the national debt increased to \$2.3 billion, with an 0.8 per cent performance.

Mr. Deputy Speaker, do you understand what is happening here? These fellows are shying away from what would have happened in their time. Now suddenly they have forgotten that there was a link, but one that they could be proud of in those days.

Mr. DEPUTY SPEAKER: Honourable Member, could you please refer to Members as Honourable Members.

Mr. R. L. SEALY: Mr. Deputy Speaker, just for the completeness of the exercise to which we were just treated, the Honourable Member for St. Philip South knows very well that we were going through an austerity programme at that time, with the expressed intention that upon conclusion of that austerity programme, we would have seen economic growth being returned to Barbados. What the Honourable Member has forgotten to mention was that in 1994, the real Gross Domestic Product (GDP) growth was 4.6 per cent, which is the highest ever and the highest that has been seen in the 10 years that followed.

Mr. Deputy Speaker, one must understand that is the period of economic growth that this Government makes so much noise about but what perhaps they would do well to remember - and I am glad that the Honourable Member for St. Philip South went through that exercise - is where the epigenesis of that economic growth started. Sir, that growth has started with the Democratic Labour Party policies that were determined to see...

Hon. A. P. WOOD: Mr. Deputy Speaker, on a point of order. Sir, these are the same Honourable Members who had castigated this Government when, after the events of September 11, 2001, the Government went to the international capital market and borrowed US\$150 million, which has increased the national debt.

Sir, at that time, we said that in addition to increasing the national debt that we were not going to take the easy way out, the way that they had taken in such difficult times. We said that we were not going to cut expenditure and send people home. To do this would have unleashed more than hardship on the people in this country. Instead, we said that we would have kept employment levels up and would have built capacity and that in a short time, the economic fortunes would have turned around.

Sir, that is what has happened. They have criticised that but now are praising what they said would

have happened in their case between 1993 and 1994, that is an increase in the national debt and to come out of the economic slump in one year. They are praising that performance but when it happens with us after 2001, it is a problem for them. Sir, they cannot have it both ways.

Mr. DEPUTY SPEAKER: Please continue, Honourable Member.

Mr. R. L. SEALY: Mr. Deputy Speaker, I am glad that the Honourable Member for St. Philip South has referred to that loan of US\$150 million, the loan that has been dubbed the “rainy day” money. We were told that Government was borrowing this money, not because they had any specific purpose for it but because they could have borrowed and that it was going to be put down for a rainy day.

Mr. Deputy Speaker, that money has been spent quite liberally. In one year, BDS\$300 million of the “rainy day” money was spent, according to the Barbados Central Bank’s Report. Sir, according to that Report, from \$473 million in January 2002, to \$143 million in December, 2002. Mr. Deputy Speaker, that again strengthens the case why we on This Side and the entire nation, deserve to be treated better and deserves to be given a complete account of precisely what the nature of this debt is that we are going to be taking on board.

Mr. Deputy Speaker, I must also speak to another form of financing that is made available to the Government of Barbados. Sir, in terms of raising money on the local market, Government can use this legislation where we are amending the Local Loans Act, where debentures, treasury bills, savings bonds and tax refund certificates are given.

Mr. Deputy Speaker, when vendors of goods and services for Government sometimes have to wait around a six months, sometimes a year or two years to be paid, in essence they are providing short-term or medium-term financing for Government. Sir, this practice has become widespread throughout the public service. I speak from a position of knowledge, as I have provided a service for Government in the past, where on one occasion I had to wait 12 months to have received payment for service rendered. Sir, I have been told by some of my colleagues that I was lucky, that sometimes persons have to wait for two or three years before being paid.

Mr. Deputy Speaker, I am only suggesting that facility where Government can sit and decide who gets paid and when they will be paid, provides a form of short-term financing for them.

Asides.

Mr. R. L. SEALY: Mr. Deputy Speaker, I am saying that needs to be cleaned up and that if Government is going to use the Local Loans Act to pay providers of goods and services more regularly, I think that I certainly would support an increase in the local loans for that purpose because at least we would be regularising a situation. Sir, having to wait on Government for payment brings hardship to small business persons and to temporary workers. Sometimes people work on a temporary basis for Government and have to wait many months before getting paid.

Mr. Deputy Speaker, I believe that we could look at adjusting laws where that is concerned, and there are examples of this. There are various municipalities in other parts of the world where Governments are required by law to pay people by a certain time and if those persons are not paid by that time, then

interest would be applicable.

