

---

# THE

## House of Assembly Debates

### (UNOFFICIAL REPORT)

---

PARLIAMENT 2003 – 2008

---

#### HOUSE OF ASSEMBLY

*Tuesday, May 8, 2007*

Pursuant to the adjournment, the House of Assembly met at 10.15 a.m. on Tuesday, May 8, 2007.

#### PRESENT

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

His Honour J. M. EDGHILL, J.P. (Deputy Speaker)

Rt. Hon. O. S. ARTHUR, M.Sc.(Econ.) (Prime Minister, Minister of Finance)

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

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

Mr. G. W. PAYNE, Q.C.

Hon. R. C. EASTMOND, B.A.(Hons.) Dip. Ed., LL.B.

(Hons.) (Lond.), LL.M. (Leic.), J.P. (Minister of Labour and the Civil Service)

Hon. G. A. CLARKE, B.Sc., Dip. Ed., J.P. (Minister of Public Works and Transport)

Mr. R. D. MARSHALL (Chairman of Committees)

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 Education, Youth Affairs and Sports)

Hon. R. R. FARLEY, B.Sc., J.P., (Minister of Housing and Lands)

Hon. Miss C. Y. FORDE, J.P. (Minister of State, Ministry of Education, Youth Affairs and Sports)

Hon. Dr. J. X. WALCOTT, M.B., B.S., F.R.C.S. (Edin.), J.P. (Minister of Health)

Hon. H. F. LASHLEY

Mr. T. A. PRESCOD, B.A.

Mr. R. St. C. TOPPIN, LL.B. (Hons.)

Mr. D. St. E. KELLMAN

Hon. J. J. S. ATHERLEY, B.A., B.Sc., J.P. (Minister of State, Prime Minister's Office)

Hon. C. A. MASCOLL, B.Sc. (Econ.) (Hons.), M.A. (Public Finance)(Minister of State, Ministry of Finance)

Hon. D. D. MARSHALL, Q.C., LL.B. (Hons.), L.E.C. (Attorney General and Minister of Home Affairs)

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 Canon Ivan Harewood.*

Mr. SPEAKER: The House is now in session.

#### MINUTES

Mr. SPEAKER: The Minutes of Tuesday, April 3, 2007.

Hon. R.C. EASTMOND: I beg to move that the Minutes for the Honourable the House of Assembly for its meeting of Tuesday, April 3, 2007, which Minutes have been circulated, be taken as read.

Mr. C.A. MASCOLL: I beg to second that, Sir.

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

#### ORDERS OF THE DAY

#### PAPERS

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

1. The Ministry of Finance - Half Yearly Report on the Revenue Collection Department for the period April 1, 2006 to September 30, 2006.

2. Report on the National Insurance Board for the year 2004.
3. Report on the operations of the Unemployment Fund for the year 2004.
4. Report on the operations of Severance Payments Scheme for the year 2004.
5. Report on the operations of Sugar Workers Provident Fund for the year 2004.

Hon. N A. LYNCH: Mr. Speaker, I am commanded to lay the following: 1. Annual Report of the Barbados Tourism Authority for the period April 1, 2003 to March 31, 2004.

Hon. D.D. MARSHALL: Mr. Speaker, I am commanded to lay the following:

1. Report of the Judicial Council for the year 2004-2005. Hon. J.X. WALCOTT: Mr. Speaker, I am commanded to lay the following. 1. The Annual Report of the Barbados Water Authority for the year 2004-2005.

#### FIRST READING OF BILLS

Hon. R.C. EASTMOND: Mr. Speaker, on behalf of the Honourable Member for St. Peter I beg to move that the following Bills be read a first time:

1. Customs (Amendment) (No. 2) Bill, 2007. 2. Stamp Duty (Amendment) Bill, 2007

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

#### SUSPENSION OF STANDING ORDERS.

Hon. R.C. EASTMOND: Mr. Speaker, I beg to move that the following Standing Orders No. 6, 16, 18, 20, 42(5), 43 and 44 be suspended for the remainder of today's Sitting.

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

*The question was put and resolved in the affirmation without division.*

H132/10:20

Sequence 2

Tuesday, May 8, 2007

#### GOVERNMENT BUSINESS

##### ORDER NO. 16

#### FIRST READING OF THE CUSTOMS (AMENDMENT) (No.2) BILL, 2007

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

Hon. C.A. MASCOLL: Mr. Speaker, I rise to introduce this Bill, and to seek the permission of the House, also to introduce in tandem with this Bill, The Stamp Duty (Amendment) Bill, 2007, Order No. 17, which is directly related to the move towards the ASYCUDA, Version 111 System, at the Customs Department.

Mr. SPEAKER: Honourable Member, do you want to do both Orders No. 16 and 17 together?

Hon. C.A. MASCOLL: Yes, Sir.

Mr. SPEAKER: If there are no objections from the House, then so be it.

Hon. C.A. MASCOLL: Mr. Speaker, these two amendments are, in fact, necessary to make provision for the implementation of a process fee that will be charged on bills of entry, with respect to imports into Barbados, which would be cleared, also for items cleared from approved bonded warehouses for home consumption. It would also be necessary, in light of that, to revoke the Schedule to the Stamp Duty Act, Cap. 91.

Mr. Speaker, the Customs Department, primarily uses the automated system for custom data, which is called the ASYCUDA System, at this stage, to access the base of imports into Barbados. This system was introduced in the mid 1990s.

Sir, I recalled my first experience with this system. It was an attempt to understand how the introduction of the Value Added Tax, would impact on the cost of food in Barbados. The ASYCUDA system had just been introduced, when I used the system to retrieve data, there was a major error, not on my part, but an error in the system, which was suggesting that on all food in Barbados, a 20 per cent stamp duty was charged at the port of entry. As a result of that data, the imposition also of a consumption tax on food, at the time, would have meant, for me as an analyst at that time, that there was a very high incidence of taxation on food imported into Barbados. As a consequence of the data, which I retrieved from the ASYCUDA System, I went on to make the recommendation that, perhaps, a 15 per cent charge on food, under a Value Added Tax system, would not be

harmful to Barbadians. However, Sir, the information I used was erroneous, at the time.

In fact, if we recall the old tax system, the stamp duty, as it was called then, was imposed on goods coming from extra-regional sources, however there was a reciprocal arrangement in CARICOM, that if a country charges a stamp duty, then Barbados will impose a stamp duty on its goods at the port of entry.

Sir, that discrimination led to the false conclusion that on all foods imported into Barbados, there was a 20 per cent stamp duty, and by extension, it led me to the wrong conclusion, that the removal of the stamp duty and existing taxes on food, would be okay if there are replaced by a 15 per cent Value Added Tax. That piece of research was used against me on two occasions in my past political life.

Sir, I subsequently was able to revise the data and to suggest at the time, in a revised research paper, that perhaps a 5 per cent tax on food would be more appropriate.

Mr. Speaker, I say that, because I want it to be recognised that the ASYCUDA System is, in fact, a very important piece of technology and information that actually drives the Barbados economy, because the Customs Department, in itself, collects over half of the total revenue of Government, in any given fiscal year. The Customs Department is responsible for the collection of excise duties in Barbados. It is now responsible for the collection of Value Added Tax. It is also responsible for the collection of import duties, sugar imports, environmental levy, customs fines and other impositions of a very minor nature.

Sir, in light of that, you can begin to understand the relevance of the ASYCUDA Plus/Plus Version Three System, which is now interactive with Microsoft SP and Microsoft 2000. Therefore, it offers the Custom Brokers and the entire business community an opportunity to do transactions at a far more cost effective way. Therefore, the extent to which this piece of legislation is important, may be underestimated if you do not recognise that it does, in fact, constitute the basis upon which the Customs and Excise Department is able to assess, and accurately assess, the import data for Barbados. It is on that import data that Barbados collects, as I said before, in excess of 50 per cent of its revenue.

Sir, in fact, the last Estimates for 2005-2006, revealed that the Customs and Excise Department collected \$1 045 482 000, on the behalf of Government, out of a total collection of \$2 030 782 000. Therefore, the Customs Department, in itself collects just over one half of the total revenue of the Government of Barbados. Therefore, in that vein, we must understand the critical importance of this

instrument to the overall workings of the taxation system, and as was demonstrated in this contribution, to the overall economy of Barbados.

Sir, in fact, the Customs Department currently employs in excess of 371 persons, and has only one Senior Accountant in its ranks, one Accountant and 150 Clerical Officers. I am therefore suggesting that the increasing use of technology is going to be extremely critical to the efficiency and effectiveness of the operations of the Customs Department, and in this regard, the ASYCUDA System that has been introduced, is extremely critical to the overall process of operations at the Customs Department, as well as the implications of this system for the wider economy.

Mr. Speaker, I now want to explain in more detail, the importance of this system to the Barbados economy. The first thing that we have to recognise is that the Barbados economy is an open economy. By that, we mean that our reliance on trade is even more expansive than we at first would think. In fact, when measured as a proportion of Gross Domestic Product, the amount of goods and services in this economy, and we look at the export component as a ratio of the Gross Domestic Product, that exceeds 100 per cent.

10.30 a.m.

*Sequence 3*

*Tuesday, May 08, 2007*

*House 132, sequence 04, 10.30 a.m.*

C.A. MASCOLL: In fact, when last we measured it, it was 110 per cent of our Gross Domestic Product, and that is a measure of the openness of an economy, but small island economies like ours have always been open.

Mr. Speaker, I recently heard an analyst talking about Barbados having a high debt on the import side of our current account, but Barbados always had a high import deficit, because our imports would exceed our tradable goods exports. Therefore, when you are seeking to analyse the Barbados economy, you cannot simply look at the difference between what we export in tradable goods, versus what we import in tradable goods, because it would always be the case that Barbados ' deficit on the merchandise trade account would be large.

As a consequence, Mr. Speaker, we therefore have to recognise the importance of services to the Barbados economy and this is where the export of the invisible trade, which is predominantly tourism, would balance of the deficit that occurs on the tradable side. In that regard, Mr. Speaker, the overall current account performance of the

Barbados economy will have to take account, not only of the trade that happens at the port of entry, but the invisible trade as we call it, tourism. Sir, it is only then that you can fully appreciate the importance of tourism and the overall importance of services to the Barbados economy.

Mr. Speaker, I therefore want to suggest that when you look at that feature of the Barbados economy, its openness, you would begin to appreciate what the ASYCUDA Plus/Plus Version Three System will do, in enhancing the efficiency and effectiveness in our economy.

Mr. Speaker, if you introduce a system that allows a customs broker, and businesses on the whole, to transact business via a computer, using Microsoft Speightstown or 2000, then you appreciate that the actual cost of transaction would decline for the business community.

Mr. Speaker, if transaction cost will decline, as a result of using technology, and introducing the ASYCUDA System, then it has implications for the overall performance of the economy. In this regard, it then positions the economy to be able to compete, even more effectively within the region and externally, because we are now using whatever available technology there is, to reposition the economy, and thereby give the business community greater access, and greater opportunity to enhancing their overall efficiency, via higher levels of productivity in the economy, which will come predominantly through the fact that workers can now, far more easily transact business at the port of entry.

Therefore, Mr. Speaker, that would constitute a major reason for such an implementation, because it helps to reposition the business community, and helps to facilitate the overall way of doing business in Barbados and by extension, enhances the overall efficiency of the private sector, which has to be the engine of growth.

Mr. Speaker, if that is so, then you would begin to recognise too, that on the export side of the equation, businesses can now far better execute their transactions, and, therefore, will be able to offer a better price through the efficiencies that can be derived to compete more effectively, first within the region, and then outside of the extra-regional markets.

