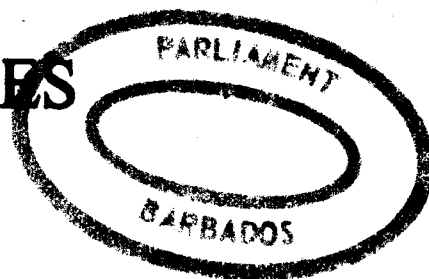


THE SENATE DEBATES

(OFFICIAL REPORT)



FIRST SESSION 1981 - 86

THE SENATE

Wednesday, 27th January, 1982

The Senate met in the Senate Chamber, Public Buildings on Wednesday, 27th January, 1982, at 11.10 a.m., today.

PRESENT

His Honour Senator the Honourable Sir ARNOTT CATO, M.B., Ch.B., LL.D., (President); His Honour Senator J. C. W. WICKHAM, M.B.E., (Deputy President); Senator the Hon. O'BRIEN TROTMAN, (Minister of State in the Prime Minister's Office); Senator H. R. LINTON, LL.B.; Senator C. I. E. DEANE; Senator Mrs. E. M. LYNCH, B.A., G.C.M.; Senator C. A. GRIFFITH, (Parliamentary Secretary, Prime Minister's Office); Senator J. E. D. WILLIAMS; Senator Miss J. CLARKE; Senator St.C. E. HOWELL; Senator Mrs. M. O. REECE; Senator E. E. GREAVES, B.A., Ed.M.; Senator W. W. HALL; Senator A. W. A. McCLEAN; Senator Mrs. G. G. READER, M.B.E.; Senator the Rev. Can. I. McK. JONES and Senator K. A. ROUSE.

Prayers were read by Dr. the Rev. Lionel Crawford.

ABSENT

Senator the Hon. N. A. BARROW, Senators D. A. C. SIMMONS, M. C. C. WARD and C. D. SEALE.

ANNOUNCEMENTS BY HIS HONOUR THE PRESIDENT

Mr. PRESIDENT: I thought I would refer to a letter which I received from the Hon. Leader of the Senate which was copied to me. It was expressing congratulations to the Hansard Reporters and the Staff generally and the Printing Staff for the way in which they have made the Hansard Reports as up to date, as

one can wish. On behalf of the Honourable Senate and other honourable Members, I would also like to add my congratulations to the Staff and our appreciation of the way in which the work has been conducted in recent meetings.

I would also like on behalf of the Honourable Senate to say how pleased we are to see Senator Deane back with us again and I hope that he has fully recovered from his recent illness.

SENATOR C. I. E. DEANE: Mr. President, Sir, I thank you very much and all the Honourable Senators, I thank them very much. I consider it a great honour to be here in this Honourable august Chamber, again and I shall continue to do my best, wherever I can.

Thank you again, Sir.

PRESENTATION OF PAPERS

Mr. PRESIDENT: Senator Trotman.

SENATOR THE HON. O'B. TROTMAN: Mr. President, I beg to lay the following documents:-

The First Annual Report of the Barbados Export Promotion Corporation for the year ended 31st March, 1981.

Statements showing net Customs and Excise receipts for six months ending October 1981.

The Report of the Probation Services for the year 1980.

The Fire Service (Allowances) (No. 2) Regulations 1981.

The Post Office (Inland Letter Post) (Amendment) Regulations 1981.

The Post Office (Overseas Letter Post) (Amendment) Regulations 1981.

The Post Office (Private Letter Box) (Amendment) Regulations 1981.

The Post Office (Mail Notice Service) (Amendment) Regulations 1981.

The Post Office (Miscellaneous Service) (Amendment) Regulations 1981.

The Post Office (Overseas) (Parcel Post) (Amendment) Regulations 1981.

The Post Office (Surface Mail) (Gratuities) Regulations 1981.

The Education Regulations 1982.

Thirtieth Annual Report and Statement of Accounts of the Natural Gas Corporation for the period 1st April, 1980 to 31st March 1981.

The Statement showing Net Customs and Excise Receipts for eight months ending November 1981.

The Twelfth Annual Report of the Barbados Development Bank for the year 1980-81.

The Representation of the People's (Expenses) (Amendment) Regulations 1981.

The National Insurance and Social Security (Non-contributory Old Age Pensions) Regulations, 1982.

INTRODUCTION OF BILLS

SENATOR THE HON. O'B. TROTMAN: Mr. President, I beg to give notice of the following:—

Resolution to approve the Education Regulations, 1982.

A Bill to amend the Police Act Cap. 167.

Mr. PRESIDENT: Let it be recorded in the Minutes that this Bill has been read a first time.