We have heard from the Honourable Member for St. Michael North East that they are going to be reducing the outstanding interest on that, if payment is late and that it is going to come in line with interest rates pertaining to that of the Inland Revenue Department and the National Insurance Department.

Sir, that is a good thing, but it is only fair that if persons have to pay Government interest when they are late, then persons should be entitled to some kind of interest when Government pays them late.

Hon. Miss M. A. MOTTLEY: On a point of elucidation because I am trying to be charitable to the Honourable Member, in the hope that would cause him to change his ways.

Sir, the reality is that in my presentation today, I indicated that Government was also paying interest where it was paying people late and that interest was payable after the first six months. Therefore, Government is paying interest at the same 1 per cent per month on the monies owed.

Mr. DEPUTY SPEAKER: Honourable Member, could you please wind up.

Mr. R. L. SEALY: Mr. Deputy Speaker, I am glad to hear that. I will make sure that I will tally up all my invoices for interest owed to me and submit them to the office of the Deputy Prime Minister.

Asides.

Hon. Miss M. A. MOTTLEY: On a point of order. Mr. Deputy Speaker, the Honourable Member is misleading people again. I do not want the Honourable Member to cause anybody in Barbados to believe that they have to submit anything to me for payment or for receipts but once again, that is part of the Honourable Member's cavalier attitude to this Honourable Chamber.

Mr. R. L. SEALY: Mr. Deputy Speaker, I can say categorically that I have worked for at least 12 different Government Departments and I have not received one cent in interest for being paid late. That is a fact. It is not a contentious point.

Asides.

Mr. DEPUTY SPEAKER: Order, please.

Hon. Miss M. A. MOTTLEY: On a point of order. Mr. Deputy Speaker, the Honourable Member is obviously trying once again to impute that which I have represented is not the case.

H:No.48(166)730 p.m.

Tuesday, November 23, 2004

Continuation of Hon. Miss M.A. MOTTLEY

Mr. Deputy Speaker, for the record, I am indicating that I have been instructed by the Minister of Finance that the VAT Department will be paying interest at the rate of one per cent on monies owed, as was announced by the Prime Minister in relation to persons who have not received their refunds within six months. Sir, that was already indicated in here tonight and for the Honourable Member to go down that road is to suggest that....

Mr. R.L. SEALY: Mr. Deputy Speaker, on a point of order. The Honourable Member is misleading the House. I was not talking about VAT refunds. I made it clear that I was talking about vendors of goods and services. Sir, for the benefit of the Honourable Member for St. Michael South, I am presently doing work on Kensington Oval for World Cup Barbados and on the Careenage so the Honourable Member can decide if she thinks I am incompetent.

Mr. DEPUTY SPEAKER: Honourable Member your time has expired.

Hon. Miss M.A. MOTTLEY: Mr. Deputy Speaker, in closing this debate, I want to thank all Honourable Members who have spoken. I do wish that some of them would take the time to read a bit more to ensure that when they speak, they do so from a position of fact. I am appealing to the Honourable Member from St. Michael South Central who believes it is a characteristic of this Chamber to be emulated that one should speak in terms of hurling ad hominem remarks...

Mr. R.L. SEALY: Mr. Deputy Speaker, on a point of order. The Honourable Member is misleading the House. The Honourable Member for St. Michael North East can express her opinions however she may wish, but I am not going to allow her to say that I said anything that was less than factual. Sir, that is imputing improper motives on my part.

Mr. DEPUTY SPEAKER: Honourable Member, the Chair is here to protect you.

Hon. Miss M.A. MOTTLEY: Mr. Deputy Speaker, thank you for reminding me that, in truth and fact, by his very comments he is reflecting on the ruling of the Chair who accepted my point of order and, therefore, would have accepted the substance of my indicating that he was misleading the House on two matters on which I spoke. Sir, that is the nature of the Honourable Member.

Mr. Deputy Speaker, through you I am indicating that when it comes to serious matters like this, the Honourable Member would do well to speak shorter and speak substance than to try to make half hour for the first time and speak in a way that reflects an imprecision in the use of language that reflects the most blatant and unfortunate generalisations.

Mr. Deputy Speaker, in here today, we had clear statements from the Honourable Member for Christ Church East who indicated, for example, in response to the Honourable Member for St. Michael North West how the proceeds of the loan over the course of the last 10 years were being spent. Mr. Deputy Speaker, that was not sufficient because we were then treated to a generalisation, all of a sudden, by the Honourable Member for Christ Church East who suggested that we spent all the money raised in loans to create 35 000 jobs.