Mr. Speaker, the ASYCUDA System as it stands, therefore enhances the overall capacity of Barbados to compete, and to do even better than it is doing currently. If that is the case, Mr. Speaker, it means that there is every reason we should encourage the Customs Department to upgrade its ASYCUDA System, and by extension, upgrade and facilitate the business community in Barbados.

It is know, Mr. Speaker, that we have to allow the private sector to drive the growth in this economy. It is

know, Mr. Speaker, that the engine of any growth in any economy comes via enhancing investment opportunities for the private sector in a country.

In this regard therefore, Mr. Speaker, Barbados has to focus, even more, on facilitating trade because it is through trade that we will be in a position, not only to enhance our economic growth but also the enhance our capacity to earn foreign exchange. Sir, that is the single most important factor in managing a small island economy like Barbados.

Mr. Speaker, if you could earn foreign exchange, it therefore means that it offers the country a path that is sustainable. If you could earn foreign exchange, it therefore means that you could do more in terms of the rest of the economy. If you could earn foreign exchange, it therefore means that it gives you more flexibility to provide social goods and services for the people who need them within the society and the economy. Therefore, a sustainable economic growth path for small island economies, must be one that concentrates on trade. Sir, whether that trade is visible trade or invisible trade, it is important and critical for a country to be able to facilitate that trade.

Mr. Speaker, I therefore have always suggested that there is only one constraint to managing any small island economy, and that constraint is the availability of foreign exchange. In light of that observation, I have been always arguing for the repositioning and restructuring of the economy because, I recognise that a sustainable growth path for Barbados can only be based on its capacity to earn foreign exchange. Sir, its capacity to earn foreign exchange must come by way of repositioning the manufacturing sector, by way of repositioning tourism by way of repositing the agricultural sector, particular sugar, and by enhancing the international business sector.

Mr. Speaker, it therefore means that for me, regardless of which side I sit on, my argument remains consistent. Sir, this comes out of a vision and a view that to truly put this country on a structural path that can lift this country to the next level, we have to be in a position, where we earn greater levels of foreign exchange.

Mr. Speaker, there is no doubt in my mind, therefore, that when you introduce any form of technology, and in this case, an automated customs data base system which is called, ASYCUDA, then you are in a position to further facilitate the capacity of the private sector to lead economic growth.

I am therefore heartened to see that, given my experience in the early 1990s with Version 2.7 of the ASYCUDA System, the Customs Department has now reached a stage where it can introduce and implement the ASYCUDA Plus/Plus Version Three, which would take all

Opposition the quirks out of the previous system, and allow for greater accuracy, in terms of data collection at the Port and for greater efficiency, in terms of the timing and the availability of that data.

Mr. Speaker, to that extent, therefore, this constitutes a major step in the right direction, in terms of utilising further technology to enhance the business environment and business opportunities in Barbados, but there is also another area of concern.

Mr. Speaker, economic and social developments are normally placed on top of a country's capacity to earn foreign exchange, to attain sustainable growth, to reduce its unemployment levels and to be operating in a stable inflationary environment.

Mr. Speaker, when this system is introduced, it actually can redound to the benefit of the consumer because, if a businessman is able to conduct business far more efficiently and effectively using a computerised version that is technologically correct, then that businessman reduces his cost to business, and can therefore pass on any such benefit to the consuming public.

*House 132, sequence 04, 10:40:14*

*Tuesday, May 08, 2007*

Hon. C. A. MASCOLL: Mr. Speaker, there are areas, which I can demonstrate, that had benefited substantially from the introduction of such a system. If you look at Barbados' consumer index, you would recognise, Mr. Speaker, that over the years there has been a shift in the sourcing of clothing in Barbados.

Mr. Speaker, if you talk to the women in general in Barbados, you would recognise that prices for clothing have in fact fallen in many instances in Barbados or have levelled out over the last five to seven years as a result of the changing tax system that was introduced, because in a very strange way, the introduction of the Value Added Tax removed any discrimination from the tax system and therefore did not permit for a stamp duty of 20 per cent to be charged on items coming from extra-regional sources. Mr. Speaker, as a result of that and the removal of the consumption duty, you have a shifting in the sourcing of goods especially clothing and some other goods from other parts of the world.

Mr. Speaker, that may not have been to the benefit of our CARICOM partners, but it has certainly turned out to the benefit of consumers in this country because as a consequence of changing the system it meant that the business community was able to source such goods from alternative countries and from countries that could offer at more effective prices. As a result, the businessman was

able, since the introduction of VAT in 1997, to offer the consuming public a commodity especially in the area of clothing and some other areas at a far more reasonable price.

Mr. Speaker, I say that to say that the ASYCUDA System therefore would have contributed the Plus/Plus to reducing the cost of business to the average businessman and by extension allowing the average businessman to pass on benefits to the consumer in Barbados.

Mr. Speaker, there was a recent spurt in the level of prices in Barbados, but I think all would recognise that it was a direct consequence, for the most part, of the increasing world prices for oil, but we have seen some deceleration in the rate of growth of prices and over the last couple of months there has been a gradual decline in the inflation rate.

Mr. Speaker, I said before that the inflation rate is tantamount to the acceleration of a car. Mr. Speaker, when once the car decelerates, it will slow the rate of speed and eventually reduce the level of price, but it would not do so overnight. What it would do is to go in the right direction in the interest of the consumer, that is, if you decelerate the rate of growth of prices, then the inflation rate would eventually fall to a more acceptable level, which is an important component of any economic growth strategy that we pursue in this country over the next five to ten years.

Mr. Speaker, the other major component of a country's future has to be a stable balance of payments environment. We in this part of the region know that there are two critical deficits, the fiscal deficit and the balance of payments deficit, that impact on the capacity of small states to manage. Mr. Speaker, when those two are acting together and moving in the wrong direction, it becomes a nightmare for a small island economy to sustain itself and to pursue policies in the interest of the overall country and the people of the country.

Mr. Speaker, in this regard therefore, I have always argued for the restructuring of the export sector in Barbados. I have always been in the vanguard of suggesting that until we start to reposition our agricultural sector and manufacturing sector, we would not be on the right growth path or on the right sustainable growth path in the interest of the economy and by extension the interest of the consuming public and the business community in this country.

Mr. Speaker, in recent times what we have seen is a move in that direction. We have certainly seen a Government that has embarked on repositioning the sugar industry, that has recognised the need to re-brand sugar and to move from obtaining a price of \$1 per pound to one of obtaining \$17 per pound by introducing Muscovado and

Plantation Reserves brands of sugar. Mr. Speaker, that is the kind of restructuring, and the kind of move toward higher value added that you are talking about in the interest of the country.

Mr. Speaker, if we were to continue to produce bulk sugar, then we would not have been able to get the kinds of returns that we are now getting as a result of specialising in that kind of sugar for Barbados.

Mr. Speaker, it goes further. The restructuring in the sugar industry has also embarked on a means of eventually producing ethanol. Sir, that has resulted from the fact that world oil prices had increased to the extent that they have now made alternative energy a very viable source for Barbados and other small developing countries.

Mr. Speaker, while you might have been able to contemplate moving towards the production of ethanol, say some ten years ago, the actual environment would not have been conducive or correct for such a move. Fortunately, Mr. Speaker, while oil prices have risen and while there have been a burden to several developing countries, they have also now offered developing countries an opportunity to seek alternative forms of energy that could now be described as economically viable.

In that regard, Mr. Speaker, we have a situation in which the country can now better position itself to take advantage of the high oil prices. Mr. Speaker, it is similar to what we recently experienced in Barbados. Sir, while there has been some inflation in this country, that inflation, though negative, has turned out to be extremely positive for Government because the revenue base of Government has increased substantially because the collection of Government taxes is heavily influenced by the level of prices in the economy. In fact, the major base upon which taxes are collected in Barbados is the value added tax base, which happens to be the Gross Domestic Product or what we call expenditure.

Mr. Speaker, even though there has been some increase in price, the price has contributed to increasing the base upon which the VAT is charged. Therefore, Government's revenue has benefited substantially from the little spurt in inflation over the last year and a half. Mr. Speaker, to every bad, there is a good.

Mr. Speaker, not only that, what we have had in Barbados as a direct consequence of high prices, is that our nominal Gross Domestic Product, which could be equalled to the real Gross Domestic Product, plus what we call the deflator, which is tantamount to the inflation rate, have also grown substantially over the last year and a half to the extent where nominal Gross Domestic Product has now increased by more than 10 per cent.

Mr. Speaker, what that does to the economy is remarkable. It takes the debt to Gross Domestic Product ratio and in the course of two years has reduced the debt to Gross Domestic Product ratio rather substantially for Barbados. In fact, when you look at the reality of life and look at what has happened with the debt Gross Domestic Product ratio, you would see that there has been a dramatic fall however you measure it in terms of the Government's debt Gross Domestic Product ratio.

In some instances, Mr. Speaker, there has been a 10 percentage point fall in the debt Gross Domestic Product ratio for Barbados, which is important because the international institutions use that ratio to gauge whether or not a country's indebtedness is in decline. Mr. Speaker, we have been able to observe a decline as a direct consequence of the rate of economic growth in the economy occasioned by high inflation but it has contributed to the nominal growth of the Gross Domestic Product in Barbados and by extension to the overall reduction of the ratio of debt to GDP.

Mr. Speaker, more important for me, is that there are other areas in which there have been some restructuring especially in the manufacturing sector. I think we have finally recognised that Barbados cannot operate in the area of low end manufacturing, that Barbados cannot produce T-shirts and that if Barbados wants to produce any kind of shirt, it has to produce a polo shirt, not a round neck T-shirt because it cannot compete at that level.

*House 132 Sequence 5*

10.50 a.m.

*Tuesday, May 08, 2007*

Hon. C. A. MASCOLL: Mr. Speaker, a round-necked T-shirt could be produced in the Far East for less than US\$10, so that if Barbados seeks to compete at that level, it would never be able to do so effectively. Therefore, what we are thinking about here, is identifying higher levels of value-added and offering your participants, the persons in the manufacturing sector, a chance to compete more effectively.

Mr. Speaker, the amendments being made to the legislation would give the importers of raw materials the opportunity of doing so, far more cost effectively because of a reduction in transaction cost. It gives them the opportunity to cut down the time that they are investing in the work the customs brokers would have to do. It gives them the opportunity to overall reduce the transaction cost of manufacturing. I can see, as a result of the ASYCUDA Plus/Plus Systems, a businessman beginning to feel as though the system is currently facilitating him, in a way that encourages him to pursue higher levels of efficiency

and by extension, higher levels of productivity within his business operations.

Mr. Speaker, it gets even better, before the last financial year, there would have been some changes in our tourism product. Sir, you would have to understand the nature of it, to be able to comprehend that it was not all bad. Sir, let me here admit, when I criticise the building of condominiums, I do so because I feel that if you change the structure of your product to reflect predominately condominiums, then what you are doing would be compromising the capacity of the industry to employ. You would also be compromising the capacity of the industry to earn taxation. You may also be compromising the capacity of the industry to earn foreign exchange.

Mr. Speaker, if it is that you are building a condominium hotel, that would be a completely different thing and therefore people need to understand the difference between a condominium and a condominium hotel. Sir, a condominium hotel becomes a hotel for only nine months of the year but it is a condominium for only three months of the year. Sir, what that would be doing, would be appealing to the market, in one sense, because people would be investing, in order to make a rate of return that is reasonable. It is also recognised that in the area of villas or condominiums, that because of Barbados' high cost, the opportunities for profitability are available more in the high end of the market. On the other hand, if that owner gives up that condominium and makes it available for use, over the course of nine months, it, therefore, means that the potential to employ would still be there. It, therefore, means that the potential to earn tax revenues would still be there. It, therefore, means that the overall potential to earn foreign exchange for the country would still be there.