PUBLIC BUSINESS

RESOLUTION TO ABANDON ACQUISITION OF LAND FROM TEXACO WEST INDIES LIMITED

The First Order of the Day was called — To move the passing of a Resolution to approve the abandonment of the acquisition of a parcel of land, the property of

Texaco West Indies Limited situate at Spring Garden, Brighton, Black Rock, St. Michael.

SENATOR THE HON. O'B. TROTMAN: Mr. President, during the last session of the Senate approval was given for the acquisition of a portion of land at Spring Garden Road. The acquisition at that time gave some rise to debate. We are seeking this morning to abandon the acquisition because the company which had intended to take up the land for industrial purposes is not going to get off the ground, and therefore the acquisition is no longer necessary.

I beg to move that the Senate concur in this Resolution.

Mr. PRESIDENT: Before I propose the question, it is usual for plans, in dealing with land acquisition or otherwise, to be circulated for honourable Members to see. This was done when the original Resolution for acquisition came, therefore it is not necessary to pass it around again.

SENATOR E. E. GREAVES: Mr. President, just a few questions which I would like to raise on this matter. I notice that the Government is proposing to abandon the acquisition of this area of land, and the reason given is that it is no longer needed for industrial development since the petro-chemical project for which the land was originally earmarked has been abandoned. In looking at the debate which took place in this Chamber in 1980 on page 1123, Senator Trotman who moved the Resolution for the acquisition for this area of land, indicated that Government was spending large sums of money in constructing this road — that is the Spring Garden Road — and “because of the changing feature of the area surrounding the road, it is considered that the best purpose which should be put of the land next to the new Spring Garden Road is to have industrial development and somewhere housing along the road.” This was the reason, Mr. President which was advanced at that time for the acquisition of this area of land, that is, for industrial development and for housing.

I got the impression in reading further on in that speech that the establishment of the petro-chemical plant was one aspect of the industrial development which the Government was thinking in terms of and certainly in the Lower House when this matter was debated, I seem to recall quite vividly the hopes which were then held out by the Government for the establishment of an industrial development in this particular area which we are now seeking to abandon.

I believe that the Government owes the country an explanation further than just that the petro-chemical plant is no longer interested in the site and therefore they

would seek to abandon what appeared to me to have been their original intention, that is, of turning this area into what would be commonly known as an industrial park. I would therefore want to find out what really is the position as far as this is concerned, whether Government does not consider that this would make a useful area for the establishment of an industrial park, or whether they have had another look at the prospect of industrialisation and have come to the conclusion that it would be too much of a cluttering in that western part of the island, and that it would probably cause some problems traffic-wise on the new road which is being established down there. As I said, I think we need to get an explanation better than the one which has been given.

I would further like to raise a point on this question of acquisitions which has been bothering the Democratic Labour Party for some time. You are aware, Sir, that quite a number of acquisitions have been done by the Administration, and there have been complaints from a number of people from whom lands have been acquired about not having been paid, and I believe that there are a number of people who are still owed monies by the Government whose lands have been compulsorily acquired.

I am wondering if since 1980, Government has not paid over the money to the owners of this land and what is the position now, whether this would be handed back over if it has been paid by the owners to the Government. It would seem to me that two years is a long time for the Government to be owing some person money for land which has been acquired. I think this is a matter which needs more explanation than merely indicating that the Government would be abandoning this particular area, because I think it has wider implications for the general public in terms of the Government's policy on land acquisition and the whole approach to this particular matter because as I said, a number of people have been complaining and are experiencing difficulties in this particular regard.

I am very concerned that we have not been able to get more details on this and I hope that when the Minister replies he will be able to give us some indication as to what is happening there. The point I just want to reiterate is the whole question of Government's policy on industrial development and what they advance as a serious argument, both in the Lower House and in this Chamber, when this matter was introduced. I really want to find out if there has been a change of heart as far as this approach is concerned.

SENATOR THE HON. O'B. TROTMAN: Mr. President, when the Senate debated this matter some-time ago, we did say that consideration was being given to the petro-chemical plant as well as to housing but the important thing then was that we were about to buy what is very expensive land. In fact I believe it is valued

at over half million dollars and it was considered that it was the best place to put the petro-chemical plant at that time. Should the plant be coming to Barbados at all, it would have involved making alternative arrangements for the playing fields, the bottled-gas programme and other things.

Since the plant is no longer coming — and that was in fact the prime reason for the acquisitions, notwithstanding the fact that we did mention the possibility of housing — it seems to us that it would be unnecessary to go ahead with an investment of half a million dollars merely for the sake of acquiring the land. The land, so we are informed, has attracted other people's attention and they can have it if they want it. There are private companies who I believe have an interest in the land now and there is no reason why the Government should go ahead with the acquisition of the land merely because we had a Resolution passed in Parliament sometime last year. It would seem to be better business to abandon the acquisition and let the private people sort out their own business.