Mr. Deputy Speaker, I do not believe that this Chamber desires that kind of blatant generalisation on the part of Honourable Members. When it comes to the record of what has been the process....

Mr. R.L. SEALY: Mr. Speaker, on a point of order. The Honourable Member is misleading the House. I never said that part of the reason for the national debt was the creation of 35 000 jobs. Sir, the figure 35 000 never fell from my lips.

Hon. Miss M.A. MOTTLEY: Mr. Deputy Speaker, the Honourable Member said jobs. He not only said that but the Honourable Member for Christ Church East less than half an hour ago got up on a Point of Order which was ruled on by you, Sir, but that is the nature and character of the debate which the Honourable Member brings to this House and it is most unfortunate.

I want to thank the Honourable Leader of the Opposition for speaking on this debate. As I have said, there are matters on which there are agreements and some on which there are divisions, but the reality is that we have engaged in this Chamber in relation to this matter, the Local Loans (Amendment) Bill, as to both the perspective of both sides as to Government's debt management policy and as to the activities undertaken. I do not agree with the Leader of the Opposition that there is nothing to show for Government's debt over the last 10 years.

Mr. Deputy Speaker, I go back to where I started this morning and remind Honourable Members that in the 1960s just after Independence in this very Chamber, the then Prime Minister of Barbados spoke at length on the issue of deficit financing and its critical importance to development for small economies such as ours.

Mr. Deputy Speaker, that is the defining difference. The Honourable Leader of the Opposition knows this better than me because he is an economist. He knows that Michael Howard describes in his book the whole movement and management, pre-independence as well, of fiscal policy in Barbados.

The Honourable Member knows that the defining difference between Government pre-independence and post independence in respect to fiscal policy has been the use of deficit financing as a means of development. Sir, this is why I said that I thank the Leader of the Opposition for his comments because, to a certain extent, he tries to retain some level of integrity in relation to his profession.

Mr. Deputy Speaker, there are differences whether running 2 per cent or 2.5 per cent deficit in the context of other sound macroeconomic fundamentals is reckless or not. He has a pessimistic view of life but I have an optimistic view of life and I cannot criticise him for having a pessimistic view of life because, Sir, that is his entitlement.

H48/19:40

Sequence 167

Tuesday, November 23, 2004

Continuation of Hon. Miss M.A. MOTTLEY:

Mr. Deputy Speaker, I believe that the investments which this Government is making by way of the

loans which it has raised are critical at this stage because this is one of the most challenging times in terms of the restructuring of this country's economy, in a way that we have to do so to be able to allow us over the course of the next 10 to 20 years to be able to plan for the expansion of the productive section, the improvement of the people's quality of life and to protect the quality of life that we have thus far created for our people.

Sir, I say this in all sincerity because I do believe that there is a role being played by the Opposition that is to be expected and I do not expect them to agree with everything that we say, but I maintain that the Government has sought, and it has been commented upon by all and sundry in Barbados and outside of Barbados, that we have sought to maintain fiscal discipline but, at the same time we have kept faith with our duty to ensure that one, we are capable of expanding the productive sectors in this economy to make it more competitive but two, that we would continue to keep faith with our duty to help build social capital in this country and to help alleviate poverty because we recognise that this Government has a responsibility to those who can least help themselves.

Sir, in the context of all of that, when you ask what there is to show for the loans over the last 10 years - in 1994 we came to Government in a country where they had not fixed primary schools for over 3 or 4 years. Sir, separate from 34 schools that have been fixed under EduTech, we have been able to put a strong maintenance programme in place. We spent \$6 million on Combermere School alone and I can go through them one by one.

We have already seen the productive capacity built in relation to tourism; the level of urban renewal in St. Lawrence Gap and Speightstown; the money being undertaken by the Honourable Member for St. James South in relation to the protection of this country's coastline to ensure that the very tourism on whose receipts we rely will not be diminished because of an inability for Barbados to be able to offer the kind of esthetic and environmental pristine beauty we have been able to offer in the past. Sir, that is where the money has gone.

Mr. Deputy Speaker, this is not a country where we borrowed to support wages or to support the purchase of goods and services for departments. We have come here to keep faith with the Law and to ensure that the mistake which was made in 1992, 1993 and 1994, in terms of breaching the Laws of this country by raising money without legal authority is not to be repeated by this Government and the facts are there.