Mr. Speaker, there has, therefore, been in the tourism sector over the last five to seven years, a repositioning of the product to the extent that you have to recognise that Barbados is high-cost and must therefore offer investors an opportunity to earn. Sir, that would not be a bad thing because you do not invest to lose, you invest to earn, you invest to make profit but if you are doing that, while still making those condominiums available for use as a hotel, it constitutes a win/win situation for the investor, as well as for the country.

Mr. Speaker, if it takes that kind of analysis to make me recognise that in tourism we have had restructuring that needed to be better explained, in my mind, then there is also restructuring in the tourism sector. In fact, Mr. Speaker, it is critical to begin to understand what it is you are doing, by first doing research.

Sir, I do not want to digress but I sat last night and heard a lady, who has a PhD. in nursing, said that there is

not an outward migration of nurses. In fact, the establishment of private hospitals and other institutions, have, in fact, been utilising the nurses from the Queen Elizabeth Hospital and that nurses are beginning to find other opportunities in the health service delivery across Barbados. Sir, the truth is that I have never heard this explained in such a way before. Sir, that lady was excellent.

Mr. Speaker, in light of what is happening in tourism, that is its repositioning, it will take time to fully restructure but it is being repositioned. In light of what is happening in relation to sugar, and what would happen in the manufacturing sector, we are beginning to see signs that Barbados' economy is even more sustainable than it was in the mid-1990s. Sir, that is more critical to me, than anything else because I know only too well that unless you pursue a path of economic growth that is sustainable, you are eventually going to have to make the adjustments that would become very painful to the people of Barbados.

Mr. Speaker, I have, therefore, recognised that there is no longer any major debate on the economy of Barbados. I have recognised a retreat on the part of the Opposition, with respect to the economic happenings to Barbados but perhaps it explains a lot. It explains a lack of desire to engage on the real fundamental issues. It explains a lack of - I do not want to say ability - but more so a lack of desire.

#### *Asides.*

Hon. C. A. MASCOLL: Mr. Speaker, that is what one has to do, one cannot run from an important debate. You cannot sweep the economy under a carpet because it suits you. You cannot run from it. What one has to do, is to confront it, analyse it and to be in a position where you could make critical inputs but you cannot run from it and that is what has been happening. There has been several economic reviews in the last quarter and there has been no response, whatsoever, from the Opposition. There have been increases in interest rates and there has been no responses whatever.

Mr. Speaker, there has been a poor execution on the part of the Estimates debates, where an entire Opposition Party misrepresented the reality, when they confused the actual expenditure with the projected expenditure and therefore made a boo-boo of the entire debate. Sir, you would then hear people saying that the Prime Minister did not attend.

Mr. Speaker, the truth is that there is no need for the Right Honourable Prime Minister to come to Parliament to discuss those matters any longer. The Prime Minister does not have to be here now. There are sufficient persons on this side, who are able to discuss those matters with the level of competency that cannot be achieved by the other

side, so there is no need for him to be present. Why should the Prime Minister come to debate with individuals who cannot reach that level of thought? It makes no sense, Mr. Speaker and therefore nobody should complain about the Prime Minister's absence or presence. The reality is that you have to bring something to the table and to this august chamber, in order to make an impact and a difference to the people of Barbados.

*Asides.*

Hon. C. A. MASCOLL: Mr. Speaker, there is Government that is going to give up a government to anybody, for that person to play with it. It is not a bicycle that could be swapped or lent to someone else to ride, where you would then take back that bicycle the next week, a Government is too important. Therefore, no country should feel as though it should engage at that level. We owe no Opposition any opportunity to run any country, when they are not demonstrating the capacity to do so. Furthermore, because we are in power for three terms, does not mean that it should go against us, when we are doing a good job. It should not happen, this is not a bicycle that you lend to a friend and borrow it back next week. It is too important.

*Asides.*

Hon. C. A. MASCOLL: Mr. Speaker, as I speak to you, the foreign reserves of Barbados are now \$234 million more than this time last year.

*Asides.*

Hon. C. A. MASCOLL: Mr. Speaker, it is not as a result of borrowing. Sir, the Automated System for Customs Data(ASYCUDA) has revealed to the Prime Minister that the import growth was a little too rapid, in relation to the export earnings. Therefore, a policy to reduce the rate of growth of imports was introduced. There was an increase in monetary policy, there was an increase in interest rates to contain credit and thereby reduce the demand for imports. As a result, there was a reaction on the part of the private sector and the consuming public, to reduce the consumption of imports in Barbados and by extension, there was a corresponding increase in the foreign reserves resulting from the correct policy that was introduced.

11.00 p.m.

*Tuesday, May 8, 2007*

Mr. C.A. MASCOLL: Sir, as a result, you cannot say that Government did not do the right thing because Government reacted to a rapid growth of imports,

occasioned by increasing disposable income in the hands of Barbados.

Mr. Speaker, what allowed it was the fact that you were able to get accurate data on the import performance of Barbados timely because of the ASYCUDA Plus/Plus Version Three. Therefore, it allowed Government to respond almost immediately to the galloping growth of import.

Mr. Speaker, it used to be the case, when I worked at the Central Bank of Barbados, that it took six months for us to know what the imports would have been, that is, in June, you are still getting import data for December last year. Sir, If now you are in a position where the ASYCUDA Plus/Plus System gives you more accurate data, far more urgently and immediately, then you could respond as a policymaker. Sir, this is the critical importance of this piece of legislation.

Mr. Speaker, there is evidence that the ASCUYDA System is pivotal to the country's competitiveness regionally and internationally and it is very evident. It is now given Government a position where it can more readily react and respond to what is happening in the economy because it has information that is accurate and available on a timely basis.

Mr. President, as a result of the implementation, it has become impossible or counter-productive to affix postage stamps to entries that are now being done electronically. Sir, as a result of to ASYCUDA System, you can no longer fix a postage stamp on to an entry because it is being done electronically. It, therefore, means that you have to introduce a processing fee, as we are seeking to do here in this Chamber this morning because we are getting away from the manual world. In fact, not too long from now, almost every transaction would be done, using technology of this kind. Sir, we are moving towards it, that is the new world and, therefore, Government has to be able to respond to this changing environment. Government has to be able to respond to the use of technology to enhance efficiency in the economy, that is what we are seeing here by the introduction of the ASYCUDA Plus/Plus System.

Mr. Speaker, it is, therefore, proposed that a processing fee of \$10 be charged for every entry to replace the stamp duty that was collected before because Government is a business and it cannot engage 371 persons in the Customs Department, all the clerical officers and then not charge a fee for the processing it does. What would happen is that because of the increase in efficiencies and the less time that businesses would have to spend doing this job, it means that there is an overall benefit to the private sector and but business community. Sir, Government cannot give everything away and in any case,

you are simply replacing a stamp that was imposed on an entry by a processing fee to allow us to recover and retrieve the revenue that would be lost as a result.

Mr. President, because of this processing fee, it means that we have to do the amendments to the Stamp Duty Act as proposed by the piece of legislation. Sir, it is not simply about making amendments but about understanding and having the vision to appreciate when decisions have to be taken and taken in a timely manner. I, therefore, Mr. Speaker, am suggesting that the Customs Act, in order to make provision for such a fee, would require it to be amended in the following way:

After Section 18A, that we amend and put a Section called 18B and it reads as follows in Clause 1:

“A processing fee in the sum of \$10 or such other sum as the Minister may by order specify shall be charged and paid into the Consolidated Fund on every entry submitted in respect of goods imported or cleared out of a warehouse, where those are intended for domestic consumption.

2. Where goods are imported or cleared out of a warehouse and those are for the use of (a) a diplomatic mission, consulate or international organisation or (b) a member of the family of diplomatic or consular officer, who forms part of the household of that person, such mission, consulate, organisation or member, as the case may be shall be exempt from the payment of the processing fee referred to in Subsection 1.”

Mr. Speaker, that is the amendment that we will insert into the Customs Act. The ASYCUDA Plus/Plus would also require the Stamp Duty Act to be amended appropriately by deleting the provisions relating to the payment of stamp duty on transshipment bills and also on aircraft and ship manifest. In essence, therefore, Mr. Speaker, the Stamp Duty Act amendment is one of simply deleting the head “Ship or Aircraft” and all the items appearing thereunder. Mr. Speaker, those are the two fundamental amendments that have to be made in order for the processing fee to be charged and for the efficiency and effectiveness of the ASYCUDA Plus/Plus, Version Three to be fully implemented.

Mr. Speaker, it certainly gives me pleasure to have put in context the amendments this morning, which may have appeared to be mundane but which have substantial import for the overall functioning of the economy. We have to recognise that taxation measures are critical; that monetary measures are critical but as important as these are, the institutional arrangements are equally critical in facilitating private sector led economic growth. If a country is serious about pursuing a private sector led economic growth strategy, then we are talking about first,

understanding the characteristics of small island economies. They are open as measured by the exports and imports as a ratio of Gross Domestic Product. There should be a stable balance of payments environment, in which to function as an economy in a small island state. There should be stable inflation that is manageable and we should pursue an employment strategy that is stable.

Mr. Speaker, at the heart of all of this for any small economy, is its capacity to earn foreign exchange. Let me say that Barbados is a services economy. In fact, well over 75 per cent of the Gross Domestic Product of Barbados is derived from service sector, tourism, retail and distribution, transportation and those sorts of areas and well over 70 per cent of the employment in this country is, in fact, associated with the services sector of Barbados. Mr. Speaker, while that is so, I want it to be recognised that when you look at services in totality that Barbados has recently demonstrated that it has the capacity to deliver.

Sir, there is no one that can doubt the capacity of Barbados but what we also have to recognise that for us to continue to achieve the record level low unemployment rate in Barbados of 7.6 per cent, for us to continue to achieve foreign exchange growth on the foreign reserves of \$234 million over the last year, in the absence of any borrowings, for us to continue to have a stable inflationary environment...

*H132/11:10*

*Sequence 7*

*Tuesday, May 8, 2007*

Hon. C.A. MASCOLL: ... for us to avoid going to the international monetary institutions, we have to pursue a path that we have defined for us. That path has to concentrate, whenever we think about it, on one principle, what is our capacity as a country to earn foreign exchange. Our capacity as a country to earn foreign exchange, is dependent upon the way in which we manage our tourism, the way we structure our manufacturing sector, the way we deal with the international business sector, and also the agriculture sector, especially sugar. I am satisfied that there is a move towards that sort of growth path, that sort of sustainable economic strategy that will permit us to be able to move to the next level of economic growth and social development.

Mr. Speaker, I am convinced that, in fact, we are on the right course, because I have recognised that there have been attempts to fully restructure the sugar industry, to restructure the manufacturing sector and, certainly, to rearrange the instruments in the international business community. I want this to be said, that even when we put those kinds of policies in place, that ultimately, our

capacity to use technology and our ability to retrain our labour force, would be the two critical determining factors in how well positioned we are as a country, to achieve the objectives.

Sir, when we therefore, introduce a system like the ASYCUDA, Plus Plus System, that is driven through technology to enhance business opportunity, when we reposition our labour force to be retrained, to retool in light of our overall strategy or vision for the future, then Barbados will truly be on course, because there is a difference in tinkering with your fiscal and monetary policy and really putting in place solid structures upon which you can utilise your physical capital, as well as your human capital, to ensure that you are truly on that path.

Mr. Speaker, therefore, it gives me some pleasure to introduce the amendments to those two Bills, because I recognise that innocent, though they may appear, they are extremely critical to the future process of governance in this country, especially as it relates to our capacity to have a private sector driven economy as well as an economy that can best be positioned to earn foreign exchange, and manage its international trade to the impact and the development of this country in a sustainable.

Mr. Speaker, I thank you for allowing me those few words.