On the question of payment of money to people whose lands has been acquired, let me say, Sir, that when land is acquired through Parliament, it does not mean and it cannot mean that the person will get paid, even if the Governor-General signs the Resolution because even though the acquisition is made at that time, negotiations are always going on between the owners of the land and the Government Solicitors and negotiations drags on and on so that is not a matter which can be settled by the mere signing of the Resolution. One problem we have, I believe, is the question of valuation. I suspect that the Crown Solicitors people try to value land as close as possible to the valuation rate given by the Land Valuation Division for tax purposes. I believe that people who are selling the land to the Government try to sell the land at a price as near as possible as to what they consider to be the market price and there is always a big gap between the two prices which has to be closed by negotiations.

There is one example we all know, Sir, of somebody quarrelling about the value of the land according to the land valuation and then when the Government wants to acquire it he then says it is like 20 times the value given by Valuation Division. These kinds of things happen. People are quite willing to accept low valuations for tax purposes but they are not prepared to accept low valuations for the purpose of land acquisitions so it cannot be settled by Parliamentary Resolutions.

The question that the Resolution do now pass was put to the Senate and agreed to.

**RESOLUTION TO APPROVE THE COMPULSORY
ACQUISITION OF LAND AT BATTALEYS
ST. PETER**

The Second Order of the Day was called — To move the passing of a Resolution to approve the compulsory acquisition of land at Battaleys, St. Peter.

SENATOR C. A. GRIFFITH: Mr. President, the object of this Resolution is very straightforward and simple. In the parish of St. Peter, we are involved in the construction of a by-pass road and it is necessary to resite some of the private housing in that area to facilitate the construction. The Government is therefore interested in acquiring some land from Battaleys Plantation — 5.22 acres to be exact — and the purpose of this acquisition is to provide lands for people who will be re-sited.

Phase 1 aspect of the Speightstown By-Pass Road runs from Cobblers Cove to Heywoods and it involves 34 parcels of land. It is envisaged that we will have to resite some 22 chattel houses and demolish another six wall houses and the Government intends to offer spots to the people who will be affected simply because it would be very difficult for the people in that area to find alternative sites.

I therefore ask that the Senate concur in this Resolution.

MR. PRESIDENT: It is proposed that the Senate concur in this Resolution.

Senator Greaves. There is a plan coming I do not know if that is what you want to ask about.

SENATOR E. E. GREAVES: I was going to ask that, Mr. President, but I was also wondering if the negotiations have reached the stage where the Government could indicate the price which is being paid for this 5.22 acres of land.

SENATOR C. I. E. DEANE: Mr. President, as have often been raised in here, are the negotiations for this land with the present owners and the Government amicable or are you meeting difficulties because that question is always before us and that is part of the usual acquisition question, whether or not all of the negotiations are amicable.

What is the Government planning to do with the wall houses that have to be demolished? Replace the wall houses or replace them with chattel type houses. The honourable Member mentioned chattel houses and wall houses. What I am asking, Mr. President, are these wall houses going to be replaced by wall houses or chattel houses and how do the people involved react to that plan? Thank you, Sir.

SENATOR C. A. GRIFFITH: Mr. President, in response to the member of the Opposition, Senator Greaves, I omitted to mention the price, but the price involved is Bds.\$52,200 and as far as we know on this side, Sir, there has been no acrimony in the negotiations for the acquisition of this property.

The Government's position on this matter is that nobody will be taken advantage of in this acquisition and negotiations have been going on with the officials in the Ministry of Housing and Lands and the Government to facilitate an amicable settlement. I hope that answers your questions.

Mr. President, I move that the Senate concurs in this Resolution.

The question was put to the Senate and agreed to.

**RESOLUTION TO APPROVE THE LEASE
OF PROPERTY AT GOVERNMENT
HILL, ST. MICHAEL TO MR.
WILBERT CALLENDER**

Order No. 3 was called — To move the passing of a Resolution to approve the lease of property at Government Hill, St. Michael to Mr. Wilbert Callender.

MR. PRESIDENT: Senator Griffith.

SENATOR C. A. GRIFFITH: Mr. President, the object of this Resolution is for the Government to lease a piece of property in Government Hill for use by the Co-operative High School.

The Co-operative High School used to be situated at the corner of Constitution and Halls Road, but was completely destroyed by fire some years ago. The school was provided with temporary accommodation for some time and it also used a wooden annex at Grand View in Government Hill. The property at Constitution and Halls Road, in any case, would have been acquired for the purpose of road widening for the Roundabout in that area.

The rental, in the opinion of the Commissioner of Valuations for the property at Grand View, would be Bds \$72,200 a year.

Mr. President, I beg to move that the Senate do now concur in this Resolution.

MR. PRESIDENT: The Resolution that I have before me says Bds \$1,200.