Sir, we reduced the overdraft limit from 17.5 per cent to 10 per cent. Sir, coming close is not breaching the limit. We also passed a Validation Act in December 1994, in relation to the breaches of the Laws undertaken by the previous Government, because we felt that even though the money has been raised and spent, that the Laws of this country have to be respected.

We said that while we are not in immediate danger of going over the existing \$2.2 billion limit, the vagaries and the necessities of governing a country require that you still have the ability and flexibility of a Minister of Finance to be able to treat to these issues without bringing yourself in breach of the Law.

Sir, we recognise that the options of Barbados are limited in terms of fiscal policy, especially once you accept as a given a fixed exchange rate and the obligations that are now imposed on us under the

Revised Treaty of Chaguaramas for the establishment of a single market and economy. That will require of us convergence of harmonisation of a number of fiscal policies, particularly tax rates and policies, if we are to remain competitive within that market.

We believe that it is within our capacity to continue to walk the narrow line and to maintain the very delicate balance between fiscal discipline and building productive capacity, and furthering the development of this nation.

Sir, if we are to be assailed for that, then let us stand so assailed. I view the Honourable Member for St. Michael North West's view as pessimistic. I feel that we have a more optimistic view as to what lies ahead of us and what the challenges are. We recognise that there are some difficulties in relation to the current account deficit and that the reason why we have a duty to complete the restructuring of the economy is such that those productive sectors can play their role in terms of the earning of foreign exchange and in that period of time where we seek to bring the current account deficit back to where we want it, we have been lucky enough to benefit from capital account surpluses that have cushioned the blow for us thus far.

Mr. Deputy Speaker, with these words I beg to move that this Bill be now read a second time.

Hon. R.R. FARLEY: I beg to second that.

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

On the motion of Hon. Miss M.A. MOTTLEY seconded by Hon. R.R. FARLEY, the House resolved itself into Committee, Mr. R.D. MARSHALL in the Chair.

COMMITTEE

Mr. CHAIRMAN: This House is now in Committee.

Clauses 1 and 2 were called and passed.

On the motion of Hon. Miss M.A. MOTTLEY, seconded by Hon. R.R. FARLEY, Mr. CHAIRMAN reported to His Honour, The DEPUTY SPEAKER, the passing of one Bill in Committee without amendment and Mr. DEPUTY SPEAKER resumed the Chair and reported accordingly.

On the separate motions of Hon. Miss M.A. MOTTLEY, seconded by Hon. R.R. FARLEY, the Bill was read a third time and passed and cited as the Local Loans (Amendment) Act, 2004.

ORDER NO.4

MISCELLANEOUS AMENDMENTS (BUDGETARY PROVISIONS) BILL, 2004

Hon. Miss M.A. MOTTLEY: Mr. Deputy Speaker, at the commencement of this morning's proceedings, it was indicated that we were treating to these two Bills as one debate and, in the circumstances, I beg that this Bill be read a second time.

Hon. R.R. FARLEY: I beg to second that, Sir.

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

H48: 19.50 p.m.

Sequence 168

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Hon. Miss M.A. MOTTLEY: Mr. Deputy Speaker, I thank the Honourable Members who spoke in this debate and in the circumstances I beg to move that this Bill be read a second time.

Hon. R.R. FARLEY: I beg to second that, Sir.

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

On the motion of Hon. Miss M.A. MOTTLEY, seconded by Hon. R.R. FARLEY, the House resolved itself into Committee on the Bill, Mr. R.D. MARSHALL in the Chair.

COMMITTEE

CHAIRMAN: This House is now in Committee.

Clauses 1 - 3, inclusive, were called and passed.

The Schedule became the Schedule to the Bill.

On the motion of Hon. Miss M.A. MOTTLEY, seconded by the Hon. R.R. FARLEY, Mr. CHAIRMAN reported to His Honour the DEPUTY SPEAKER the passing of one Bill in Committee, and Mr. DEPUTY SPEAKER resumed the Chair and reported accordingly.

On the separate motions of Hon. Miss M.A. MOTTLEY, seconded by the Hon. R.R. FARLEY, the Bill was read a third time and passed and cited as the Miscellaneous Amendments (Budgetary Provisions) Act, 2004.