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

Mr. D. St.E. KELLMAN: Mr. Speaker, there is no doubt the Minister stated that Government could not afford to give up revenue. However, the Minister did not mention that there is a shift from the stamp duty to a direct charge for entries, that will ultimately effect on the Post Office. The Minister did not tell this Honourable House how the Government will account for the shortage of revenue that the Post Office will now incur.

Sir, clearly, previously the Government, bought stamps from the post office which was revenue for the Post Office, now with the use of technology, the Government will not have to source stamps from the Post Office anymore, hence a shortage of revenue for the Post Office. Clearly, the Minister of State, in the Ministry of Finance, will now have to tell the public of Barbados how the Post Office will be able to deal with the shortfall.

Sir, it might have been dealt with previously, that is why you would have seen earlier a cost to the tax payers of Barbados of increased stamp prices. I would ask the Minister if that is what occurred, if it is true that the public of Barbados was not informed that this charge was a result of stamp duty removed by Customs.

Mr. Speaker, there is no doubt that once you go with technology, there will be changes. We also have to understand that the Custom Officers of Barbados are now being asked to work harder in a more pressured environment. One cannot see any increased compensation for the additional work that the Custom Officers of Barbados are being asked to do. One would hope that after the admission by the Minister of State, in the Ministry of Finance, that the Minister, in his reply, would now, not only admit the importance of the Customs Department to Barbados, but would also tell the public of the contribution the Custom Officers make to the economy of Barbados, which is how the Government of Barbados would compensate them for the good job they are doing, and sometimes under great threat.

Sir, one would hope that after admitting their contribution, the Minister would also deal with the compensation for the Custom Officers. We on this side believe that they are doing a good job, which should not be recognised by talking alone, but the appreciation for the officers should be demonstrated in some tangible way.

Sir, there is no doubt that they have increased the revenue of Government, their performances have increase, but their compensation has not been increased.

Mr. Speaker, the Minister was very wide in this debate, and I accept it. I am very happy to hear that a condominium hotel is quite different to condominiums. As you are aware, a few months ago one got the impression that the Opposition in this country, was not making correct statements in Parliament when they warned the Minister of Tourism about how they were moving towards condominiums, without looking at the affect it was going to have on the taxation system in this country. I am very glad to hear the Minister of State, this morning, concurring with what I said previously on this matter. Sir, there is no doubt that businessmen in Barbados have now been encouraged to go after capital gains instead of profits. Sir, what we are now seeing, is that people in Barbados that have been successful for many years in what they are doing, are now going after a one-shot profitability, instead of recurring profitability. Sir, you will see restaurants on the West Coast that were very profitable, being removed from the taxation systems, the owners are now converting them to condominiums for capital gains, avoiding the payment of taxes annually and its worries me.

Sir, I am saying that this type of development is wrong, because what you need in a country like Barbados is continuous business activity, not a one-off business activity. I am saying that since 1994, this Government had a good opportunity to ensure that no businessman played off capital gains against profit. Sir, what has occurred in this country, is that we are now playing off capital gains

against profit, and business people are now selling successful businesses.

Sir, if I were allowed to quote from a newspaper, I would say, that if you look in yesterday's newspaper you would see that even the West India Biscuit Company is now to be taken over again by a company outside of Barbados. It all has to do with the investors recognising that once they sell their shares, they do not have to worry about this continuous payment.

Mr. Speaker, that is why I carefully studied what was happening within the economy of Barbados, and that is why I came up with 'Kellmanomics'. Sir, 'Kellmanomics' has to do with the investor and the worker.

11.20 a.m.

*Sequence 8*

*Tuesday, May 08, 2007*

*House 132, sequence 09, 11.20 a.m.*

Mr. D. St.E. KELLMAN: I saw where investors were moving towards selling their businesses, and moving towards capital gains. Surely that cannot help the Barbadian workers because when we sell the companies to the overseas interests, we cannot stop the overseas interests from bringing workers into the country, and causing the local workers not to get work.

Sir, if we continue with this old taxation system,, all we are doing is encouraging Barbadian workers to go on the unemployment line. I am saying that we need to understand that from the time we introduced the VAT, we should have looked at the direct taxation system. I know that the Honourable Member for St. Michael North West understand quite well what I am saying.

We in this country, introduced VAT, which has the capacity to give us more than the revenue that we had budgeted previously, but we still allow ourselves to collect the direct tax, which is wrong. Sir, you cannot be running a direct taxation system and an indirect taxation system, especially when the indirect taxation system is giving you more than what you got from the direct taxation system

Sir, we have frustrated the workers of Barbados by punishing them twice, and that is why, if there is frustration and there is a lack of productivity in the workers of Barbados, it has nothing to do with them. It has to do with the taxation system. This is where 'Kellmanomics' comes in, because I understand that we have to increase the capacity of the worker in Barbados, and we have to encourage investment. The only way we can encourage people to work harder, is to free them from that burden.

How can you punish a man in the supermarket whenever he goes, and at the same time whenever he produces by working, you punish him too, and frustrate him. What we need to do is to free up the worker and the investor. When we free up the worker and the investor, we have a better country because we increase productivity. Sir, what is needed in Barbados more so now than ever, is to increase productivity. The only way we can increase productivity is by freeing up the investor, freeing up the worker and punishing consumption.

Clearly, this measure today is to punish consumption. I heard the Honourable Member going there and he pulled back and I do not understand why he pulled back. The Honourable Member is now behaving like the other Honourable Members, where he does not want to admit that he is getting loser to my theory.

Sir, everybody knows that he is a disciple Opposition my theory, he understands my theory and he understands how it will work for the economy. If anybody wants to know that the Honourable Member understands exactly of what I speak, one only has to look at the last Financial Statement presented by the Government, and see that the Reverse Tax Credit system has been tampered with, and it cannot be by accident that the Government came to this Parliament, and has a scale over the period of years, moving the Reverse Tax Credit from \$500 to \$1 300. Sir, that is planned action to come.

I want the Minister of State in the Ministry of Finance and the ministry of Finance to understand that they are not tricking me. I understand well the wicket they are batting on and I am reading the spin, because I know their intentions and I know where they are heading.

Mr. Speaker, they have no choice. They have to free up the workers and investors because, as the Minister of State said, it is all about earning foreign exchange. The only way you can earn foreign exchange is by increasing the capacity of the worker, and increasing investments.

Sir, if you want to increase investments, you cannot increase investments by local businessmen selling their businesses. You have to increase investment by freeing up the opportunities for local businessmen to remain in business and to expand. The only way you can do that is by the introduction of 'Kellmanomics'.

Therefore, the Minister of State in the Ministry of Finance and the Ministry of Finance will be guilty, if they continue to delay the implementation of it, because they should understand that delaying the implementation of it, is the frustration of the growth of the economy of Barbados. Every day that they delay it, is an admission that they are frustrating the economy of Barbados. The Minister of State

in the Ministry of Finance understands quite well what I speak.

Sir, if we are interested in moving Barbados forward, we must increase the foreign reserves of the country. The foreign reserves cannot continue to be increased by selling land, or by continuing to borrow. We must increase productivity, and the two important factors of increasing productivity are the investors and the workers. As I said, the Minister of State in the Ministry of Finance understands that well.

The public of Barbados must ask the Minister of State in the Ministry of Finance and the Minister of Finance, why the delay. Is it because it came from the Honourable Member for St. Lucy? It is just like the proposal to build the Stadium in St. Lucy instead of at Kensington, so that the taxi drivers would get some work and so that you would not have the wrangling now. Stop playing the people of St. Lucy. Stop depriving Barbados of real growth because the mouthing came from the Honourable Member for St. Lucy. The Government should implement the systems because the public of Barbados already expect you to do so, because they understand quite well how this economy must grow.

Mr. Speaker, by not taking the advice given, this country Barbados was deprived of millions and nearly billions of dollars of new investment by us not opening up new territory to attract investment.

Mr. Speaker, it hurts me to hear Jamaica talk about the spinoff by just building a new stadium and how they were able to attract investors to build new hotels. We spent more money than anybody else. We cannot show one new hotel room, after spending more than \$½ billion on Cricket World Cup 2007, but Jamaica can, Antigua can, and even Guyana can, Sir,

Mr. SPEAKER: How did you get there, Sir?

Mr. D. St.E. KELLMAN: Sir, because the Minister of State in the Ministry of Finance took me there. I am only responding to what the Minister of State said about improving the foreign reserves of the country. We understand exactly of what we speak, and the Minister of State is concurring with my reply to what he said. This is a financial matter. The Minister of State was very wide. I never stopped him and you never stopped him.

Mr. SPEAKER: I am not stopping you, Sir.

Mr. D. St.E. KELLMAN: I know you would not stop me because I understand that you were enjoying it. There is a new level of economics in here today, and you will learn from it, Sir.

Mr. SPEAKER: Yes. Thank you, Sir.

Mr. D. St.E. KELLMAN: Mr. Speaker, we have to understand that we are in a new era. This is a very competitive world and Barbados will not earn is keep by just talk.

Sir, I was in here and heard the mouthings from many persons, and based on that, there are many people who spent large sums of money. I want to say that people might say that they had a requirements and they could not pull out of that requirement, and the taxpayers are now saddled with \$30 million because of a requirement.

I also want to say that those persons who build villas and so on, to earn the foreign exchange that the Minister of State in the Ministry of Finance spoke about earlier today, they also had a requirement and a request. The only thing is that they were not smart enough to sign on the dotted line and to get it agreed and to have a contract, but we as politicians have a commitment to those persons, and I am going to tell you why.

Sir, if we do not respond to those persons, the next time we make a request of them, they will not respond to us. If we do not look after the investors and the workers, how can we have foreign exchange growth in this country? We cannot continue to sell land and to borrow, because there is a limit to that, but when it comes to productivity, there is no limit once you understand what you have to do, Sir,

*House 132, sequence 09, 11:30:14*

*Tuesday, May 08, 2007*

Mr. D. St.E. KELLMAN: Sir, I am saying that we also need to give the workers and the investors in Barbados the same confidence that the shareholders from Florida or wherever they came from are guaranteed, because at the end of the day when they pull up anchor and leave, it is the workers and the investors of Barbados that have to service that loan and that would have to generate the foreign exchange to keep this country afloat.

Mr. Speaker, there is no doubt that we have converted hotels into condominiums, and instead of creating a commercial entity, we have now converted commercial entities into homes. Mr. Speaker, I have said already that the Minister of Finance needs to sit with the Minister of Tourism and give him a lesson about how to generate foreign exchange and what keeps a country afloat. Sir, to get in this House and quote statistics would not help this country because based on statistics alone we would not need to do this today because based on the mouthings of the Minister of Tourism alone Barbados would have been the richest country in the world. Sir, after the Minister of

Tourism answered a charge about the number of ships coming to Barbados, no one would believe that the Minister of Tourism would now be heard concentrating everything on the finals.

Mr. Speaker, one got the impression that from the beginning of March wherever you go in Barbados you would not have been able to find space to walk, even for the finals, unless you were...

Mr. SPEAKER: Sir, what has that got to do with the Customs (Amendment) Bill and the Stamp Duty (Amendment) Bill which I see before me here.

Mr. D. St.E. KELLMAN: Sir, this is all about foreign exchange as the minister rightfully spoke about and I concur. I am only substantiating what the minister said. As you know, the minister was very wide and I welcome the leverage you gave him. I am only responding...

Mr. SPEAKER: The minister was very clear and very specific in relating whatever he said to the two Bills before the House. Sir, I am warning you that you are going too far and much too wide and I suggest that you come back to these Bills before the House, please.

Mr. D. St.E. KELLMAN: I am very thankful for your ruling, Sir.

Sir, with all due respect to you, I want you to know that the Minister of State said that it is all about foreign exchange and not revenue. Where you are guiding me now, Sir, is to deal with revenue and not foreign exchange which is countered to what the Minister of State said. Sir, the Minister of State said that the country must be run on foreign exchange, not revenue.