SENATOR C. A. GRIFFITH: Mr. President, I am sorry. Let me make the correction quickly. The rental is \$1,200 a year.

The question that the Senate concur in the Resolution was put to the Senate and agreed to.

**RESOLUTION TO APPROVE THE COMPULSORY
ACQUISITION OF SEVERAL PARCELS OF
LAND AT BONNETTS, CHRIST CHURCH**

Order No. 4 was called — To move the passing of a Resolution to approve the compulsory acquisition of several parcels of land at Bonnetts, Christ Church.

Mr. PRESIDENT: Senator Griffith.

SENATOR C. A. GRIFFITH: Mr. President, Sir, the object of this Resolution is to facilitate the Government's efforts in providing a large scale housing development just outside the City area.

In 1978, Cabinet decided that an area of land at Bonnetts should have been acquired for this purpose. The area originally acquired in 1979 was a bit smaller than the project required and it has become necessary to acquire additional acreage so that the housing unit can be realigned and better roads provided. The total cost of the land to the Government is \$545 020. The actual development will entail 64 three-bedroom terrace units, 25 fully serviced lots — about 3,000 square feet each, appropriate recreational facilities to include a playing field and a hard court complex and provision for a day nursery and senior citizens recreational facilities.

This project which was started in January 1981 is in an advanced stage and in spite of the recent financial constraints in the country, it is expected that the project would be finished by mid-year.

Mr. President, I beg to move that the Senate do now concur in this Resolution.

Mr. PRESIDENT: It is proposed that the Senate concur in this Resolution. Senator Deane.

SENATOR C. I. E. DEANE: Mr. President Sir, I do not quite understand. Unless I heard wrong, this project is under completion now. It is being moved on now, but is the acquisition now being effected or should it have been effected before? I am just asking, Sir.

SENATOR J. C. W. WICKHAM: Mr. President, may I draw your attention to the Bill. In the printed text of the Bill, all these plots of land are referred to as being in Christ Church but on the plan which we have before us, the surveyors drawings show — "Locality: St. Michael". It may be a small point, but it comes to my mind because I did not know where Bonnetts was.

Mr. PRESIDENT: So long as everybody knows what they are dealing with. I presume they must have deeds and plans and things. Senator Griffith.

SENATOR C. A. GRIFFITH: Mr. President, Sir, in response to the question from Senator Deane, this is just a question of acquiring additional land. I thought I had made that point in my introduction.

As far as the other question is concerned, the housing development is on the border of Christ Church and St. Michael.

Mr. President, I beg to move that the Senate concur in this Resolution.

The question that the Senate concur in the Resolution was put to the Senate and agreed to.

**RESOLUTION TO APPROVE THE COMPULSORY
ACQUISITION OF LAND AT PROBYN
STREET, ST. MICHAEL**

Order No. 5 was called — To move the passing of a Resolution to approve the compulsory acquisition of land at Probyn Street, St. Michael.

Mr. PRESIDENT: Senator Griffith.

SENATOR C. A. GRIFFITH: Mr. President, the object of this Resolution is to acquire land at the back of the Plaza Cinema for the extension of the Fire Station in Bridgetown.

The Government in a previous decision, concluded that an area of Government land, aback of the Plaza Cinema and adjacent to the car park owned by the National Insurance Building should be exchanged for a similar area of land belonging to the owners of the cinema situated within the compound of the Central Fire Station, on which the alternator of the cinema was sited and that instead the land belonging to the owners of the cinema situated within the compound of the Central Fire station should be purchased outright by the Government at the price of \$2,800, so that the Fire Station can be extended.

The Government was informed at some point, that the owners of the cinema had not paid Entertainment Tax due for some time and it has been proposed that the amount to be paid by the Government for the purchase of the land should be offset against the amount owed by the cinema on account of the Entertainment Taxes due.

Mr. President, I beg to move that the Senate concur in this Resolution.

The question that the Senate concur in the Resolution was put to the Senate and agreed to.

The Sixth Order of the Day was called.

Mr. PRESIDENT: As far as I am aware, this particular Bill has not been circulated and we will not deal with it.

**THE BARBADOS LIGHT AND POWER COMPANY
(EXTENSION OF FRANCHISE) ACT, 1982**

The Seventh Order of the Day was called — to move the first reading of a Bill to make provisions respecting the extension of a franchise granted to the Barbados Light and Power Company.

Mr. PRESIDENT: Let it be recorded in the Minutes that this Bill has been read a first time.

I believe it is the Minister's intention to request the Senate to consider this Bill in which case we will move the suspension of Standing Order No. 45(2).

SUSPENSION OF STANDING ORDER

SENATOR THE HON. O'B. TROTMAN: Mr. President, as you have indicated, I propose to invite the Senate to consider the Bill this morning, and I beg to move that Standing Order No. 45(2) be suspended in order to accommodate the discussion on the Second Reading.