ORDER NO. 6 - RESOLUTION TO GRANT THE SUM OF MONEY FOR THE SERVICE OF THIS ISLAND

On the motion of Hon. Miss M.A. MOTTLEY, seconded by Hon. Hon. R.R. FARLEY, the House resolved itself into Committee of Supply, Mr. R.D. MARSHALL in the Chair.

COMMITTEE OF SUPPLY

(a) RESOLUTION TO GRANT THE SUM OF \$556 988 FROM THE CONSOLIDATED FUND AND TO PLACE IT AT THE DISPOSAL OF THE GOVERNMENT TO SUPPLEMENT THE ESTIMATES 2004-2005 AS SHOWN IN THE SUPPLEMENTARY ESTIMATES NO. 4, 2004-2005 AS SHOWN IN THE SUPPLEMENTARY ESTIMATES WHICH

FORM THE SCHEDULE TO THIS RESOLUTION AND THE EXPLANATORY NOTES TO HEADS 20 AND 45 BE

**AMENDED AS SET OUT IN SCHEDULE II
TO THIS RESOLUTION.**

HEAD 20 - MINISTRY OF COMMERCE CONSUMER AFFAIRS AND BUSINESS DEVELOPMENT - \$57 158

Hon. R.R. FARLEY: Mr. Chairman, I rise to speak on Head 20 and to indicate to the House the fit and proper purposes for which this Supplementary is requested. First of all, Sir, in relation to the first item under Object No. 2EX12 - Other Operating Expenses, the sum is required to meet the Ministry's cost of hosting the First Special Meeting of CARICOM Ministers responsible for information and communications technology. The additional cost required is \$29 681. Sir, \$129 448 was originally voted and the additional sums were incurred in hosting that important Conference which has already passed.

The other area, Sir, relates to the Barbados National Standards Institution and the assessment which has been made of our contribution towards the regional standards organisation called, CROSSQ, CARICOM Regional Organisation for Standards and Quality. As you know, Sir, that is a regional body which coordinates the work of the Standards Institutions and is working towards the development of a number of common CARICOM standards.

It is obviously to be funded by contributions of each of the Members of CARICOM. It is headquartered here in Barbados and, therefore, apart from our contributions as ordinary Members, we would discharge certain host obligations as the Headquarters location. This additional sum of \$25 000 is required to meet the difference between what was budgeted and what is currently available for the CARICOM Regional Standards Institution.

The other area relates to the Office of Public Counsel and this is the funding required for membership subscription to what we believe to be an important professional organisation for persons holding such a position.

We are proposing, Sir, that the Office of Public Counsel should be a member of the National Association of State Utility Consumer Advocates in the United States of America (USA). Membership of that organisation would allow the Public Counsel to receive all of the research, publications and other information from that organisation, attend their annual convention and to share experiences with other State utility consumer advocates in the USA.

As you know, Sir, the Public Counsel is the Public Official appointed by the Government in the new position to fight on behalf of the small man. The consumer can walk off the street to go the Office of Public Counsel and have that expert fight on their behalf in relation to consumer matters.

The House agrees that it is an important innovation and we believe that voting these sums to allow the Office of Public Counsel to join this Association can only but strengthen the technical capability of the Office and, therefore, Sir, to allow that office to work even more efficiently and effectively than it already is and doing a fantastic job at it, Sir, on behalf of the ordinary consumers. Sir, there is \$1 530 in supplementary required for that purpose.

Sir, those are the items which are to be funded by this Supplementary for Head 20 and I beg to move that the sums as noted in the introduction under Head 20 stand part.

Hon. G.A. CLARKE: I beg to second that, Sir.

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

EXPLANATORY NOTES TO HEAD 20.

Hon. R.R. FARLEY: Mr. Chairman, I beg to move that the Explanatory Note to Head 20 be amended as set out.

House 48, sequence 169, 20:0014

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Hon. G.A. CLARKE: I bet go second that.

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

HEAD 48

MINISTRY OF HOUSING, LANDS AND THE ENVIRONMENT

\$499 830 00

Hon. Miss H. E. THOMPSON: The sums requested relate only to the Environment Department of the Ministry of Housing, Lands and the Environment. Essentially, the rules are that where new posts are created, even when those posts have been requested at the time of budgeting, the funding for them cannot be included in the Estimates until the posts are created by the Ministry of the Civil Service.