Sir, these two Bills as they stand, if I deal with them, will be countered because these are all about revenue for the Government. Mr. Speaker, the Minister of State was very much interested in foreign exchange, to which I concur because you can run a country on foreign exchange not on revenue, because this country imports more than it exports.

*Asides.*

Mr. D. St.E. KELLMAN: Mr. Speaker, I would agree with you because maybe the Minister of State was running away from something and you have just enlightened me that maybe the Minister of State was running from something.

Are you saying to me, Sir, that after today the consumers would now have to pay higher charges, that the brokers would now add on their charges per entry instead of a one-off charge, which means that the consumer would

feel the inflation of these charges, whereas previously they were ignored. If that is what you are saying to me, I concur with you also, Sir.

Mr. Speaker, there is no doubt that the Minister has admitted that the Government put policies in place to reduce consumption. Is the Minister now admitting that with these additional charges, which would bring in more money than the stamp duty, that the Minister is hoping that the consumption pattern of Barbadians would be reduced? Is the Minister admitting that the Government is now inflicting more charges on the poor consumers who have been crying out for inflation in this country?

Mr. Speaker, there is no doubt that these charges would now be inflationary. Sir, as I said earlier, these charges previously impacted on the Post Office and now they are impacting on the Customs Department. Sir, it means that the distributors, the wholesalers and the retailers will all have to pass on these charges to the consumers. Sir, there is no doubt that the Government would get more money. Some people say they would be room for gouging. However, at the end of the day, it is the consumer...

Sir, I want to know how it is that we have just had our best ever event in Barbados and less than one month after that event, the Government is before Parliament exacting more money out of the consumers of Barbados when this Government has just admitted that they have just had their best ever occasion. This Government talks about how the foreign reserves are up and how the revenues are up but yet over a minor issue, the Government is now holding the first Sitting of Parliament to ensure that more pain is inflicted by the revenue side to the consumers of Barbados.

Mr. Speaker, the Minister of State in the Ministry of Finance would have to answer to the public of Barbados for this. The Minister of State would also have to tell us how these charges would increase exports because in my opinion these charges would more decrease export than increase exports because it is an additional charge which would make the cost of goods in Barbados more and would make the country uncompetitive. If that is what you want me to deal with, Sir, I will deal with it because the Minister of State would have to answer those charges.

Mr. Speaker, the Minister of State would also have to tell the public whether this country prefers the direct taxation system or the indirect taxation system; whether it is true that we are limiting the productive capacity of the investors and workers in this country by continuing to have the direct taxation system; or whether, if we shift to the indirect taxation system, we would increase productivity in this country.

Mr. Speaker, there are a group of persons in Barbados who do not want to see a particular group of persons increasing their disposable income. They are so protective of their status quo that they want to keep the direct taxation system so that the masses of people would not be able to get greater opportunities and would not be able to produce more to get closer to them. Mr. Speaker, that is why they do not mind employing the big tax experts and so on, to ensure they reduce their liabilities because they want to ensure that the masses continue to be frustrated. Mr. Speaker, all that is happening through the direct taxation system, is that you are frustrating the persons who you need to produce and those persons who need to depend on you.

Clearly, Sir, the Government cannot be guilty of keeping the direct taxation system in place to ensure that we have the masses depending on Government, it cannot be that. We can only concur and agree that the Government is not aware that there is a group of persons who want to keep the masses at the bottom and do not want to open opportunities for them. Sir, that is why they continue to encourage Government to keep the two taxation systems.

*House 132 Sequence 10*

11.40 p.m.

*Tuesday, May 08, 2007*

Mr. D. St.E. KELLMAN: Mr. Speaker, we have to understand that we have an advantage with our taxation system and that the indirect taxation system has opened up an opportunity for us. We first saw it with the Organisation for Economic Cooperation and Development, when people sought to blacklist us. It is now clear that the world understands that Barbados and other countries like Barbados, have a better advantage by using the indirect taxation system, than by using the direct taxation system. We understand that they want to keep us using the direct taxation system, to protect their economies. Sir, that is why whenever we speak of moving away from the direct taxation system, people would want to refer to us as tax havens. Therefore, countries as small as Barbados must understand the importance of using their taxation systems to gain advantage.

Sir, other countries use economies of scale and since Barbados has a taxation system in our favour, then we have to use that. Therefore, if we are serious about attracting investments in this country and also attracting workers with the expertise, then we must use our taxation system to our advantage, in order to achieve that. Sir, I will never agree with the Organisation for Economic Cooperation and Development or any grouping, who would tell Barbados that it must continue to use a direct taxation system, one that would be unjust to the workers and investors of

Barbados because those larger countries want to protect their investors and their workers.

Mr. Speaker, we must use what we have, as an advantage, to attract people to Barbados to work and to offer their expertise. We must use our taxation system to attract investments in this country. We must stop having to sell our land. There is no need, as it stands now, since 1994, when VAT was first talked about, for us to have to sell land or other properties, in order to boost our foreign exchange. Sir, we recognised that when we agreed, as far back as 1994, to make the shift from a direct system of taxation, to that of an indirect system of taxation, that would have created a new economic pathway for the country. Therefore, if Barbados is serious about getting investors, what it should do, would be to move away from the direct taxation system to that of an indirect system.

Mr. Speaker, today these two amendments are not important because they would be inflationary. Therefore, if Government has a problem with foreign exchange and needs to dampen consumption, then it would be important but then the Minister of State in the Ministry of Finance would have to come and tell this Honourable House that Government is under pressure with its foreign exchange or foreign reserves and that they would be putting these measures in place, to dampen consumption. On the other hand, if Government is not doing it to dampen consumption, then there would be no need for these amendments.

Mr. Speaker, what the Honourable Member should be interesting himself with, should be measures before this Honourable House to attract investments to Barbados, to attract local investment, and to attract higher productivity in the workers of Barbados. Sir, instead of doing that, we are seeing more frustration for both local investors and workers. Therefore, I am beseeching the Minister of State in the Ministry of Finance, who understands well what must be done, to take this country forward. Sir, this was discussed with the Honourable Member. He was lectured on it and it is about time that information be transferred and implemented.

Mr. Speaker, we can no longer be playing about. We did not achieve what we wanted, out of Cricket World Cup, 2007, therefore, it means that we now have to look for homegrown solutions. Sir, there needs not be any worry about Cricket World Cup, 2007, because there would be a lot for me to say about Cricket World Cup, 2007, but not necessarily in here.

We have to understand what is happening within the economy and we have to understand what must be done within the economy. Sir, it is clear that the present approach by this Government is wrong and that we must rely on our workers and investors. Sir, presently, we are

depending on foreign forces to build the economy of Barbados, and this is wrong. We must first build the foundation. It is the foundation that we would build that would attract others. It is also how we treat our workers and investors that would attract people.

Sir, I am saying to the Minister of State in the Ministry of Finance, that if we treat our workers and investors properly, we would have people flocking to Barbados, to invest and to work. That would mean they would bring their bank accounts to Barbados and we would see a positive move in the foreign reserves of the country. Sir, as it stands now, if we have a problem with our foreign reserves, we could only blame the Government of the day for delaying the implementation of proper policies that are needed in this country.

Mr. Speaker, the Minister of State in the Ministry of Finance is not innocent, he would have to plea guilty because he knows better. The Minister of State in the Ministry of Finance understands “Kellmanomics” and where it would put this country. The Honourable Member is fortunate to be the most privileged person on the other side and therefore the Honourable Member cannot continue to hold this information within and deprive the country of the opportunity of having success.

Mr. Chairman, I am grateful to you.

Hon. A. P. WOOD: Mr. Speaker, I thank you. I rise to make a short contribution in this debate. Sir, I would first want to respond to some of what has been said by the Honourable Member for St. Lucy. Sir, it would be very remiss of me, if I did not try to bring back some measure of respectability to what it is that we came here to do, in this Honourable Chamber. Mr. Speaker, nevertheless, I want to start by giving my full support to what it is we have come here to do, with regard to this particular item.

Mr. Speaker, it is extremely important that if any economy is to go forward, that we pay close attention to the efficiency with which every Government department operates. It is important, especially in regard to Customs operations that we seek, at all times, to introduce measures which would lead to greater efficiency in such an operation.

Mr. Chairman, the Honourable Member for St. Michael North West was very clear to point out that with increasing use of technology within the Customs operations, that would necessary lead to a more efficient operation. Sir, our Automated System for Customs Data(ASYCUDA), when first introduced, was characterised by one or two limitations where, as the system was rolled out and there was greater familiarity with the operation of that system, we saw the need to

enhance that system and to move to ASYCUDA Plus/Plus Version Three System.

Sir, by improving the efficiency of Customs operations, through the utilisation of that system, that led to a lowering of the transactions cost and the transactions time, which, in turn, would make the business community more competitive and the business environment more enabling. Sir, it is at that point that I need to spend some time.

Mr. Speaker, as I said earlier, for this economy or any economy to go forward, it is important that we know the businesses that trade in the main, or that we know the true engine of growth of any economy. Therefore, it is Government’s responsibility to ensure that the environment within which businesses operate, must become more and more enabling. Sir, what we have come here to do today, is, indeed, a demonstration of Government’s commitment to allow businesses to become more competitive, by creating a more enabling business environment in Barbados.

11.50 a.m.

*Tuesday, May 8, 2007*

Hon. A.P. WOOD: Mr. Speaker, I listened to the Honourable Member for St. Lucy very carefully, as I normally do and he mentioned that the use of technology within the Customs operations will indeed make custom officers work harder and he used that in his view as a statement of fact to go on to conclude that the Government should thereby enhance the remuneration packages of the officers of the Custom Department.

Mr. Speaker, we all know quite differently from the Honourable Member for St. Lucy, that the use of technology would allow workers to work smarter. Indeed, in this day and age, which could be characterised by a technological revolution, in any Government department, but especially the Customs Department, which is responsible for collecting half the revenue of Government in any one year and if we were to be so stupid and not let the technological advancements be felt in the operations of the Customs Department that this Administration would be doing this country a major disservice.

Mr. Speaker, you know that without the introduction of technology into the Customs operations, how much more labourious it would be for officers of the Customs Department when they have to deal with the processing of entries. Sir, could you cast your mind back to when there was little or no technology in the operations of the Customs Department, how manual and labourious a task it would have been? Sir, with the introduction of technology, the processing time has been significantly reduced and the

manner in which the operations now takes place has been significantly enhanced, all resulting in benefits in regard to the time transactions and the cost of transactions.

Mr. Speaker, the Honourable Member for St. Lucy seems to think that it would make customs officers work harder but it would certainly make them work smarter and that is what we want, Sir.

Mr. D. St.E. KELLMAN: Mr. Speaker, on a point of order. The Honourable Member is misleading the House by giving the House the impression that I have said that the workers have not increased productivity. It is clear that with new technology the workers will be producing more but the Honourable Member is now telling the House that is not true.

Hon. A.P. WOOD: Mr. Speaker, I do not know what point that was but, if it were to add something to what we want to carry forward in this Honourable Chamber, it certainly would have missed the target.

Mr. Speaker, it is becoming fashionable to bandy around statements in this Honourable Chamber and it is not good because a number of persons outside do listen to us. When the Honourable Member for St. Lucy comes in here and make these quantum leaps along these lines, that the measure we are dealing with today is designed to dampen consumption and hence imports and the measure would be inflationary, without seeking to substantiate that particular statement because it is a conclusive one and there is a problem with the foreign reserves, we did not achieve out of the World Cup...