The question was put to the Senate and agreed to.

SENATOR THE HON. O'B. TROTMAN: Mr. President, the Electric Light and Power Act provides for the granting of a franchise to persons or companies in Barbados to provide electricity to this country or to various parts of the country. The present franchise which was granted to the Barbados Light and Power Company will expire in 1986. However the Government has recently guaranteed loans from an international agency for the Power Company and the Company therefore needs some assurance that they can continue if they are to repay the loans which have been underwritten by the Government.

The Act provides that the Minister may by order grant a franchise provided that the Act is amended to endorse the order, and that is why we have the Act before us this morning. The Minister under Cap. 278 I think it is, is empowered to make a provisional order which has to be endorsed by an amending Act, and the amending Act seeks to grant an extension of franchise of 42 years to the Barbados Light and Power Company.

I beg to move that the Bill be now read a second time.

The question was put to the Senate and agreed to.

Mr. PRESIDENT: I think we would like a little more enthusiasm in the "Aye" responses.

On motion of Senator the Hon. O'B. TROTMAN, the Senate resolved itself into Committee on the Bill, Senator J. C. W. WICKHAM in the Chair.

Clause 1 was called and passed.

Clause 2 was called.

SENATOR THE HON. O'B. TROTMAN: I beg to move that Clause 2 stand part.

SENATOR E. E. GREAVES: Mr. Chairman, just as a matter of information, this Section seeks to confer on the Barbados Light and Power Company the right to supply energy for all private and public purposes defined by that Act for a period of 42 years from August 1, 1986, and this section refers to the first and second Schedules of Cap. 278.

Looking at the First Schedule under the Section dealing with area of supply, I notice that there is a rather limited description of the area of supply here, that is, the environs of the City of Bridgetown within a distance of five miles of the limits of the City. I am wondering if the time has not come for this particular aspect of the legislation to be revised so as to make it neater.

It is true that under Section 5 of the First Schedule there is a subject relative to the Public Utilities Board, and I am wondering if the Minister could give any indication as to whether that incorporates that, or whether in truth and in fact a new look should not be taken at the Act with a view to modernising it and making it relevant to what goes on as far as the supply of electricity in Barbados is concerned. It is just a query.

SENATOR THE HON. O'B. TROTMAN: Sir, I was trying to find the actual correction to that, but I do know that that very point caught my eye when I was reading it, and I was wondering whether it was intended that the rest of Barbados should be without electricity, but it is provided for otherwise though I just cannot find the correct place now. It is provided for that the rest of Barbados can be provided by Light and Power, so they are not operating illegally really.

The question that Clause 2 stand part was put to the Senate and agreed to.

The Schedule was called and passed.

SENATOR THE HON. O'B. TROTMAN: Mr. Chairman, I beg to move that the Senate do now resume and the Bill be reported.

The question was put to the Senate and agreed to and Mr. PRESIDENT resumed the Chair and reported accordingly.

On separate motions of Senator O'B. TROTMAN, the Bill was read a second time and passed.

NATURAL GAS CORPORATION TRANSFER OF FUNCTIONS ACT, 1981

The Sixth Order of the Day was called — To move the First Reading of a Bill to repeal the Natural Gas Corporation Act and to make provision for certain matters consequent on the repeal.

Mr. PRESIDENT: I believe this Bill has now been circulated to honourable Members. Let it be recorded in the Minutes that this Bill has been read a First Time. Put it on the Order Paper for a subsequent Meeting.

PRIVATE MEMBERS' BUSINESS

Mr. PRESIDENT: Just before I call on Senator McClean, I believe that Senator Greaves would like to give notice of a Resolution under this subject. I will allow Senator Greaves to read his Resolution before we come back to Senator McClean's debate. Senator Greaves.

SENATOR E. E. GREAVES: Thank you, Mr. President. I beg to give notice of the following Resolution:

Whereas there is growing public disquiet over the proliferation of one-armed bandits (gaming machines) in Barbados

And whereas one-armed bandits operations are inimical to the best interests of the people of Barbados

And, whereas the widespread operation of these bandits can lead to a deterioration in the moral fabric of the Society

Be It Resolved that this Honourable Senate calls on the Government to review its policy on the operation of one armed bandits in Barbados.

Mr. PRESIDENT: Let the Resolution be put on the Order Paper for a subsequent Meeting.

RESOLUTION RE:DEFERRED TAXES AND NOTIONAL DEFERRED EXPENSES FROM THE COST OF ELECTRICITY SERVICES

The First Order was called — To move the passing of a Resolution calling upon Government to take immediate steps to ensure the exclusion of deferred taxes and

notional deferred expenses from the cost of electricity services.