At the Environment Department we have strengthened our staff in order to fully carry out the technical role and services which we are providing now to a number of public and private sector organisations and where we are playing a regulatory role in terms of the protection of the environment. Hence, under Program 650: Preservation and Conservation of the Terrestrial and Marine Environment, Object Classification 1EX02 - Other Personal Emoluments, we are seeking the sum of \$4 390.

Sir, whenever there is a change in employment status or new persons are hired, National Insurance contributions immediately become payable and, in this case, the sum of \$5 425.00 is sought for

National Insurance contributions. Also where the person is a travelling officer, they would have to be provided with such monies as would cover the remunerations for their travel allowance. The sum required for that is \$4 610.

Sir, based on the current spending pattern, we anticipate a shortfall in the sum allocated at the beginning of the financial year for utilities. In this regard, we are asking for \$310.00. In the Environmental Engineering Unit the sum of \$41 172.00 is being requested for other Personal Emoluments to new staff and \$3 273 is requested to pay the requisite National Insurance contributions to support those salary payments.

Sir, under Programme 651: Primary Environmental Care Services, quite a few staff members were hired in the Environmental Engineering Unit. Every time there is an allegation of a sick building, there is a problem with a swimming pool and there has to be the monitoring of air quality and general environmental status and quality, that work has to be undertaken by the Environmental Engineering Division. The salary for those new staff members comes to \$360 782.00 and their National Insurance contributions arising out of that will be \$33 373.

Equally, when one takes on new staff members, new equipment and new furniture has to be provided for them. That sum for Plant, Equipment and Furniture comes to \$46 495.00 bringing the total requested by the Ministry of Housing, Lands and the Environment, in particular the Environmental Department to \$440 650. The sums requested really relate to staff. There is nothing excitable here.

I beg to move that Head 48 stand part.

Hon. G. A. CLARKE: I beg to second that.

The question that Head 48 stand part was put and resolved in the affirmative without division.

HEAD 45

AMENDMENT TO EXPLANATORY NOTE

Hon. R. R. FARLEY: Mr. Chairman, I beg to move that the Explanatory Note to Head 45 be amended as set out.

Hon. G. A. CLARKE: I beg to second that.

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

On the motion of Hon. R. R. FARLEY, seconded by Hon. G. A. CLARKE, Mr. CHAIRMAN reported to Mr. DEPUTY SPEAKER the passing of one Money Resolution in Committee of Supply and Mr. DEPUTY SPEAKER resumed the Chair and reported accordingly.

On the separate motions of Hon. R. R. FARLEY, seconded by Hon. G. A. CLARKE, the Resolution was read a first and second and third time and passed.

ADJOURNMENT

Hon. Miss M. A. MOTTLEY: Mr. Deputy Speaker, this brings us to the end of today's business. As I indicated this morning, the Economic and Financial Statement to be presented by the Right Honourable Member for St. Peter will be presented on the 7th of December at 400 p.m.

As is customary, we would anticipate that the Leader of the Opposition, or the persons so speaking on their behalf, will speak at 4:00 p.m. on the 8th of December and the debate will continue thereafter.

For those who may have to plan their business, we will be meeting from early in the morning on the 9th of December. Hence, 4:00 p.m. on the 7th December will continue as a suspension at 400 p.m. on the 8th of December and then up to probably 930 or 1000 p.m. I will confirm that time for the 9th of December. Suffice it to say, that the debate will continue for a whole day and not just the afternoon on the 9th of December.

After the Leader of the Opposition's speech on the 8th of December, which is the Wednesday night, we will go into the night until about 10:30 or 1100 p.m. and on the Thursday, the 9th of December we will start early in the morning.

With those words, I beg to move that this House do now adjourn until Tuesday, December 07, 2004 at 4:00 p.m.

Sir, in moving the Adjournment, I want to use the opportunity to wish all Honourable Members of the House, the workers, the support staff, the Police, the reporters and anyone who is related and associated with this House a very blessed and happy Independence.

Mr. C. A. MASCOLL: I beg to second that.

Mr. Deputy Speaker, I want to indicate as well to the staff, the Police, Honourable Members, the hard workers of Parliament and everyone who facilitates these efforts on Tuesdays that we on the Democratic Labour Party Benches wish them a very happy, prosperous, very active and loaded with activity Independence. We look forward to being back here in two weeks' time.

I thank you.

The question that the House do now adjourn until Tuesday, December 07, 2004 at 4:00 p.m. was put and resolved in the affirmative without division and Mr. DEPUTY SPEAKER adjourned the House accordingly.

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8:10 p.m.