Mr. D. St.E. KELLMAN: Mr. Speaker, on a point of order. The Honourable Member is misleading the House. The Honourable Member is attributing a statement to me that was made by the Honourable Member for St. Michael North West, when he said that Government used policy to dampen imports in this country and that is why the foreign reserves are now standing at \$234 million. Clearly the Honourable Member was not listening to his comrade but was paying close attention to what I had to say.

Hon. A.P. WOOD: Mr. Speaker, the Honourable Member stood up in this Chamber and said that the foreign reserves stand at \$234 million. If it is the Honourable Member for St. Lucy's position and, indeed, the position of the Democratic Labour Party in regard to taxation, that they should be a movement away from direction taxation in this country, I think the Honourable Member for St. Lucy or the Honourable Member for St. John, should be bold enough to stand up in this Chamber and say that the position of the Democratic Labour Party in regard to taxation policy for this country is on that would be rid of any semblance of direct taxation. If that is the position of the Honourable Member for St. Lucy, because he gets up time and time

again and seeks to give the impression that it is a policy position on the part of the Democratic Labour Party, I think they owe it to this country to say in here and outside of here that they are no longer interested in pursuing a taxation policy in Barbados that is characterised by direct taxation. Sir, they need to get up and say so and stop beating around the bush and thinking that people are not listening.

*Asides.*

Hon. A.P. WOOD: I want you to get up and say that it is the position of the Democratic Labour Party that there is no interest in direct taxation by your Party. I want you to say it and say it emphatically once and for all and stop beating around the bush.

Mr. SPEAKER: Sir, please control yourself and just address the Chair.

Hon. A.P. WOOD: Sir, I am sorry. My position is the Barbados Labour Party's position in relation to taxation policy. Pursuing the current course of taxation policy that is serving the country well.

Mr. D. St.E. KELLMAN: Mr. Speaker, on a point of order. The Honourable Member is misleading the House because if one had to reflect on the financial Statement presented by the Prime Minister a few weeks ago, where the Prime Minister was able to move on a three-tier approach, the reversed tax credit from \$500 to \$1 300, if the great economist understood what the Prime Minister was doing, clearly, the Honourable Member would understand that the Prime Minister is preparing a wicket to do exactly what the Honourable Member is accusing me of speaking about.

Hon. A.P. WOOD: Mr. Speaker, if the Honourable Members on the other side are not coming to this Chamber to do the people's business properly, then people will get a change to deal with them. Sir, when the Honourable Member for St. Lucy could get up in this Chamber and seek to suggest that a measure, which was well-articulated some time ago, which would gradually over time see more and more persons coming off the income tax role, which would see more and more persons gaining higher and higher levels of income, he is now suggesting that would translate automatically to everybody coming off the direct tax role, it is the most ridiculous thing that any Honourable Member could say. Sir, he is getting support from the Honourable Member for St. John, who obviously is as unfamiliar with any thing dealing with economics or finance so he seeks to give him support for something as ridiculous as that.

H132/12:00

*Sequence 12**Tuesday, May 8, 2007*

Mr. D.J.H. THOMPSON: On a point of order. I have not spoken in this debate. The Honourable Member is an economist and former Director of the Central Bank, and cannot even get a look-in Ministry of Finance, and they had to bring other people, over here.

Mr. SPEAKER: Please, that is not a point of order. Please, do not talk about it.

Mr. D.J.H. THOMPSON: Sir, I have not said anything. You must rule, because I have not said anything in support or against the foolishness that the Honourable Member is speaking.

Mr. SPEAKER: Please. The Honourable Member for St. John has not spoken in this debate today. You will have to withdraw those words relating to the Honourable Member for St. John.

Hon. A.P. WOOD: Mr. Speaker, I withdraw them.

Sir, I can tell you this, and the Honourable Member for St. John, that whether I am associated with the Ministry of Finance, it does not in anyway diminish my capacity with regard to an understanding of matters of an economic and financial nature. It does not prevent me from standing anywhere in here, out there or anywhere in this world and pontificating on matters pertaining to economics and finance. It certainly does not help him in anywhere.

Mr. D.J.H. THOMPSON: On a point of order. The Honourable Member is misleading the House, because if that was true, the Prime Minister would have taken onboard his experience as a university lecturer, Director of the Central Bank and an economist, and put him in a position where those positions could be buttressed, but he ignored him and slapped him down time and time again.

Mr. SPEAKER: Honourable Member, please, could we proceed with the Bills before the House?

Hon. A.P. WOOD: Mr. Speaker, that is no point of order.

*Asides.*

Hon. A.P. WOOD: Mr. Speaker, my apologies. I am sorry about that, Sir. I will continue.

Sir, I leave the Honourable Member for St. John to the Barbadian public. They will get a chance, as they normally do, to assess his ability to anything, for that matter, but we will go forward.

Sir, the Honourable Member for St. Michael North West was providing an interesting link between what is happening here today, improving the efficiency of Customs operations, the impact it would have on the efficiencies of business operations and the further impact it would have on the country's ability to generate foreign exchange. Mr. Speaker, he did it within a good contextual framework, by recognising that, indeed, the most important constraint on the functioning of a small open developing economy, is the foreign exchange constraint. Sir, that is undeniable.

Sir, he also reflected on the timing of this measure, and he was looking at the macroeconomic fundamentals that exist, reminding some and informing others, of the macroeconomic status of this Barbadian economy at this particular time.

Mr. Speaker, the need for us to increase our national capacity to import is undeniable and the need for us, not only to do it, by generating business activity through investment that starts from within, but through investment that is attracted to this country. No one can deny that the ability of this economy to attract investment from outside now, is not good. This economy, notwithstanding the challenging environment within it has to function, is reaching a state of maturity and a state of macroeconomic performance, which is making us in Barbados recognise, that there is a measure of strong stability in the Barbadian economy at this time. Mr. Speaker, it is reflected, and measures like these will continue to help. We have to ensure that any measure we want to initiate in this country, that it is well-timed and introduced, at a time when the macroeconomic structures are such that it can support the potential for these measures to have their desired impact.

Sir, the Honourable Member for St. Michael North West reminded us that our foreign reserves increased by \$234 million, this year, relative to the same position last year. If we are to look at the stock of foreign reserves, we will see that it is extremely healthy. It is in excess of \$1.2 billion, and that will provide many weeks of import cover for this country, at this time.

Mr. Speaker, a lot was said last year when the Central Bank introduced a set of monetary measures to ensure that there was a curbing of imports. Sir, for the Honourable Member for St. Lucy to suggest that what we are coming here to do today, by replacing the stamp duty per entry, by the \$10 charge per entry, because of the utilisation of technology associated with us rolling out further the ASYCUDA Plus/Plus Version Three System, I know the reality of the economic experience, is the measures introduced by the Central Bank, which were designed to dampen imports, and the time that was needed for those measures to be very impactful, that time has been allowed.

Mr. Speaker, this measure is not any back door measure, as the Honourable Member ...

Mr. D. St.E. KELLMAN: On a point of order. The Honourable Member is misleading this House. I think it is very irresponsible to give the public the impression that the Government will not continue to protect the foreign reserves of this country, and the time has lapsed for the conditions placed by the Central Bank. Sir, if that was correct, one would have heard an announcement by the Governor of the Central Bank to that effect. The Honourable Member cannot show one measure, that has been reversed other than the Cess.

Mr. SPEAKER: The Honourable Member did not say anything at all that you are saying. It is no point of order. Take your seat please. Take your seat, please.

Hon. A.P. WOOD: Mr. Speaker, thank you very much.

Sir, all I was saying, and it is a simple fact of economic policy making, that you introduce policies today and they will need some time to have their impact felt in the economic system. That is all I said.

Mr. SPEAKER: Thank you. I heard that too.

Hon. A.P. WOOD: We introduced a set of monetary measures last year in order to curb imports and they needed some time to work, and the out-turn figures as they relate to imports verify that the measures have worked. It makes nonsense out of what the Honourable Member for St. Lucy is suggesting, that this measure here is in some way targeting the dampening of imports.

Mr. Speaker, that is why I said that we have a duty, when we come into this Honourable House to speak eloquently and speak as though we are very familiar with the issues, because persons out there are listening.

Mr. D. St.E. KELLMAN: On a point of order. The Honourable Member is misleading the House by giving the impression that this particular measure will not increase the revenue of Government. I want the Honourable Member to stand and categorically deny that this measure will not increase the revenue of Government. Sir, I will be waiting this same time next year to prove the Honourable Member wrong.

Hon. A.P. WOOD: Mr. Speaker, once again, the Honourable Member is making contact with statements that I never said.

12.10 p.m.

Sequence 13

Tuesday, May 08, 2007

House 132, sequence 14, 12.10 p.m.

Mr. D. St.E. KELLMAN: Mr. Speaker, on a point of order. The Honourable Member for St. Philip South is misleading the House. The Honourable Member said that I accused the Government of creating inflationary measures.

Sir, if the Honourable Member is saying that there is going to be an increase in revenue from the Government because of this measure, these measures would have to be inflationary. The Honourable Member for St. Philip South must understand that he is speaking to me.

*Asides.*

Hon. A. P. WOOD: Mr. Speaker, I was about to say more about the macroeconomic context and the macroeconomic status of this economy, which would allow all of us in Barbados to Opposition forward with a sense of great comfort, notwithstanding what we hear from the other side, and really that it is opportune for the introduction of a measure like this, which focusses on the increase use of technology within customs operations.

Mr. Speaker, I alluded to the fact that there has been a lowering of imports as a result of the success of the macroeconomic policy stance taken last year. This was reflected in a reduction in the external current account deficit of this country.

We have seen, Mr. Speaker, a continued lowering of the unemployment rate in Barbados, Sir, and mention was made earlier of it being around 7.6 per cent.

We saw, Mr. Speaker, notwithstanding the large spending to prepare properly for our showcase to the rest of the world, through our participation in the Cricket World Cup 2007 that there was an extremely low fiscal deficit position in Barbados, during the course of the last year. This demonstrated in clear terms, a very fiscally responsible approach taken by this Government during the last year, a year which was characterised with fairly heavy spending in activities associated with the World Cup.

Mr. Speaker, we have come to a new low in Barbados as it relates to responses and commentaries on economic reviews. Sir, at no time in the history of this country, could there be a situation where the Governor of the Central Bank, and the Director of Research at the Central Bank could report the performance of this Barbados economy, and there not be any responses, however good, bad or indifferent from the Opposition.

we have reached a new low in economic and political discourse in this country and it does not serve this

country well at all because, Mr. Speaker, if a political Party could not identify one single individual of some academic muster, who could comment, however favourably or unfavourably, on an economic review of this Barbadians economy, we have reached a sad and a new low in Barbados.

Mr. SPEAKER: Honourable Member, you have one minute to conclude, please.

Hon. A. P. WOOD: Mr. Speaker, let me speak a bit to this issue of investment, because Honourable Members come into this Chamber and seek to give the impression that the investment base in Barbados at this stage, can be strengthened to a significant degree, by adopting an inward looking policy, in regard to investment. Mr. Speaker, I categorically reject that view.

Mr. Speaker, trace the economic fortunes in a historical perspective of this country, and go back to the 1950s and 1960s, when we were moving away from an agrarian economy. Sir, what was put on the table at the time that was important, was the Puerto Rican model of development, Industrialisation by Invitation. This would have served this country well, coming forward, if you look at our structural transformation path, characterised at every twist and turn by the attraction of foreign capital in different areas of the macroeconomic sectors.

Sir, this Honourable Chamber was treated to nonsense, of the type as to suggest that the Government is creating an economic enabling environment to allow investors of an indigenous type to participate.

Mr. Speaker, the leap to move us forward to that developed country status in 2025, must be facilitated by the attraction of foreign capital. Mr. Speaker, we have to do it in a very measured way and you want the foreign capital to be attracted to those sectors, which would help us to meet our macroeconomic objectives. Obviously, these objectives must include the transformation of the economy, to the extent that there is more activity in the foreign exchange earning activities and sectors.