SENATOR A. W. A. McCLEAN: Mr. President, this Resolution is of particular importance and of particular urgency to Barbados — given the present circumstances of our economy. I would first like to point out that the area which the Resolution calls upon Government to redress has been introduced into the public utilities rate making in respect to electricity by the Public Utilities Board acting within its authority and that the decision of the Board was also upheld by the Courts which did not consider any errors which might have been made by error of Law — and that is the extent of the discretion of the Court in terms of divorcing decisions of the Public Utilities Board.

Nonetheless I do believe the preamble to this Resolution is sufficiently explanatory to make it quite evident that the matter which we want to direct Government's attention to is indeed a matter of some urgency. I would like more or less to go through the various aspects of the preamble seriatim so to speak, so that members would be better placed to come to a decision on this matter as regards supporting the Resolution.

I think the first part of the preamble is fairly self-evident — that the survival of the Barbadian economy depends upon our ability to produce tradeable goods and tourism services at internationally competitive prices. Indeed, the motive force for all economic activity in Barbados has to do with our ability to earn foreign exchange from the rest of the world to give us the wherewithal to buy the things which we need to keep our economic activities going.

We recognise that Barbados is a small open economy which relies on imports to a high degree for the things which we consume and we can only acquire these imports if we are in a position to export and our exports depend upon our competitive position.

Now because Barbados is a small economy, it means that the scale of production which we have to confine ourselves to is such that we are essentially reasonably high-cost producers in relation to the rest of the world. What saves us is that our wages are decidedly lower in relation to the developed world and whatever type of efficiency that our businessmen seem to possess, but there is very little margin for manoeuvre in terms of unnecessary component of cost so that anything which businessmen are forced to pay which is not necessary is an impediment to their success, is a threat to the survival of the country. I think that is the essence of that particular point.

Then in relation to the second "whereas", "Whereas the technological constraints on production are such that

unnecessary increases in the electricity rates can destroy the competitive advantage of Barbadian industry", I have already indicated and spoken on that point that if you have electricity prices higher than they need to be, this is going to erode that little margin of viability which our industries have.

Now the third point is the substance of the Resolution. The Public Utilities Board has allowed the Light and Power Company to include in its revenue requirements — these are the amounts of money that would be considered to be recoverable by the rates — to include a revenue requirement for the provision of Deferred Taxes and something else called the Investment Allowance. Now, the idea of the Deferred Tax is quite familiar and quite orthodox in terms of accounting practices in non regulating industry. In non-regulating industry the price of the commodity is essentially what the market would bear and has nothing to do directly with their cost factors as such. It is what the market would bear. You know, if the market would bear a high price, you make high profits, if the market would not bear such a high price relation to their cost, the profits would not be so low. In that type of industry, you find that businessmen go in for what is called, "normalised accounting", that is, if they are allowed let us say, Accelerated Depreciation by Government for tax purposes in terms of costing out their expenses, their tax expense, they do not necessarily charge the tax expense on a payable basis. In other words, they might charge the tax expense as though Government were not giving them any Accelerated Depreciation and they would hold the extra, in this Deferred Account, Deferred Tax Account. So in the early years, they would be charging more for taxes in relation to any one specific piece of plant against which they allowed depreciation and in the later years, less. You call that normalising it and over the life of any one piece of plant, you find that the normalised tax receipts would be equal to what Government would have charged anyhow.

Now, in relation to the Light and Power Company there are two problems here. The main problem is that the Light and Power Company is a company which has to go on expanding, acquiring substantial new capital all the time, by the nature of it. There are some places, let us say, a store in Bridgetown, or a bank, you just get a building and that is the major capital expense and thereafter capital expenses are fairly trivial. So, you can go in for that type of normalisation and you would get what is called a reversal of the Tax Account. In other words, in the early period you would accumulate Deferred Taxes and then after that you would pay them out.

But when you have an industry which has to go in for capital investment on a continuing basis, not only

replacing investment but in expansion and where you have inflation that type of industry would never experience reversal. That is in relation to the old items. If you account for them on an item by item basis, this reversal would take place, but this would be swamped by the Tax Credit — by the Deferred Expenses associated with the new plant — and so, Light and Power would never have to experience a situation where that Deferred Tax Account would go back down to zero as would happen in most private businesses.

As such, when you base your costings on that approach, basically you are allowing the Light and Power Company to accumulate a Deferred Liability which theoretically is money that is to be paid to Government some time in the future, but will never be paid. That money does not belong to the shareholder. It just stands in the company. The most it would do is to make life easy for the managers. But, Barbados cannot afford the luxury of making life easy for the managers of the Light and Power Company to put them in a position where there can be less than prudent in their management.