Sir, that is going to be the key but to come in here and say that we should be inward looking and we should be seeking only to promote investment that is driven by those who have an indigenous tag, Mr. Speaker, I reject that. Sir, for this economy to be forward, we want investment, but it must be mixed.

Mr. SPEAKER: The Honourable Member would now windup, please.

Mr. C.A. MASCOLL: Mr. Speaker, I did not expect to have to do this before lunch, but let me just respond to a couple of things. The Honourable Member for St. Philip

South really struck the nail on its head, because the Honourable Member for St. Lucy has, for a long time, been talking about moving from direct taxation.

Mr. Speaker, let me say that I am not a believer in the abolition of all direct taxation and there is a very simple reason for it. You need to balance and mix your taxation in Barbados, and any other Caribbean country, to the extent that if you have to introduce measures to protect your balance of payments, you are going to see a fairly dramatic falloff in indirect taxation. Sir, let me explain the difference.

Indirect taxation is a tax from expenditure, consumption and the like. Direct taxation is a tax on income. If you have to do anything to protect your balance of payments, you are going to compromise the tax base of the indirect taxation, so there will be a fairly dramatic falloff.

Therefore, I am for maintaining a level of direct taxation that allows Government to be able to make those decisions, without compromising the entire tax base. In that light, examples are plenty across the region. Granada tried to remove all the direct taxation and had to reverse itself. There are other countries in the region that have tried to remove all forms of direct taxation.

The other thing is, Mr. Speaker, that if, as happens now, we collect almost \$300 million from Corporation Tax, in fact, it has soared to well over \$300 million for the last fiscal year, we collect almost \$300 million from income taxation, and there are other forms of direct taxation, like the Withholding Tax, that bring in close to \$40 million, then we are talking, Mr. Speaker, about giving up in excess of \$600 million of taxation.

*House 132, sequence 14, 12:20:14*

*Tuesday, May 08, 2007*

Hon. C. A. MASCOLL: Mr. Speaker, the only way in which you could recover it, unless you decide to send home half of the civil service, is to increase the actual rate on the VAT, which would require a tremendous increase that would be in excess of 25 per cent, if you were to remove the direct taxation and do that.

Mr. Speaker, I am not for that at all. I am not a believer in removing an income taxation and all forms of direct taxation. I think you have to be careful, to be stable and to be able to manage in moments of difficulties, therefore, you cannot compromise the tax system.

The other thing, Mr. Speaker, is that there was an attempt by the Honourable Member to correlate the increase of the Reverse Tax Credit, which was a major

move on the part of Government in the last Budget, with the abolition of income taxes. I think that is a spurious correlation. Because Government will increase the actual contribution from \$500 to eventually \$1 300 over the next two to three years, one cannot say that is indicative of a move toward the abolition. What it is, is a gradual reduction, as is recognised in direct taxation, and an attempt not to penalise consumption but to encourage investment, which is 'Kellmanonics' according to the Honourable Member for St. Lucy.

Mr. D. St.E. KELLMAN: On a point of order. The Honourable Member is misleading the House because it cannot be a reduction in direct taxation for the simple reason that what you are actually doing is giving persons who previously worked for \$14 000 or less, \$1 300 instead of \$500, so it cannot be a reduction.

Mr. Speaker, one important point that came out of what the Government has just done - because if the base is \$14 000 and the minimum wage is \$150 and you have put that proposal to protect the minimum wage workers who work for \$7 800 a year - it is clear that what the two ministers are saying is that Government is not supportive of the \$300 per week for a minimum wage.

Hon. C. A. MASCOLL: Mr. Speaker, I do not know how the Honourable Member for St. Lucy got there. The most important thing is that it represents a reduction in taxation. Mr. Speaker, a Reverse Tax Credit is otherwise called a negative income tax. Therefore, if it is a negative income tax, it means that it goes to the other side of zero, so it is a reduction in direct taxation. I do not know how the Honourable Member for St. Lucy could say otherwise.

Mr. D. St.E. KELLMAN: On a point of order. The Honourable Member is misleading the House because the Honourable Member gave the impression that this reduction had something to do with the employee. What the Honourable Member is now saying is that it has something to do with Government total collection, of which I concur.

Hon. C. A. MASCOLL: Mr. Speaker, there is no doubt at all that it is 'a boss move' on the part of Government to address the issue of the incidence of VAT on the workers who earn below the income tax threshold, where they could no longer benefit from any of Government's policies.

Mr. Speaker, I do not want to harp on this but I have to clarify it before it gets out there and become negative. The reality, Mr. Speaker, is that Government's policy of reducing taxation over the last four to five years would have increased the threshold from \$15 000 to \$25 000 tax free. Mr. Speaker, what that has done is that a young lady who has children in today's Barbados would never benefit from a child allowance because she does not meet the

requirement for income tax purposes. Therefore, in a socialist move that is rooted in a desire to help the vulnerable and the poor, the Government decided that it would increase the actual contribution of the Reverse Tax Credit from \$500 to \$1 300 over the next couple of years.

Mr. D. St.E. KELLMAN: On a point of order. The Honourable Member is misleading the House because the condition today for that \$500 will be the condition when it is \$1 300. Sir, what the Honourable Member is admitting to this House is that the \$1 300, which the workers would be getting down the road, is what they should actually be getting now. Unless the Honourable Member is saying that inflation will increase by over 260 per cent down the road, and that is why Government, instead of giving the \$1 300 now, is to going to give it later because Government expects inflation to increase by 260 per cent. Sir, when you look at the \$1 300 and compare it to \$500, it is actually a 260 per cent increase. Mr. Speaker, if the Reverse Tax Credit is to cushion the impact of inflation, clearly the Government is saying that in a couple of years inflation would increase by 260 per cent.

Hon. C. A. MASCOLL: Sir, that is absolute rubbish because the Government has determined...

Mr. SPEAKER: I would not even ask you to withdraw that.

*Asides.*

Hon. C. A. MASCOLL: I have to withdraw it.

*Asides.*

Hon. C. A. MASCOLL: Mr. Speaker, the Government not only increased the contribution, but recognised that it had to increase the qualifications. Therefore, in the next couple of years a person who is earning \$18 000 per year would qualify for the Reverse Tax Credit. Mr. Speaker, that was a full recognition that over time your incomes will grow but your circumstances may not. Therefore, Government's aim is to ensure that persons who are in that net would be caught by the generosity of Government.

Mr. Speaker, I do not understand him, but that is the nature of the individual.

Mr. Speaker, the other thing about minimum wage is that Government has not yet sat to contemplate the minimum wage issue. Suffice to say, Mr. Speaker, I have heard discussions on it across the length and breadth of Barbados, but nobody has so far introduced the fact that Government has in fact accounted for low income Barbadians by recognising the need to jack up their incomes in a way that would suggest that Government

recognises that low income Barbadians of that category, below \$1 300, would in fact be affected by the regressivity of the VAT system, that is, as prices rise, they impact more proportionately on those below the income category, and that would have informed the Government's position.

Mr. Speaker, the debate on whether or not the Opposition is for the removal of the direct taxation as opposed to a combination thereof, is really being engaged because if the Honourable Member for St. Lucy believes that there should be the removal of the direct taxation and is allowed to speak it clearly and fully in public, then to question the leader is important. Where does the Opposition stand in relation to the abolition or the removal of direct taxation? Mr. Speaker, I do not believe in it because I think, as I said before, that you need to be able to balance the thing.

Mr. Speaker, there is also the question about capital gains versus profits. We know what is happening in Barbados, Mr. Speaker. We know that Barbados has now benefited substantially from its own progress in relation to the price of land. Land is limited in supply. Investors will find it more difficult in the cost structure of Barbados to derive the kinds of rates and returns that are possible in say Jamaica and the Dominican Republic. As a consequence, Mr. Speaker, what is happening here is that people may eventually recognise that to sell a property may derive benefit for them that would take them a couple of years to derive if they remain in the business. Mr. Speaker, that is a direct consequence of the appreciation of land and property values. Do I want to remain in a business or do I take the opportunity from the increased appreciation of the property to take advantage of that? Mr. Speaker, that is a question for the individual businessman.

The reality, Mr. Speaker, is that we have to provide an environment in which Barbadians, foreign persons or businessmen can make profit. To the extent that this legislation addresses the issue of the transaction cost to business and encourages the businessman to do business in less time and therefore do it far more efficiently and cost effectively, means that Government is creating an enabling environment for the private sector of Barbados. That is the thing that has to be addressed.

*House 132 Sequence 15*

12.30 p.m.

*Tuesday, May 08, 2007*

Hon. C. A. MASCOLL: Mr. Speaker, the question of whether or not the imposition of a processing fee would lead to a bit more revenue to Government... The revenue collected from the Stamp Duty is minor, it is less than \$500 000. Sir, the question is: should we put a more efficient

system in place and yield less revenue? The answer is no. Why would a Government spend so much to upgrade the technology of Customs and then expect to yield less revenue from that upgrade? It would not make sense and therefore, from the very efficiencies that would be derived, Government would now be in a better position to generate revenue from the processing fee that is being imposed.

Mr. Speaker, Government also deserves benefits for being able to invest heavily in technology, like that of the private sector. Is it not fair that Government's investments deserve some kind of rate of return? It would not, however, be inflationary because while the generation of revenue may appear to be more, the actual cost per transaction would be less. This would be as a result of the gains that would have derived from technology.

Sir, there cannot be anything wrong with a Government introducing a processing fee that yields more revenue because of increased efficiency and therefore derives a benefit but what would happen is that it would contribute to the overall operations of a business. Therefore, to that extent, if time is money, which we all know time is money in business, if you could introduce a platform for an Automated System for Customs Data(ASYCUDA) system that reduces the actual time of transaction and permits an individual to stay at home and use a computer, to facilitate a transaction, why would that not redound to the benefit of the businessman? Would it not mean less time for processing by that businessman? Would it, therefore, not mean an overall reduction in the cost of transaction for that businessman? Sir, all we are saying is that if Government is prepared to invest that amount of money in technology and in the training of individuals, should not Government be able to charge a fee that derives some degree of benefit, though it is a nominal fee, to the persons using that facility? Therefore, I would never agree there is an inflationary pressure.

Mr. Speaker, the other thing is that the Honourable Member for St. Lucy asked to what extent can this facilitate exports, and the answer is simple. If you put a system in place that allows for transactions to occur, via technology, and allows for a custom broker to stay at a company and transact business with the Customs Department, where he does so far more cost effectively, is that not going to translate into benefits for the person exporting? Yes, it would and to the extent that it does, it, therefore, means that the Government would have encouraged a platform that creates a better environment for companies to do business with persons overseas, as a result.

Mr. Speaker, there is talk about a shortfall of revenue for the Post Office. Sir, to be able to say whether or not there is a shortfall, you would have to measure the cost and the benefits. It is not simply a question of a

shortfall. Sir, to the extent that we utilise technology and stop someone from having to be in a queue for an hour, to buy a stamp to put on an entry, is, of course, benefiting not only the Post Office, which could have been engaging its workers in something else, to derive even more money but it is, in fact, a process that does not bring in \$500 000. Sir, the Post Office, over the course of a year, has generated more than \$27 million in revenue. If, therefore, you have a situation in which the Post Office could focus on better revenue-generating activities, why should the Post Office become involved in putting workers to do a job that does not derive much benefit by way of having customers stand in line for hours, when that person, who is selling a stamp, could otherwise be employed to the greater efficiency of the Post Office?

Mr. Speaker, the Honourable Member for St. Lucy cannot simply make the conclusion that to reduce the revenue take of the Post Office, by not having to sell stamps to these individuals, would mean a reduction in the overall performance of the Post Office. In fact, it may very well generate an even greater level of proficiency at the Post Office and be of more substantial benefit, than having to simply sell stamps. Again, I do not agree with it.