That method of allowing for depreciation in Barbados allows this extra money to accumulate in the company — but, it does something else. It also increases the price of the electricity to the customers of Light and Power. If, let us say, Shipping and Trading or some company should adopt normalisation or not adopt it, that would make no difference whatsoever, as far as the customers going in the stores in Broad Street are concerned because their pricing is based upon other notions. The normalisation then is internal. It is a thing between the management and the shareholders and the revenue they get would be the same. It is just a question of how much they are embarking in such a way that it cannot be paid out in dividend at a given point in time. It is different for a regulated company. It increases the cost of the service and it increases the cost of the service in a way which does not benefit the shareholders.

Indeed, I was a bit amazed basically, that our Act went beyond a concern with the interest of the shareholders and the customers of the Light and Power Company to make it possible for our Law or Courts to countenance this particular provision. But, so it has happened. Now, the point therefore in relation to that is that the cost of electricity is thereby increased, not only to the extent of the amount of money which accumulated on the Deferred Tax Account, but this measure has put the Light and Power Company into a new situation altogether, without Deferred Taxes, without the two items here that this Resolution is speaking to.

The Light and Power Company would never ever have to pay Corporation Tax. The reason for it is that the liberal allowances that they get in terms of Accelerated Depreciation and initial investment allowances and so

on, would always swamp their income and they would have a notional, negative income position for tax purposes which can be carried forward all the time, from year to year. You ease up from the back one, but, a new one is there to be carried forward and so on. Of course, that is the situation facing the Inland Revenue. You have negative income for tax purposes. But, it does not mean that they do not have handsome Net Income, in terms of being able to pay dividends. They will. That has been the experience up to 1979, 1980, right.

Now that this deferred thing has come in, they will have to pay taxes because now the kind of leeway which you had there, in terms of that account is no longer present. You have to get enough revenue to reflect that depreciation cost as measured by Government, and all those allowances are measured by Government. So, that is going to put them in a tax position and, therefore, if they get one cent in Net Income to pay to the shareholder that is going to be taxable when you work out the whole thing, and therefore you are going to have to gross up that one cent, in terms of cost to the consumer and they are going to get one cent and Government will get 9/11 of one cent in taxes. So that, any amount which goes into those accounts will be matched by another 9/11 which we have to pay to go to Government. Well, there is nothing wrong with Government getting money but Government must get money in ways that are socially and economically efficient and getting it from the Light and Power Company is not the way. So, that has given you a double blow.

The other point is about the initial allowances. What happens here is Government when certain buses and the Light and Power is one acquire certain types of equipment, they allow what is called an initial allowance of 20 percent of the investment. So, if they invest \$5 million, they will get \$1 million that they can set that off against their income for tax purposes and the reduction in their tax position would then be 45 percent of that \$1 million, so to speak.

So they get this initial allowance which reduces the tax position, and that is something which does not reverse. It is different from the one about deferred taxes where, as I said, there is reversal on an item by item basis, but because of expansion there is never aggregate reversal. This is a non-reversible thing; it is an outright grant of 20 percent of the investment against your taxable thing, and I do not know, but the Public Utilities Board after rejecting this thing on two occasions saying that this was outlandish, came back at the last hearing and allowed the company to collect 19/20 of the amount of that initial allowance from the consumers as an expense, and they will put that into an account claiming that they will flow it back to the consumer over 20 years.

In other words, they give you 1/20 and then they would reduce the revenue requirements by 1/20 as they credit back that amount over 20 years, but every year another 19/20 of their current investment is going in there and investment is expanding. Even if investment remained static, it would take 20 years before it stabilised and they do not collect anymore from you, and then what they have there they would keep it and you would never get it back. There is no way that money can flow back to anybody, but they claim they are holding it now to flow back to customers later.

Mr. President, I do not know, but I seem not to be able to get certain people to understand that basically the argument about taking this money now and flowing it back to customers in the future was that the benefit of the tax credit would not accrue; all in the present was entirely spurious, because the particular measure means that consumers now and for every year as long as that thing remains in existence will have to pay higher electricity bills, and that is another amount of money that will go into a notional account to be credited back to cost payable by the consumers which will never be so credited. That account will grow and grow and grow. Again whatever amount goes into that account, there will be another 9/11 of it which would be paid out in taxes.

Another disadvantage of that system is that you find that it is going to create very serious problems for rate making. I would not be surprised if the Light and Power Company does not find it necessary to propose a change in the rates in the near future, not because the company as a company does not have a lot of money and have a very low overdraft position, but because from the time that these accounts are set up they become a first charge on the revenue of the company before the provision for dividends and so on. They become a first charge and so let us say at the time when the decision was made an amount of, let us say, \$1.8 million was provided for that type of purpose and the company should go in their given year and invest say, \$40 million or something like that. You find now that 90 per cent of that \$40 million would have now to be credited to that account as an expense as though it cost the company something to provide the service to the consumer, and then the accountants will have to tell the shareholders there is no money, it has all gone into the deferred allowance.

Then, they will come running to the Utilities Board and say you have to give the shareholders something, that is what the Act says. If the Public Utilities Board tries to relate to that and the next year they do not have an investment of \$40 million but it goes down to \$10 million, you are going to have too much money again. So you are going to get what I said at the time.

You get severe oscillation in terms of the net income position based on the present accounting system which is going to generate a high degree of confusion in terms of rate making, and all the time costing the country too much, and it is in these circumstances that I have decided to bring this particular Resolution.

There was, I rather suspect, particular types of influences that were brought to bear on whatever determination went into the emergence of this present practice. It is well known that World Bank statements were introduced into evidence to support these increased rates, but part of the problem is that the World Bank in terms of their conception of the way in which electricity should be costed has nothing to do with the interest of these particular countries. It has to do with introducing measures which will contain a growth in the demand for electricity for energy, because they feel that the world is so confronted with a problem. That may be all right for America, and America does not follow the World Bank type of suggestions.

In the context of Barbados, no type of energy conservation which is world oriented is of any point, because if we stop using oil from today onwards, the world supplies would not last one hour longer. That is our significance in the whole thing; so that type of perspective does not relate to our interests. Our use of these things must be bound up with our requirements for development and so on, and there is a very close correspondence between the use of energy and development. We should not be in the business of wasting energy, but we have to use it. If we do not use it, we cannot develop. You have to use more, but use it more efficiently, and over-pricing energy is going to inhibit the growth of our economy.

The type of practices that the World Bank would like to thrust upon regulatory authorities in places like Barbados, as I said, are totally alien to US practice and the World Bank people themselves admit that. It is there; it is nothing that they can deny. Also related to that, is some type of suggestion that the company had a big expansion programme and they needed to get some money to carry through this programme, and this is one way of getting the money. That, I submit, is also contrary to my interpretation of the intention of the Public Utilities Act. The whole point is that people are supposed to pay for the cost of providing them with an existing service and not to pay for services which you may or may not provide them in the future.

Expansion of a business is essentially no different from establishing a new business, and just as you will recognise that it would be unfair and indeed absurd for some particular company which is now starting up to go around and levy on Barbadians and say "come man, fork out some money to me, I am not giving any shares,

I am just taking your money because I am going to open something and sell you a service next year", just as that is absurd, it is equally absurd for an existing business to say "look, fork over some money to me; it really does not cost me that much to provide you with what I am providing you now, but I want to provide you with something more next year, give me some money now. I am not giving any shares, but you give me the money now and then I will give you the service."

Of course when they give it to you, they will charge you then too. That is the particular situation that we have been more or less persuaded to move into in relation to the Light and Power Company, and it is only because of that in my view, whether warped view, as to how you should go about financing expansion that I think we are in this basic position. But the essential point, Mr. President, is that the Barbadian economy at the moment is going through a period of recession. We correctly pointed out it is partly related to external factors, but there is an equal measure related to internal factors. When the Public Utilities Board granted the last rate increase, I predicted that this economy was going to go into recession in about six months, and it went into recession. They talk about the hotel industry overpricing and about Barbados being the most expensive place in the world now, and that this is a sudden thing. All this has emerged subsequent to that decision, and do you know why it has to be so? If you have to pay exorbitant electricity bills, you have to price your commodity accordingly, and the hotel industry was one which was inordinately affected by the new electricity rates, and that is one of the reasons why they had to adjust their rates that way. So this thing has already started to do severe damage to the Barbadian economy and if it is allowed to continue, it will be that much more difficult for our economy to become viable.

Already, as I said, the margin of viability is rather slender. It calls for skilful management and this particular measure is antithetical to everything that skilful management details.

I therefore move that the Senate concur in this Resolution.

SENATOR J. C. W. WICKHAM: Mr. President, I would wish to second Senator McClean's Resolution and reserve my right to speak at a later date.

Mr. PRESIDENT: The Resolution in the term stated is now proposed to the Senate. It seems to me that it would be a good policy if the Senate would agree to postpone further consideration of this Resolution so that Senator McClean's speech may be printed and circulated and Members may be able to digest it a bit more easily and then consideration of the debate can be resumed at a subsequent Meeting.

SENATOR O'B. TROTMAN: Mr. President, except there is strong objection, I beg to move the postponement of further consideration of the Resolution.

Mr. PRESIDENT: Is it your pleasure that further consideration of the Resolution be postponed?

(Members indicated "yes").

ADJOURNMENT

SENATOR THE HON. O'B. TROTMAN: Mr. President, I beg to move that the Senate do now adjourn *sine die*.

The question was put to the Senate and agreed to and Mr. PRESIDENT adjourned the Senate accordingly.
12.35 p.m.