Mr. Speaker, suffice it to say, there is no doubt of the overall benefits that could be derived from the introduction of the ASYCUDA Version Three System for Barbados. Suffice it to say, it would enhance the efficiency at the Customs. It would enhance the efficiency of the private sector. It would enhance the effectiveness of the private sector and certainly the Customs Department.

As I said in the opening discussion, it will certainly benefit the overall economy, that we can now pursue far more cost effectively a policy of openness. We can now pursue a programme for greater efficiency, in terms of our balance of payments and the management of our imports and exports. We can now pursue a programme that facilitates the economy, by way of economic growth: less time for doing things, more efficiency. We can now facilitate the capacity for earning foreign exchange, being more competitive in the export sector, being able to do business transactions far more cost effectively. In short, there can be no downside to the Government introducing this new system, employing technology that allows for the greater access.

Mr. Speaker, I beg to move that the Bill be read a second time.

Hon. A. P. WOOD: Mr. Speaker, I beg to second that, Sir.

*The question was put and agreed to in the affirmative, without division.*

Hon. R. C. EASTMOND: Mr. Speaker, I believe that the substantive Chairman of Committees is not present. I am, therefore asking, with the will of this Honourable House, that the Honourable Member for Christ Church West be appointed as Acting Chairman of Committees.

MR. SPEAKER: If that be the will of this Honourable House, so be it.

*On the motion of Hon. R. C. EASTMOND, seconded by Hon. R. R. FARLEY, the House resolved itself into Committee on the Bill.*

## COMMITTEE

Mr. CHAIRMAN: This House is now in Committee.

*Clauses 1 and 2, were called and passed.*

12.40 p.m.

Tuesday, May 8, 2007

*On the motion of Hon. C.A. MASCOLL, seconded by Hon. R.C. EASTMOND, Mr. Chairman reported to His Honour, the SPEAKER, the passing of one Bill in Committee without amendment and Mr. SPEAKER resumed the Chair and reported accordingly.*

*On the separate motions of Hon. C.A. MASCOLL, seconded by Hon. R.C. EASTMOND, the Bill was read a third time, passed and cited as the Customs (Amendment) (No. 2) Act, 2007.*

## ORDER NO. 17 – STAMP DUTY (AMENDMENT) BILL, 2007

On the separate motion of Hon. C.A. MASCOLL, seconded by Hon. R.C. EASTMOND the House resolved itself into Committee, DR. W.F. DUGID, in the Chair.

## COMMITTEE

Mr. CHAIRMAN: This House is in Committee.

*Clause 1 was called and passed.*

*Clause 2 was called and passed.*

*On the motion of Hon. C.A. MASCOLL, seconded by Hon. R.C. EASTMOND, Mr. Chairman reported to His Honour, the SPEAKER, the passing of one Bill in Committee without amendment and Mr. SPEAKER resumed the Chair and reported accordingly.*

*On the separate motions of Hon. C.A. MASCOLL, seconded by Hon. R.C. EASTMOND, the Bill was read a*

*third time, passed and cited as the Stamp Duty(Amendment) Act, 2007.*

#### ADJOURNMENT

Hon. R.C. EASTMOND: Mr. Speaker, this brings us to the end of Government Business for today. I beg to move that this House be adjourned until Tuesday, May 15, 2007, at 10.00 a.m.

Hon. K.D. SYMMONDS: I beg to second that.

*The question that the House be adjourned until Tuesday, May 15, 2007 at 10.00 a.m. was put and resolved in the affirmative without division and Mr. SPEAKER adjourned the House accordingly.*

H132/12:47

Sequence 17

## CONTENTS

## MINUTES

|                         |   |
|-------------------------|---|
| Hon. R.C. EASTMOND..... | 1 |
| Hon. C. A. Mascoll, 1.  |   |

## ORDERS OF THE DAY

## PAPERS

|                                                                                                                                                   |   |
|---------------------------------------------------------------------------------------------------------------------------------------------------|---|
| Rt. Hon. O.S. ARTHUR.....                                                                                                                         | 1 |
| 1. The Ministry of Finance - Half Yearly Report on the Revenue Collection Department for the period April 1, 2006 to September 30, 2006.          |   |
| 2. Report on the National Insurance Board for the year 2004.                                                                                      |   |
| 3. Report on the operations of the Unemployment Fund for the year 2004.                                                                           |   |
| 4. Report on the operations of Severance Payments Scheme for the year 2004.                                                                       |   |
| 5. Report on the operations of Sugar Workers Provident Fund for the year 2004.                                                                    |   |
| 1. Report of the Judicial Council for the year 2004-2005.                                                                                         |   |
| Hon. J.X. WALCOTT: Mr. Speaker, I am commanded to lay the following. 1. The Annual Report of the Barbados Water Authority for the year 2004-2005. |   |
| Hon. N A. Lynch, 2; Hon. D.D. Marshall, 2.                                                                                                        |   |

## FIRST READING OF BILLS

|                                                                                 |   |
|---------------------------------------------------------------------------------|---|
| Hon. R.C. EASTMOND.....                                                         | 2 |
| 1. Customs (Amendment) (No. 2) Bill, 2007. 2. Stamp Duty (Amendment) Bill, 2007 |   |
| Hon. R. R. Farley, 2.                                                           |   |

## SUSPENSION OF STANDING ORDERS.

|                         |   |
|-------------------------|---|
| Hon. R.C. EASTMOND..... | 2 |
| Hon. R. R. Farley, 2.   |   |

## GOVERNMENT BUSINESS

|                                                                                                                                                                                                  |    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| ORDER NO. 16.....                                                                                                                                                                                | 2  |
| Hon. C. A. Mascoll, 2, 3, 5, 7, 8, 9, 19, 20, 21; Mr. D. St.E. Kellman, 10, 11, 12, 13, 14, 16, 18, 20; Hon. A.P. Wood, 15, 16, 17, 18, 19, 22; Mr. D.J.H. Thompson, 17; Hon. R.C. Eastmond, 22. |    |
| ORDER NO. 17 – STAMP DUTY (AMENDMENT) BILL, 2007.....                                                                                                                                            | 22 |
| ADJOURNMENT.....                                                                                                                                                                                 | 23 |
| Hon. R.C. Eastmond, 23; Hon. K.D. Symmonds, 23.                                                                                                                                                  |    |

## SPEAKERS IN THIS ISSUE

**ARTHUR, Rt. Hon. O.S.**  
**EASTMOND, Hon. R.C.**  
**FARLEY, Hon. R. R.**  
**KELLMAN, Mr. D. St.E.**  
**LYNCH, Hon. N A.**  
**MARSHALL, Hon. D.D.**  
**MASCOLL, Hon. C. A.**  
**SYMMONDS, Hon. K.D.**  
**THOMPSON, Mr. D.J.H.**  
**WOOD, Hon. A.P.**

**DISCLAIMER.** *This transcript was prepared with the assistance of artificial intelligence tools and is provided for reference only. It has not been reviewed, verified or approved by the Hansard Department of the Parliament of Barbados and does not constitute an official parliamentary record. It may contain errors or omissions, including inaccuracies in wording or speaker identification. For authoritative quotations or confirmation of proceedings, consult the official Hansard record when available.*

---

**EDITORIAL NOTES — NOT PART OF THE REPORT**


---

*Prepared with the transcript; for checking against the recording and the Minutes.*

**EDITORIAL QUERIES**

*Points noted while preparing this report from the edited transcript. The text has not been altered except where stated.*

**Q1. Masthead.** The session is not stated in the source, so no session line is printed.

**Q2. Order No. 16, Committee.** The sentence reporting the Bill from Committee is typed twice in the source, either side of the take-slip 'H:No.132 (16)12.40 p.m.'. The fuller version (with 'without amendment') is printed and the first (about 35 words) has been left out. Please confirm.

**Q3. Heading, Order No. 16.** The source heads this debate 'FIRST READING OF THE CUSTOMS (AMENDMENT) (No.2) BILL, 2007', but the debate is the second reading. The heading is printed as it appears in the source.

**Q4. Papers.** The paper laid by Hon. J. X. Walcott (Annual Report of the Barbados Water Authority for 2004-2005) is run into the Attorney General's item 1 in the source, without its own speech heading. Printed as in the source.

**Q5. Order No. 17.** No second-reading motion or question is recorded for the Stamp Duty (Amendment) Bill, 2007; the source goes straight from the Order to Committee, although the two Bills were debated together. Printed as in the source.

**Q6. Order No. 17, Committee.** The Chairman is named 'DR. W.F. DUGID'; the PRESENT list has Dr. W. F. DUGUID. Printed as in the source.

**DEBATE SUMMARY**

*(Editorial summary — not part of the record.)*

The House of Assembly met on Tuesday, 8th May, 2007 at 10.15 a.m., with His Honour I. A. Roett, Speaker, in the Chair; prayers were taken by Reverend Canon Ivan Harewood. The Minutes of Tuesday, 3rd April, 2007 were confirmed. Papers were laid by the Prime Minister, Rt. Hon. O. S. Arthur, among them the 2004 report on the National Insurance Board; by Hon. N. A. Lynch (the Barbados Tourism Authority's Annual Report for 2003-2004); by Hon. D. D. Marshall (the Judicial Council's report for 2004-2005); and by Hon. J. X. Walcott (the Barbados Water Authority's Annual Report for 2004-

2005). On behalf of the Member for St. Peter, Hon. R. C. Eastmond moved the first reading of the Customs (Amendment) (No. 2) Bill, 2007 and the Stamp Duty (Amendment) Bill, 2007, and Standing Orders were suspended for the rest of the Sitting.

The Minister of State in the Ministry of Finance, Hon. C. A. Mascoll, Member for St. Michael North, took Orders No. 16 and 17 together. He explained that the Bills provided for a processing fee on bills of entry for imports and goods cleared from bonded warehouses, and revoked the Schedule to the Stamp Duty Act, Cap. 91, as part of the move to Version Three of the ASYCUDA system at the Customs Department. He said that foreign reserves were \$234 million more than a year earlier, and explained that monetary measures and higher interest rates had been used to slow the rapid growth of imports.

Mr. D. St.E. Kellman, Member for St. Lucy, asked how the Post Office would make up the revenue lost from stamp sales and called for tangible recognition of Customs officers. When he turned to foreign investment and indirect taxation the Speaker asked what this had to do with the two Bills and warned him that he was going too wide.

Hon. A. P. Wood, Member for St. Philip South, supported the Bills and argued that the Opposition favoured a move away from direct taxation. His speech drew repeated points of order from Mr. Kellman and two from the Leader of the Opposition, Mr. D. J. H. Thompson, who said he had not spoken in the debate; the Speaker ruled that Mr. Thompson had not spoken and Mr. Wood withdrew his remarks. Mr. Wood said the out-turn figures showed that last year's measures to curb imports had worked.

Replying, Mr. Mascoll said that removing direct taxation would require a VAT rate in excess of 25 per cent, defended the Reverse Tax Credit, which in the next couple of years would extend to persons earning \$18 000 a year, and, after further points of order from Mr. Kellman, said the stamp duty yielded less than \$500 000. The Customs (Amendment) (No. 2) Bill was read a second time without division; with the Member for Christ Church West appointed Acting Chairman of Committees in the absence of the substantive Chairman, clauses 1 and 2 passed and the Bill was read a third time and passed. The Stamp Duty (Amendment) Bill, 2007 then passed through Committee, with Dr. W. F. Duguid in the Chair, and was read a third time and passed.

On the motion of Mr. Eastmond, seconded by Hon. K. D. Symmonds, the House was adjourned until Tuesday, 15th May, 2007 at 10.00 a.m.



|